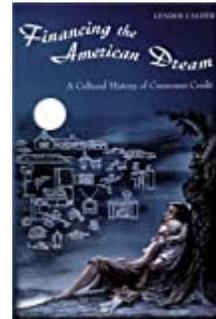


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Lendol Calder. *Financing the American Dream: A Cultural History of Consumer Credit.* Princeton, NJ: Princeton University Press, 1999. 377 pp. \$29.95 (cloth), ISBN 978-0-691-05827-6.



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If one had a group of historians formulate a list of key themes in twentieth century United States history, one would be very surprised if most of the lists did not include some variant of the topic, the emergence and development of a consumer culture. This pivotal aspect of contemporary society has had historians grappling with an array of issues ranging from the impact of mass production and distribution on consumption to the role of consumer intermediaries in the purchasing process. Yet a critical factor in the emergence and development of a consumer culture has received less scholarly attention than such areas as technology or advertising and public relations, namely, the proliferation of consumer credit, and this is Calder's focus. While his subtitle, *A Cultural History of Consumer Credit* would lead one to believe that he would deal with such issues as why consumers became increasingly willing to take on personal debt to acquire consumer goods or how race, ethnicity and gender affected credit access and usage, such questions are not his focus. Rather he traces the development of two key aspects of consumer credit: lending sources and prevailing "authoritative" attitudes towards credit and debt between 1870 and 1940.

Calder divides his examination of these two credit related areas into three parts. Part I discusses prevailing sources of consumer credit and financial experts' atti-

tudes towards debt during the late nineteenth century. Credit sources varied by economic class. Working class individuals turned to three primary institutions: pawnbrokers who exchanged household items for cash; small loan agencies, which were frequently illegal loan sharking operations; and retailers, particularly peddlers and borax retailers, who offered installment plans for purchasing furniture and clothing. According to Calder, while working class individuals turned to these sources to purchase items that helped them maintain their standard of living, the middle class used credit to acquire goods that improved their standard of living. For purchasing such items as furniture, pianos, and jewelry, they relied on the book credit systems and installment plans offered by area retailers and on family and friends. For financing home purchases, however, they turned to a variety of sources ranging from family members and mortgage banks to building and loan associations and real estate professionals.

By the late-nineteenth century, certain types of debt no longer carried a social stigma. While financial advisors still emphasized the Victorian principles of frugality, thrift, planning, and living within one's means, they found the use of productive credit, or credit used to enhance one's financial future, as wholly acceptable. In their view, productive credit included debt incurred in

purchasing a home or even such goods as sewing machines, furniture, or pianos. In contrast, the use of consumptive credit, or credit which satisfied an immediate need or wish that had little to no future value, was unacceptable. The only exception to this condemnation of consumptive credit was in the case of working class individuals who through no folly of their own had to go into debt in order to acquire basic necessities.

In Part II, Calder argues that by the 1920s, the mass production of automobiles and a wide array of consumer durables as well as increased competition between local outlets and mass retailers spurred the expansion and legitimization of two sources of consumer credit, personal finance companies and installment plans. Recognition of the ever-increasing need for small personal loans and the working class's reliance on small loan agencies as a credit source spurred Progressive period reformers to seek ways to eradicate the loan sharks who comprised the majority of small loan agencies. To accomplish this, they lobbied for states to enact Uniform Small Loan Laws that allowed small lenders to charge slightly more than the general loan rates in exchange for accepting the risk inherent in short-term lending. By 1932, 25 states had such laws. They also helped to establish the American Association of Small Loan Brokers, which in 1929 became the American Association of Personal Finance Companies. This organization fought for state regulation of the credit industry and established industry standards including uniform loan application forms and procedures and advertising guidelines. Moreover, these efforts at professionalization on the part of small loan agencies expanded their customer base to include members of the middle class. While installment purchases of such items as farm machinery, pianos and sewing machines were well established by the 1880s, installment buying remained the province largely of the working class. Yet by 1920, installment buying lost its class stigma and became the standard method for financing household purchases, regardless of one's class, caused by the increased demand for such expensive items as cars and household appliances and the rising number of local retailers and even catalog houses that responded to the burgeoning number of chain stores by offering installment plans.

