

THE ORIGINS OF THE CREDIT RESEARCH CENTER

Since the earliest days of modern consumer credit as a significant American cultural and financial phenomenon, there has existed a center for research on consumer credit issues. Although the physical location and hosting institutions have changed over the years, the common bond uniting these centers has been a dedication to study the economic and social issues surrounding consumer access to credit and its subsequent use. Each of these centers of credit study has produced its own summary record of the state of credit research at the height of its period of activity. Looking at these collections today is instructive because they provide a useful long-term overview of the development of research in the field.

To be sure, there have been numerous other articles, monographs, and studies of consumer credit markets and institutions over the years outside of those conducted by formal centers. This research work began as long ago as the 1920s and certainly includes the efforts of the Russell Sage Foundation during that era that helped establish the rationale for developing a legitimate, regulated small-loan industry to defeat the rampant loan sharks of the time. Nonetheless, the groupings of studies prepared specifically as parts of broader, more comprehensive research programs on consumer credit are informative as a sequence of snapshots of areas that commanded the top priority of the day and the resulting research emphasis. It must be remembered, of course, that looking at the development of credit research this way probably overemphasizes data collection relative to the entire range of articles published over the decades because the output of these large empirical efforts consists largely of monographs. Nevertheless, looking at these compilations is still revealing.

During the 1930s, consumer-credit research centered at the National Bureau of Economic Research (NBER), a private organization which at that time was closely associated with Columbia University. By 1940-41, the NBER had published a series of monographs, which offered the first systematic glimpse of the growth of this field of research (*see* Table 1). Several aspects of this collection stand out.

First, an important task for early researchers on consumer credit was, in fact, gathering the data necessary to understand the field. Paucity of readily available data to study consumer-credit phenomena has plagued the field since its early days and is, too often, still an obstacle today. This has tended to skew the research work in the field away from testing theoretical models with someone else's facts, and toward attempts to answer the more fundamental question, "What is going on out there?" Even researchers undertaking simple empirical efforts often have needed to collect their own data before any modeling or sophisticated analysis was practical. This is apparent in the listing of the first grouping of NBER titles. Most of them focus initially on understanding the institutions in the field and on supplying the statistical information to study them more deeply.

Second, the early studies demonstrate that macroeconomic and microeconomic research concerning consumer credit phenomena both have a long history, extending at least to this period of the late 1930s. Each of these avenues of inquiry remains important today, having waxed and waned in relative importance in the intervening decades. Macroeconomics dominated the 1950s, but microeconomic issues made a comeback in the 1960s and 1970s.

Table 1. Financial Research Program of the National Bureau of Economic Research, Studies in Consumer Installment Financing, 1936-1941

Author(s)	Title
Ralph A. Young and Associates	Personal Finance Companies and Their Credit Practices
Wilbur C. Plummer and Ralph A. Young	Sales Finance Companies and Their Credit Practices
John M. Chapman and Associates	Commercial Banks and Consumer Installment Credit
Raymond J. Saulnier	Industrial Banking Companies and Their Credit Practices
Joseph D. Coppock	Government Agencies of Consumer Installment Credit
Blanche Bernstein	The Pattern of Consumer Debt, 1935-36: A Statistical Analysis
Duncan McC. Holthausen in collaboration with Malcolm L. Merriam and Rolf Nugent	The Volume of Consumer Installment Credit, 1929-1938
David Durand	Risk Elements in Consumer Installment Financing
Gottfried Haberler	Consumer Installment Credit and Economic Fluctuations
Ernst A. Dauer	Comparative Operating Experience of Consumer Installment Financing Agencies and Commercial Banks 1929-41

During the 1940s, there were wartime restrictions on consumer credit as economic stabilization measures. Government controls on credit extended into the immediate postwar era and were renewed during the Korean conflict in the early 1950s. Consequently, the macroeconomic importance of consumer credit was the object of intense government interest. Not surprisingly, this moved the center of credit research to the federal government and in particular to the Federal Reserve Board. In 1957, at the request of the President and the Chairman of the President's Council of Economic Advisors, the Federal Reserve, with the assistance of the NBER, undertook another group of research studies on consumer credit (*see* Table 2).

