

at a minimum. And those who advertise or sell consumer merchandise may with profit take this to heart.

A recognition of this, and good use of it, may mean a recovery of prosperity to individual concerns, even though it may not generally revive the high days of profligate spending.

Frequently we are told that every recovery from a business depression has been paralleled by the commercializing of some great discovery or improvement or invention—the electric motor, the automobile, the transcontinental railway, the harvesting machine—something which widened the confines of human activity and improved the ability of man to win a living from his environment.

The idea may be worth thinking about that discovery of the consumer and the invention of better ways of appraising his wants in advance may be the great improvement in living conditions necessary to give recovery its impetus this time.

We have been assuming that recovery will first be noticed in the basic industries. This may be true. It certainly is true that the recovery cannot become general without showing itself fairly early in iron and steel, petroleum, automobile manufacture, building and the other great underlying industries. But it seems to be something more than an accident that many well-managed concerns even now are showing good profits. Within the past month there have come to my attention over fifty concerns which have shown this past quarter a marked gain in both volume and profits, and of these several bid fair to have in 1931 the best year in their history. This raises the question whether recovery is not likely to show first among the well-managed concerns in various industries in various parts of the country rather than in entire industrial or trade groups.

One significant common characteristic of all these prosperous concerns is the fact that they are companies which have a keen realization of the consumer's attitudes and desires and adjust their operations to these rather than to their own habits or traditions.

The three papers that we are presenting for discussion are concerned with this discovery of the importance of the consumer and with better ways of appraising his wants. Mr. Lough's paper, in discussing expenditures before and after the war and comparing some of the elements which have developed an appreciation of the significance of a spendable surplus, really gives the statistical background for the rest of the session and is, therefore, presented first. Mr.

Houser's paper on measuring consumer attitudes and Dr. Surface's paper showing the results of a series of studies made at the point where consumer attitude is translated into purchases of merchandise, that is, in the retail store, will follow in subsequent issues of the BULLETIN.

SOME eight or nine months back I undertook to collect opinions and data bearing on the trends of consumption in recent years. The supply of opinions, I soon learned, was ample. Unfortunately, many of them appeared to be expressions of preconceived theories of what people ought to want; and others seemed to be strongly influenced by self-interest—wish-fulfillments, they might be called. The supply of facts, or even of reasonable estimates, on the other hand, turned out even smaller than might have been anticipated.

This last remark is far from being intended to disparage the work of competent investigators, particularly Nystrom and King, who have made notable contributions to our factual knowledge of consumption and of retail sales. Nor is it intended to depreciate the great value of the Census of Distribution taken for the first time in 1930, a large undertaking which was intelligently planned and has been well handled throughout. My complaint is only that such efforts have been too few. They have not yet brought us to the point where we can look backward over a period of years and perhaps pick out trends which may reasonably be projected a little distance into the future.

Yet the urgent necessity of attaining a better understanding of consumers' demands can scarcely be questioned. These demands are the prime movers of all economic activities. They not only determine the salability of the immense variety of consumers' goods, but reach out through consumers' goods into the even larger field of producers' goods and dominate operations seemingly far removed from their influence. Consumers play the tune to which all trade and industry must dance. The penalty for any business enterprise that persistently fails to catch the tune is bankruptcy. The penalty for an economic organization which disregards the tune is a disastrous breakdown.

The reigning fashion at this moment prescribes that the responsibility for the present depression shall be placed on the war, reparations, tariffs, maldistribution of gold, or what have you, always excepting the possibility of mistakes by business executives. Reluctantly I begin to suspect that we might profitably search for

causes nearer home. Furthermore, it seems to me indispensable to full recovery that business should look farther ahead and become better prepared to adapt itself promptly to the powerful underlying trends of consumers' demands.

Another group for whom this subject should have a special interest consists of the exponents of master planning of economic life. Any scheme of control over production, regardless of its details, obviously implies a corresponding degree of certainty as to demand. One might expect to find, therefore, that at least one of the master-planners had paused from his exhortations long enough to investigate the nature and the ramifications of consumers' wants in today's mode of living; and perhaps to reflect on the practicality of forecasting them precisely or controlling them. So far as I can find, however, that basic question has been conveniently ignored.

If studies of consumption trends are to get us anywhere, it seems to me they must have three characteristics:

1. They must be *comprehensive*. It is a commonplace by this time to say that articles offered to consumers come into competition not only with closely similar articles but with many others serving somewhat the same purpose. An ice-cream manufacturer recently explained to me that his most dangerous competitors are the makers of soups and other canned goods; and he added with bitterness that they enjoy an unfair advantage in that they get their products into the stomachs of his customers before he has a fair chance. Indeed, each article competes with the entire range of goods which are constantly striving to attract consumers' dollars. Oil burners and mechanical refrigerators not only displace coal and ice but take their toll of money that might otherwise flow into automobiles, clothing, food, furniture, or somewhere else. The popularity of radios is believed to have reduced largely the sales of subscription books. Considering such facts, it seems possible that some of the earnest research devoted to laborious counts of this or that is liable to lead to some rather serious delusions, unless the findings are interpreted in the light of broad knowledge of consumption trends.

2. The studies must be directed toward *middle-period* trends. Dean Donham has recently emphasized the thought that human vision cannot reach into future generations; nor is it equal to the enormously difficult task of calculating year-to-year fluctuations; but it

should sometimes be able to see dimly what is going on over periods of, say, ten to thirty years. My impression is that the broader trends of consumption begin to become visible only if we look back over similar periods of time.

3. The studies must aim to *measure* changes in demand, not merely to record personal observations or guesses. It is unnecessary to enlarge on this requirement, since everyone will agree with it—in principle.

I trust that the listing here of these desirable characteristics will not be taken to imply that this paper is about to exemplify them. They are proposed only as standards to which any study of consumption trends should conform as closely as practicable. At this stage exact data are lacking; measurements are unavoidably crude and faulty. The most to be hoped for is that a few flickering gleams of light may be thrown on questions of interest both to business men and to economists.

This paper is in the nature of a preliminary report of an attempt to ascertain how American consumers as a body have spent their money in certain selected pre-war and post-war years. The report deals only with purchases of tangible commodities for personal or household consumption. It is labeled preliminary, because the study is still going on. Its results may later be modified to some extent by findings of the Census of Distribution not yet published. However, I feel reasonably confident that subsequent corrections will not greatly affect the main conclusions here.

Previous inquiries into retail sales volume have given little usable information as to the sales of separate commodities or groups of commodities. King's latest book includes, to be sure, a valuable chapter on wholesale and retail sales of the major classes of commodities; but the break-up seems to be chiefly on the basis of sources of data and consequently does not throw much light on trends of consumer demand and related questions. Nystrom and Hoyt have utilized typical family budgets as a means of making rough apportionments of expenditures among groups of commodities; but the results obviously rest on a very uncertain foundation and, moreover, are not comparable for different years.*

*The references in this paragraph are to (a) "The National Income and Its Purchasing Power" by Willford I. King, a publication of the National Bureau of Economic Research, 1930, (b) "An Estimate of the Volume of Retail Business in the U. S." by Paul H. Nystrom, *Harvard Business Review*, January, 1925, and (c) "The Consumption of Wealth" by Elizabeth Ellis Hoyt, a publication of The Macmillan Company, 1928.