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FOREWORD

In 1927, the phenomenal extension of instalment credit in the sale of consumer goods was matter to view with alarm or to note with satisfaction. Debate among the economists was spirited. By 1931, the rival camps were finding in the depression proof of their conflicting views—the one school insisting that instalment credit had accentuated the violence of the business cycle, the other observing with gratification the ability of this credit to withstand the extraordinary strains to which it was then subjected. Now, in 1935, interest in this controversy seems to be ebbing. The volume of instalment credit is expanding once more, and new commodities are being brought within its compass. The instalment credit sale is a *fait accompli*.

But interest in instalment selling has not subsided with the waning of efforts to categorize it as a force for good or evil in our economy. Instead, the focus of attention has shifted to its operation. Does this vast credit machinery, designed for the dispensing of billions, function satisfactorily? Is the time purchaser paying a reasonable price for the benefits which he secures or is he the object of exploitation? Does the structure of legal rules which has been converted to the uses of mass sales financing operate efficiently for the seller and equitably for the purchaser? These questions are prompting legislative inquiry and have already led to the enactment of a few regulatory measures. They are becoming increasingly the concern of students of merchandizing and credit problems, in their legal as well as social and economic aspects. The industry is conscious of their significance.

This issue is devoted to the consideration of certain phases of the problems of the modern retail instalment credit sale. Comprehensive an undertaking of this character cannot be. The retail sale is but the culminating step in an integrated economic process, many aspects of which, especially wholesale financing and manufacturer-dealer relationships, have important bearings on the topics selected for discussion. Moreover, the device of the instalment credit sale is employed by industries too numerous and too diverse to permit adequate treatment of the problems peculiar to each. It is obvious that the credit sale of a new automobile, handled by a finance company which must have regard for dealer goodwill, presents problems distinct from the operations of the vendor of questionable chronometers who stations himself at the factory gate on pay-day. But the area of problems is broader than that of

abuses, and the fact that large segments of the field of instalment credit selling are free from sharp practices does not render them any the less a fruitful field for study.

The symposium is directed toward two major problems: financing charges and the enforcement of instalment credit obligations. After an introductory article by Professor Nathan Isaacs depicting the relation between the development of instalment selling in modern business and the law, the problem of financing charges is introduced by Mr. Raoul Berger's article, "Usury in Instalment Sales." Mr. Berger's thesis is challenged as economically unsound in the succeeding article, "Commentary on 'Usury in Instalment Sales,'" a comment prepared by Mr. Stanley B. Ecker of Commercial Investment Trust, Inc., at the request of the editor. Dr. William T. Foster, Director of the Pollak Foundation for Economic Research, which has been active in the study of the instalment credit sale and in sponsoring legislation for its regulation, and Mr. LeBaron R. Foster, the Associate Director, have collaborated in the discussion of "Rate Aspects of Instalment Legislation." In that most important branch of instalment selling, the automobile industry, certain competitive practices among finance companies have tended to add to the burden borne by the consumer. This has been recognized by the industry itself, and its unsuccessful efforts to put its house in order through the medium of an NRA code are discussed in "The Consumer's Stake in the Finance Company Code Controversy," by the editor.

Turning to those problems which relate to the legal remedies of the instalment seller, Mr. M. William Adelson has undertaken a depiction of "The Mechanics of the Instalment Credit Sale," surveying the operation of legal rules and contractual provisions in the light of business practice, chiefly in the merchandizing of automobiles. A helpful commentary on Mr. Adelson's article has been secured from Mr. Joseph Myerson of Commercial Investment Trust, Inc., "Practical Aspects of Some Legal Problems of Sales Finance Companies." The chicanery which has invaded some branches of instalment selling and the work of an important agency for consumer protection are described in "Better Business Bureau Activities in Aid of the Time Purchaser" by Mr. Edward L. Greene, General Manager of the National Better Business Bureau, Inc.

The enforcement of small claims against the lower-income groups is a task for which conventional judicial machinery is ill-devised. Mass consumer credit has accentuated this problem. The City of Detroit has provided a laboratory wherein several experiments directed toward its solution are in process. These are described in "Devices for Liquidating Small Claims in Detroit" by Mr. Rolf Nugent, Director of the Division of Remedial Loans of the Russell Sage Foundation. The operation of the most important of these devices is illustrated in "Instalment Sale Contracts in the Detroit Conciliation Court," a series of case studies by Miss Mary Henderson Risk of the Russell Sage Foundation, which illumine not only the problems of collection but also throw light on the buying habits of time purchasers.—D. F. C.