Examining this second group of studies today shows the concern at that time over the impact of credit on macroeconomic stability, almost to the exclusion of microeconomic studies. The terms "Regulation" and "Control" used in the titles of studies during this period always refer to selective control over consumer credit supply for macroeconomic stabilization purposes. Data gathering was still important, but there was less overall emphasis on

understanding the institutional aspects of credit suppliers than there had been before the war. Of course, it was also true that the institutions themselves were more familiar by this time.

Table 2. Studies of Consumer Credit: Board of Governors of the Federal Reserve System and the National Bureau of Economic Research, 1957

Author(s)	Title
Federal Reserve Staff	Part I Volume 1: Consumer Installment Credit, Growth, and Import (16 Chapters)
Federal Reserve Staff	Part I Volume 2: Supplements
	Financial Characteristics of Principal Consumer Lenders
	Consumer Credit and the Credit Market
	Automobile Installment Credit Terms and Practices
	National Survey of Households: 1954-6: Debt Status, Car Purchases, and Home Ownership
	Consumer Installment Credit and Its Regulation Abroad
	Alternative Statutory Approaches to Installment Credit Regulation
National Bureau of Economic Research	Part II Volume 1: The Problem of Consumer Credit Regulation, The Position of Consumer Credit in the Economy and Its Bearing on the Problem of Regulation
Geoffrey H. Moore and Thomas R. Atkinson	Introduction
Don D. Humphrey	Installment Credit and Business Cycles
Geoffrey H. Moore, Thomas R. Atkinson, and Philip A. Klein	Changes in the Quality of Consumer Installment Credit
Ervin Miller	Consumer Credit and Economic Growth
John S. Atlee	Consumer Credit Expansion: Macroeconomic Analysis and Data Requirements
Eli Shapiro and David Meiselman	The Financing of Consumer Credit Institutions
Donald P. Jacobs	Sources and Costs of Funds of Large Sales Finance Companies
Theodore A. Andersen	Market Practices in the Consumer Lending Industry
George Katona	Attitudes Towards Saving and Borrowing
John B. Lansing, E. Scott Maynes, and Mordechai Kreinin	Factors Associated with the Use of Installment Credit
James Tobin	Consumer Debt and Spending: Some Evidence from Analysis of a Survey
National Bureau of Economic Research	Part II Volume 2: The Problem of Consumer Credit Regulation, The Pros and Cons of Consumer Credit Regulation
Marcus A. Nadler	For Standby Consumer Credit Control
Robert P. Shay	Consumer Credit Control as an Instrument of Monetary Policy for Economic Stability
Milton Friedman	Consumer Credit Control as an Instrument of Stabilization Policy
Edward C. Simmons	Consumer Credit Control and Central Banking
Assembled by George D. Bailey for the Federal Reserve	Part III: Views on Regulation

Nature and Scope of This Study
Trade Associations
Commercial Banks

Table 2 (continued). Studies of Consumer Credit: Board of Governors of the Federal Reserve System and the National Bureau of Economic Research, 1957

Author(s)	Title
	Sales Finance Companies
	Consumer Finance Companies
	Manufacturers
	Department Stores
	Mail Order Companies
	Automobile Dealers
	Furniture Stores
	Appliance and Radio-TV Dealers
	Jewelry Stores
	Power and Light Companies
	Consumer Groups
Federal Reserve Staff	Part IV: Financing New Car Purchases (7 Chapters)

By the early 1960s, the wartime controls of the 1940s and early 1950s had receded into history and the center of interest in consumer credit research returned from the federal government to the private sector. In 1959, four large private companies (Associates Investment Company, C.I.T. Financial Corporation, the General Motors Acceptance Corporation, and Pacific Finance Company) made a large financial grant to the National Bureau of Economic Research to re-institute its program of consumer-credit research, which it did over the years 1959-1964. Another group of books and papers was forthcoming, and another bibliography memorializes the examination of consumer credit markets at that time (*see* Table 3).

