

HOW MANY AMERICAN PEOPLE CAN AFFORD AUTOMOBILES?

THE family skeleton in the closet of the motor makers, kept for private inspection only, is the "saturation point" of the market. The ghost thus far has kept in retirement, for, in spite of frequent predictions that the time is about due for it to walk abroad, the public's buying ability has continually advanced and the appearance of the spook has always been indefinitely postponed. Time was when it was thought that the use of pleasure cars would never extend beyond the 15,000 families whose incomes exceeded \$10,000. That it would be seriously considered by the 200,000 families with incomes of from \$5,000 to \$10,000 was gravely doubted; and at an early stage of development the suggestion that the 400,000 households with incomes of from \$3,000 to \$5,000 could buy and support cars was "conclusively proved to be impossible." Yet look at the registration figures in the United States to-day—in excess of 7,000,000 cars!

Taking the most carefully estimated figures available, families with incomes of from \$2,000 and upwards number some three million units. It is apparent, therefore, that we must locate over one-half of the motor cars with families or individuals whose estimated cash income is \$2,000 or less. This, as Park Mathewson, vice-president of the New York Business Bourse, observes, in *Forbes*, opens up possibilities of auto sales running into very high figures, especially with an increasing ratio of earnings per family.

Figures show that possibly 80 per cent. of all cars made are produced by seven of the popular-price manufacturers—Ford, Willys-Overland, Chevrolet, Dodge, Buick, Studebaker, Maxwell. Hence, from present indications it appears that, for some time to come, the

Current Opinion: February, 1922

"higher priced" cars will not be produced in sufficient quantity to saturate their market, even tho it be limited to a comparatively small proportion of the auto-buying public. Altho the problem of the higher-priced car is well worth considering, it is declared to be of no such importance as that of the popular-priced car.

The overshadowing problem in the motor industry is that of demand, supply and saturation point in the field covered by the pleasure cars whose price appeals to the masses. In this class one manufacturer alone advertises his capacity as a million cars a year, which is about one-seventh of the number of all automobiles in use in this country. It is suggested that, "allowing an average yearly production of three million cars for the next ten years, and giving the cheap ones an average life of six years, the hypothetical market would not be saturated in a decade, even if wealth and population stood still."

Figures compiled by one of the large trust companies showed that during the war the three family groups enjoying incomes of from \$1,000 to \$4,000 could contribute, in one year, to the purchase of Liberty Bonds as follows: Group one, \$209; group two, \$518; group three, \$931. On the basis of the same investment per annum in a motor car and its up-keep, if payments were extended over a four-year period, it is evident to the *Forbes* statistician that an individual in these groups might buy an automobile costing \$700, \$1,200 or \$2,000 each. Assuming that these groups consist in 1920 of the same number of families, they could, on the same reckoning, buy over sixteen million autos at between \$600 and \$700 and half a million machines at around \$2,000.