

ably fully half of the families within the United States have incomes well under \$2,000 a year. Even if they were \$3,000, or \$5,000, or \$10,000, consumer wants would be limited by these amounts, but at \$2,000 or less per family per year they are still more limited. In our speculation on what the limits of consumers' wants might be for any particular commodity it is clear that for most goods we reach those limits much more quickly if half or more of the people of the country live on incomes of less than \$2,000 a year instead of \$3,000 per year.

There is a multitude of demands made upon family incomes. There are the requirements for food, for clothing, for shelter, for home furnishings, for education, for amusements, for health maintenance, for travel, for taxes and many other items. Finally there must be savings. Some portion of each family income must be contributed to each of these requirements.

Studies made of family expenditures have always indicated a certain degree of regularity in the distribution of family income for various purposes. Thus, while the average income may be \$2,000 per year the industry producing a given commodity, such as an article of food or of wearing apparel, cannot hope for a general participation in the total income but must confine itself to efforts to share in that part expended for the class of goods in which this particular commodity falls. The sales of a breakfast food do not share directly in the distribution of the total family income but solely in that part of the family income expended for food and even more specifically only in that portion of food expenditures made by American families for cereals and cereal food products. Out of the ninety billion dollar total national income food expenditures probably do not exceed twenty-two billions of dollars of which cereal foodstuffs of all kinds, including not only breakfast foods but flour, bread, cake, crackers and so forth, amount to not more than four billions of dollars. The breakfast food manufacturer thus enters the competitive food markets fairly definitely limited in total expenditures to about 4 per cent of the national income and probably about 4 per cent or 5 per cent of the average family income. Considering the food habits of the people and the importance of competitive cereal products, such as bread, crackers and rice, the actual net market opportunity for the breakfast

food manufacturer comes down to less than 1 per cent of the average income possessed by a family.

Theoretically it may seem possible to capture some portion of the amounts expended by the public for other types of commodities if the proper methods of selling promotion are used. Undoubtedly this does sometimes occur. Perhaps the general demand for and purchases of automobiles have had the effect of cutting purchases for furniture, clothing, shoes, jewelry and even food. At least so many business men think. I do not know of any decisive proof of the point, but it may be safe to assume its accuracy. Practically, the difficulties of increasing the family purchases of certain commodities at the expense of other classes of goods are very great. If the individual family, which after all is the unit of which the entire consuming public is made up, spends too much for shoes it means that other wants will be deprived of satisfaction. Most people cannot buy more clothing and pass up the payment of rent and dentist's bills. Some rough sort of balance of the various necessities of life must be preserved.

Changes in purchasing power, of course, make important changes in the actual expenditures for every group of commodities. These changes affect consumption both as to amounts desired and prices paid. As purchasing power rises or declines regular sequences occur in the consumption of all classes of goods. These effects of changes in purchasing power are so systematic and so regular as to merit description by principle or law. Ernst Engel, of Prussia, formulated a statement of these changes in consumer wants nearly seventy-five years ago. Much progress has been made since in the correction and modification of these laws.

2. *Physical Limits of Consumption.* That consumers' wants have physical limitations is most clearly evident in the consumption of food products. The size of the human stomach and the food requirements of the body are the ultimate limits. It is true that among people below the poverty line there may be food inadequacy in quantity as well as in quality so that as incomes rise the quantity of food consumed also increases, but for families in moderate or better financial circumstances the limits of quantities of foods consumed are definitely reached. As incomes increase and standards of living rise, it is noteworthy that consumer demand changes by requiring greater varieties of

foods and more expensive foods but not greater quantities. In fact as incomes increase the demand for certain foods definitely declines because they are replaced by other items of diet.

The best advertising and sales promotion in the world cannot sell a man another meal just after he has had one, nor can the best sales promotion increase the consumption of bread or of fruits or of meats appreciably except at the loss of sale of other food products. Sales promotion, even when most effective in the field of food distribution, probably does not increase the total quantity of food consumption whatever. It merely centers consumer demand on specific commodities or specific brands and attempts to exclude or cut consumption of brands made by other manufacturers operating in the field.

The physical limits of consumers' wants are not so clearly defined for clothing, shelter, fuel and light and other commodities, but that there are limits can scarcely be doubted. Most men have fairly definite ideas of the number of suits of clothes and the number of pairs of shoes that they should have at any given time. It is true that these views differ from individual to individual. Probably such differences are due to differences in standards of living based on differences in income, in type of family life, in education, in social pressure and so on, but whatever differences there may be among individuals, the difficulties of selling any given individual more suits of clothes and more pairs of shoes after the requisite number to supply the individual's present standard of living has been acquired must be very great. Inducements to add to the wardrobe must either involve a change in the standard of living with all that this involves in the entire round of expenditures or there must be special concessions to induce the customer to buy and hold the additional goods for future use.

3. *Changing Living Conditions.* Consumer wants do change. Whether these changes are caused by fundamental factors, such as changes in income, changes in size of family, changes in education and social pressure, or as a result of sales promotion, constitutes an interesting subject for discussion which cannot be taken up here. Whatever their causes, obviously, changes are occurring in methods of living which in turn are reflected in great changes in consumers' wants. Some of the most outstanding current changes in living conditions are the dimin-

ishing size of the home, the decline of household industries and activities, the increasing tendency to rent rather than to own homes, and the growing patronage not only of laundries, bakeries and delicatessens but also of restaurants.

Each of these changes results in definite changes in consumers' wants. For example, the demand for foods which require much labor, time and skill in preparation at home is obviously declining. The demand for foods which may be easily prepared, requiring little time and labor, is clearly increasing. The changing character of the grocery store and of the food manufacturers who supply the grocery store furnishes striking evidence on this point. The old-time butcher shops dealing in roasts and other heavy meats requiring boiling, stewing or baking are declining. The delicatessens with their ready-to-serve foods are increasing. In fact there are those who believe that the old-fashioned meat market and, indeed, the grocery store, as such, will within a few years pass out and give way to a new type of food store largely specializing in the sale of ready-to-serve foods.

Within the home these changes are reflected in a declining use of the kitchen, declining demand for kitchen utensils, and in declining sizes of kitchens. There are students of changes in living conditions who freely predict that the private home dining room may pass out almost entirely within the coming generation.

Obviously the effects of these revolutionary changes which we are here sketching so briefly must seriously affect and limit consumers' wants for all sorts of house and home furnishings. It is certain that the kitchen and the dining room of the home of tomorrow will be very different from the old-time kitchen and dining room of our parents or the arrangements that pass for kitchen and dining room in our present apartments and houses. Certainly consumers' wants for the goods that are used in the home are definitely limited by these changes in living conditions.

4. *Competition of Other Goods.* Sales promotion methods might in many cases and in many lines successfully change consumer demand both for quantity and kinds of goods by causing consumers to turn from the consumption of certain goods to others. The difficulty about this suggestion for present day practice is that all types of commodities intended for consumption are pressed forward with