Table 3. Financial Research Program of the National Bureau of Economic Research, Studies in Consumer Installment Financing, 1959-1966

Author(s)	Title
F. Thomas Juster	Household Capital Formation and Financing, 1897-1962
Paul Smith	Cost of Providing Consumer Credit: A Study of Four Major Types of Financial Institutions
Philip A. Klein	The Cyclical Timing of Consumer Credit, 1920-67
F. Thomas Juster and Robert P. Shay	Consumer Sensitivity to Finance Rates: An Empirical and Analytical Investigation
Robert P. Shay	New Automobile Finance Rates, 1924-62
Paul F. Smith	Consumer Credit Costs, 1949-59
Geoffrey H. Moore and Philip A. Klein	The Quality of Consumer Installment Credit
Richard T. Selden	Trends and Cycles in the Commercial Paper Market
Wallace Mors	Consumer Credit Finance Charges: Rate Information and Quotation

Looking at the group of reports from the early 1960s, one can't help but notice how much the issues have remained the same over a long period, despite changing emphasis in individual reports and constant evolution and updating in the markets themselves. Studies in the 1960s demonstrate continued attention to the macroeconomic concerns of the previous decade, including cyclicalness of consumer credit, along with greater relative attention to the microeconomic issues of a generation earlier. The latter include such matters as individual consumer behavior and institutional cost structures. Data gathering projects were still important during the 1960s, as they have been throughout the history of consumer credit research, but micro- and macroeconomic studies predominate, and they overshadow the studies of institutions.

The one truly new issue over the whole 60-year development of consumer credit research emerged in the late 1960s and had a large impact on the direction of consumer credit research over the remainder of the century. Consumer protection became an accepted rationale for federal government intervention in the functioning of credit markets. New research projects arose in the 1960s from the growing debate over whether protection should be a conscious policy of the federal government. Consumer protection in the form of government mandates in the credit area was not a novel idea in itself, but before the 1960s it was largely considered the responsibility of state governments.

The locus of government consumer-protection programs changed in the 1960s, or at least it spread out, as almost a full decade of discussion of the federal government's role in consumer-credit protection culminated in the advent of a new approach to assisting consumers: the protection stemming from information disclosures. Beginning May 29, 1968 with passage of the Truth-in-Lending Act as Title I of the Consumer Credit Protection Act and extending over the next three decades, information disclosures became the foundation of federal methods for protecting consumers in credit and other financial transactions. Additional legislation over the following decades extended the information protection concept to many other aspects of consumer financial services including: mortgage settlement and escrow accounts (Real Estate Settlement Procedures Act, 1974); consumer leasing (Consumer Leasing Act, 1976); electronic transfers of deposit funds (Electronic Fund Transfer Act, 1979); and interest and fees on deposit accounts (Truth in Savings Act, 1991). Even protections whose primary thrust was to affect the behavior of institutions (for example, the Equal Credit Opportunity Act, 1974 and 1976; Fair Credit Reporting Act, 1971) contained significant disclosure provisions.

Considerably less well known than Truth in Lending was Title IV of the same Consumer Credit Protection Act of 1968, the title that established the National Commission on Consumer Finance (NCCF). This Commission was a nine-member body (three senators, three members of the House of Representatives, and three public members appointed by the President) with a

small full-time staff and a group of outside academic contractors charged with undertaking new research on consumer credit. From its offices on Sixteenth Street in Washington, only three blocks from the White House, the NCCF shifted the focus of consumer credit research back to the federal government for a few years until it issued its *Report* (National Commission on Consumer Finance, 1972) and officially expired on December 31, 1972. Even following its official ending date, the NCCF remained, in a sense, the center of credit research for several years. Its recommendations were publicly debated in legislative halls throughout most of the 1970s and its studies continued to appear from the U.S. Government Printing Office (GPO). In all, the GPO published 22 studies for the NCCF in six volumes and made available another six reports in unpublished form (*see* Table 4).