The social acceptability of consumer debt accompanied the rapid growth of "legitimate" small loan agencies and installment purchase plans. In Part III, Calder argues that during the 1920s, E.R.A. Seligman served as the key figure in reinventing consumptive credit as consumer credit and convincing financial authorities that debt incurred for acquiring consumer goods was legiti-

mate and worthwhile. In a study commissioned by John J. Raskob, head of General Motors, Seligman argued that credit purchases were now an integral part of the modern economy and installment buying was vital to stimulating further economic growth and productivity. The concepts of productive and consumptive credit were no longer valid. The correct classifications were now producers' credit and consumers' credit, and both allowed borrowers to do things they could not otherwise do and required individuals to pay for things as they used them. Consumer credit required individuals to work harder and practice thrift and good financial management since they had to make regular payments. One could not condemn individuals for making luxury purchases since the definition of luxury varied by individual. There was, however, such a thing as foolish borrowing, which entailed running up debt for which one could not pay. While the onset of the Great Depression and arguments over the role of debt in causing the severe economic downturn slowed acceptance of Seligman's assertions, three depression-related events led to the eventual acceptance of his arguments by the end of the 1930s: the further adoption of installment plans by hold-out retailers such as Macy's, the establishment of small, short-term loan departments within commercial banks, and the expanded role of the federal government as a consumer lending institution through such programs as the Reconstruction Finance Corporation, the Farm Credit Administration, and FHA.

While Calder provides insight into the development of consumer lending institutions and changing attitudes towards consumer debt, his study is not a comprehensive cultural history of consumer credit because too many critical cultural aspects are either not examined or only noted in cursory fashion. The consumer credit sources discussed in Part I would not have existed or been able to expand without consumer demand. Yet Part I does not explain why working and middle class individuals were increasingly willing to incur debt to purchase ready-made clothing or such items as sewing machines and pianos. How did the notions of increased affordability and accessibility due to mechanized production and expanded distribution affect their willingness? Did certain items become more desirable, more of a life-necessity as individuals actually had access to the items and their costs could be covered within a seemingly reasonable time-frame? In fact, were individuals' views of life's necessities changing? How did the period's increased emphasis on the importance of leisure time, and the emerging notions of time-savings and efficiency af-

fect consumers' willingness to buy such items as pianos through installment plans and in the face of continuing admonitions about thrift, sound financial planning and the avoidance of consumptive debt? Were consumers' perceived need gratification time-frames changing and why?

There is also the issue of power. Access to credit is not just a critical component of purchasing power but power in general within modern day society. While Calder indicates throughout his analysis that credit access expanded during the late nineteenth and early twentieth centuries and suggests that individuals were screened for credit worthiness on an informal basis or through such formal means as credit applications, he never deals with the issue of who and what determined credit worthiness? How did prevailing notions about one's economic status, race, ethnicity or gender affect one's ability to get consumer credit? While Calder discusses the credit sources used by recently arrived immigrants during the late nineteenth century, he does not deal with how the replacement of immigrant community based loan shark operations and retailers with mass retailers and professional small lending institutions affected recently arrived immigrants' credit access. More importantly, the relationship between such racial groups as African-Americans and consumer credit is totally absent from his analysis.

Calder, however, does pay some attention to the issue of gender. In fact, his discussion of the role of women in nineteenth century small loan operations and how critics of consumer credit viewed women's credit worthiness raises intriguing questions. Calder points out that loan sharking operations often used women to deal with potential customers and to gain financial background information on customers. Why women? Did women lend respectability to their operations? Were women seen as less intimidating? Why would they hire women

when later credit operations, such as small loan agencies viewed women as only suitable for filling clerical positions? Moreover, as Calder points out in Part III, critics of consumers' increased reliance on credit saw women as both primary purchasers and abusers of credit. They argued that women had no financial sense and therefore used credit unwisely for unnecessary whimsical purchases or purchases that put undue burdens on families' financial wherewithal. Since men were rational and the primary producers, they needed to take charge of family finances and its use of credit. This seemingly contradictory attitude of being receptive to women as buyers but not creditors needs more exploration since it is key to understanding the discrimination women faced throughout the twentieth century in financial dealings and access to capital.

While Calder's study of the emergence and development of consumer credit institutions and financial authorities' attitudes towards consumer credit reminds historians that an examination of consumer credit is critical to understanding twentieth century mass consumer society, it also indicates that such an examination is incomplete unless one deals with such cultural aspects of consumer credit as the role of race, ethnicity, and gender in credit access and usage and underlying reasons for individuals' increased willingness to incur debt. Hopefully, Calder will continue to pursue the cultural dimensions of consumer credit in future work and deal with such important issues.

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