Table 4. Technical Studies of the National Commission on Consumer Finance, 1973

Author(s)	Title
Volume I	
Robert P. Shay and Milton W. Schober	Consumer Awareness of Annual Percentage Rates of Charge in Consumer Installment Credit: Before and After Truth in Lending Became Effective
George S. Day and William K. Brandt	A Study of Credit Decisions: Implications for Present and Prospective Legislation
Terry Deutscher	Credit Legislation Two Years Out: Awareness Changes and Behavioral Effects of Differential Awareness Levels
Volume II	
George J. Benston	The Cost of Extending Consumer Credit at Consumer Finance Companies and Commercial Banks
George J. Benston	Continuous High Interest Rate Borrowing and Consumer Welfare: An Analysis of Maine's "36 Month Limitation" on Finance Company Small Loans
Thomas A. Durkin	A High Rate Market for Consumer Loans: The Small Loan Industry in Texas
Thomas F. Cargill	Performance of Limited Income Credit Unions: 1969-70
Volume III	
Robert P. Shay and Milton W. Schober	A Statistical Compilation of Credit Rates, Extensions, and Outstandings in Consumer Credit Markets in the United States in 1971
Volume IV	
Douglas F. Greer and Robert P. Shay (editors)	An Econometric Analysis of the Consumer Credit Market in the United States in 1971
Douglas F. Greer	A Theory of Credit Rationing
Douglas F. Greer	An Empirical Analysis of the Personal Loan Market
Douglas F. Greer and Ernest A. Nagata	An Empirical Analysis of the New Automobile Loan Market
Ernest A. Nagata and Douglas F. Greer	An Empirical Analysis of the Other Consumer Goods Credit Market
Ernest A. Nagata and Douglas F. Greer	An Empirical Analysis of the Mobile Home Credit Market

Robert P. Shay	The Impact of State Legal Rate Ceilings on the Availability and Price of Consumer Installment Credit
Richard K. Slater and Douglas F. Greer	The Role of Finance Income in Gross Profit Margins of Automobile Dealers
Volume V	
	Creditors Remedies and Contractual Provisions: A Legal and Economic Analysis of Consumer Credit Collections

Table 4 (continued). Technical Studies of the National Commission on Consumer Finance, 1973

Author(s)	Title
Volume VI	
William C. Dunkelberg	An Analysis of Rate Regulation in the Consumer Credit Industry
Paul F. Smith	The Status of Competition in Consumer Credit Markets
Unpublished Studies (Available at the National Archives)	
Gary G. Chandler	An Analysis of the Debt Positions of Poverty Area Families
Ronda F. Paul	A Study of Credit Granting Systems for Low Income Consumers
Darrell A. McNabb	An Inquiry into the Response of Durable Goods Retailers to a Reduction in the Statutory Ceiling on Consumer Credit Charges
Stephen M. Crane	A Study of Deficiency Suits for Automobile Credit Transactions in the District of Columbia
Milton W. Schober	A Study of the Costs of Extending Retail Sales Credit
Sylvia Lane	An Analysis of Credit Counseling Programs

The NCCF studies illustrate continued focus on the microeconomics of consumer credit after this topic's rebirth as a research area at the end of the 1950s. More importantly, the NCCF studies clearly demonstrate the growing importance of consumer protection measures for credit-research directions. An entire volume of NCCF studies (Volume I) focused on Truth in Lending, and two volumes were devoted solely to the microeconomics of pricing and competition (Volumes IV and VI). Another volume contained results of a massive data collection effort (Volume III), and the other volumes examined a variety of economic issues associated with consumer protection and institutional change.

Shortly after the NCCF passed into history, a group of industry executives who were interested in encouraging continued research of the sort undertaken by the Commission met with one of its former commissioners, Professor Robert W. Johnson. Through generous grants, the group established the Credit Research Center at Purdue University in 1974. Since its founding, the CRC has issued more than one hundred working papers and monographs on consumer and mortgage credit, focusing especially on public-policy matters.

REFERENCES

National Commission on Consumer Finance, *Consumer Credit in the United States: The Report of the National Commission on Consumer Finance* (Washington, D.C.: U.S. Government Printing Office, 1972).

NOTES

Excerpted from Chapter 1 in Durkin, Thomas A. and Michael E. Staten (eds.), *The Impact of Public Policy on Consumer Credit* (Boston: Kluwer Academic Publishers, 2002).