

Personal Debt Up Sharply In 1959 As Growth In Savings Shows Decrease; "Buy Now And Pay Later" Is Factor

The American people last year added only 62 cents to their accumulated long-term savings for every dollar of the net increase in their personal borrowing.

The 1959 relationship represents an abrupt about-face from the previous year when the people's "nest egg" in accumulated long-term savings grew by \$1.38 for every dollar of personal debt increase during that year, and likewise from 1957 when the ratio was \$1.12 in increased savings for each dollar of debt expansion. In fact, the relationship last year was the most unfavorable with respect to savings since 1950 when it was affected by the carryover of wartime consumer goods shortages plus the onset of the Korean conflict.

Check to Savings Growth

A big factor behind last year's development was a sharp reversal in the growth trend of accumulated long-term individual savings since the mid-Fifties. Combined with this was the establishment of a new record in personal borrowing, with the more traditional types of debt incurred to buy homes, cars and other goods swelled by the rising prevalence of "Buy Now, Pay Later" plans.

It is true, of course, that the American people have other large financial resources, such as increasing equities in homes, ownership of securities, and holdings of currency, plus the growing assets of pension and retirement plans. And it is a fact, too, that individuals last year were large buyers of high-yielding Treasury notes, much of this at the expense of savings accounts.

Nonetheless, the 50 per cent jump in the expansion of personal debt in 1959, over the growth in 1958 is causing concern. Equally disturbing is the reduced growth in savings, particularly so with respect to the vital area of capital formation, in which personal savings and the people's thrift institutions play such a fundamental role in promoting economic growth.

Debt and Savings Data

The figures show that personal debt crossed the \$200 billion

mark for the first time in 1959, rising to an estimated \$211.8 billions at the end of the year for an increase of \$21.1 billions over the year before. This increase was \$7.4 billions more than the rise in 1958, and topped the previous record annual debt expansion of just over \$20 billions in 1955. The debt figures comprise mortgages on one-to-four family nonfarm homes, consumer credit, life insurance policy loans, and farm mortgage and non-real estate debt.

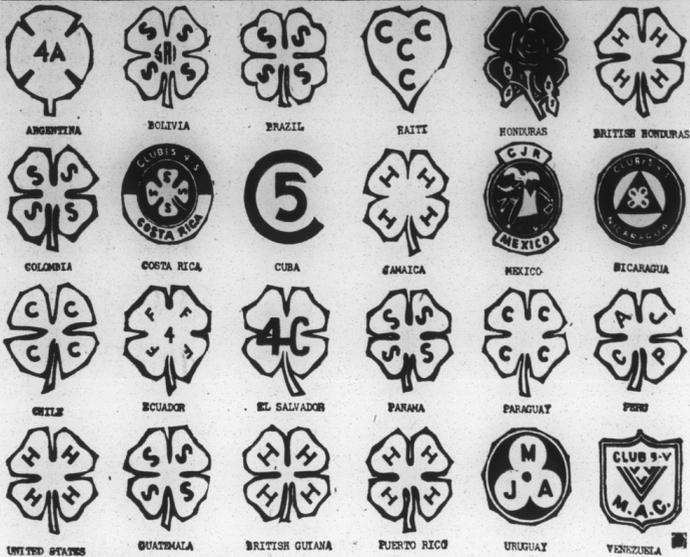
At the same time, total accumulated long-term savings of individuals grew by just over \$13 billions in 1959 to reach an estimated \$294.4 billions at the year end. Last year's increase compared with a rise of just under \$19 billions in these savings in 1958, and represents one of the smallest annual gains in several years. These savings, compiled by the Federal Home Loan Bank Board, consist of savings accumulated behind life insurance policies, accounts in savings and loan associations, time deposits in commercial and mutual savings banks and in Postal Savings, accounts in credit unions, and redemption value of U. S. Savings Bonds held by individuals.

A breakdown of the savings figures shows that savings in life insurance increased \$4.4 billions in 1959, virtually the same as the year before. The net growth in savings and loan associations was \$6.6 billions for the year, up a half billion over the year before while credit unions showed an increase of about \$100 millions over the half billion growth in 1958. However, savings deposits in mutual savings banks showed a net increase of only \$900 millions last year as compared with \$2.3 billions in 1958, and the comparable figures for time deposits in commercial banks were \$2.7 billions as compared with \$6.3 billions. Redemption value of U. S. Savings Bonds held by individuals declined by \$1.9 billions during 1959, nearly four times the drop in the year before.

Pacesetters in Borrowing

Home mortgages paced the

4-H's Clover Leaf Grows in Latin America Too!



DEARBORN, MICH.—The famed symbol of the American 4-H Club takes many forms as the rapidly growing movement spreads through Latin America. Illustrated above are the insignias collected, along with detailed information on the young Latin American movement, for the first edition of Ford Motor Company's Yearbook for Rural Youth. The book, first of its type, will also be published in Spanish and Portuguese next month.

growth in personal debt last year. Preliminary figures place the mortgage debt on one-to-four family nonfarm homes at the end of 1959 at just over \$131 billions, a rise of \$13½ billions over the year before and a billion dollars greater than the previous annual record set in 1955. Housing starts in 1959 were about the same as 1955, but the mortgage borrowing total was boosted by the inflation of home construction costs in recent years, the growth in demand for larger homes, and the trend toward smaller down payments. Consumer credit was the other big personal debt booster last year, with a net rise of just under \$6½ billions to bring the total to a new high estimated at \$52 billions at the year-end. The only year to show a gain this large was 1955. Then the big factor was a boom automobile sales year, but the recent proliferation of revolving credit programs and other individual borrowing plans throughout the range of consumer expenditure has become a more significant influence.

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How To Cut Down Your Electric Bill

Looking for ways to cut costs? Then try some of these suggestions for saving electricity:

- Keep your wife from setting the furnace thermostat too high. Train her to keep on the move and keep warm nature's way.
- Be sure wiring is heavy enough to carry the power you need. Electricity wastes itself trying to crowd through small wires.
- Cook everything rare. A little step each day and you can soon eat it raw.
- Be sure that wiring does not come into contact with water pipes, eave spouting, trees or roofs of buildings.
- Marry girls off young. Let some other dope heat their irons.
- Give motors and equipment a periodic inspection. The squeaky wheel uses more kilowatts.
- Go to bed earlier.
- Place your water heater as near the sink, lavatory and bath tub as possible.
- Use small pipes and insulate well on long runs.
- Don't bathe your kids too often. If they smell, send them outside to play.
- Stop all faucet leaks. You pay to pump and heat water. Why waste it?
- Ditch your TV (not a bad idea!).
- If a fuse blows, find the cause and correct it.
- Don't pay your electric bill and be disconnected. This will save everything!
- Pay your electric bill before the 10th of the month and save the collection charge.
- Go to church frequently. While there, your TV, radio and other equipment will not be in use.
- Locate your refrigerator and freezer where they will not be in a direct blast of your heating system.

Visit your friends and relatives as often as possible. Accept their invitations to stay for meals—even for baths if invitations can be arranged. Their water is just as good as yours.

Qualified

Calling up a certain important woman, the lady gushed, "I hear your husband is to be appointed to a Cabinet post. If that is true, do come to dinner at my place next Tuesday. If it isn't, then do come in for coffee afterwards."

Struck It Poor

Some young men who leave home to set the world on fire have to come back for more matches. — Corn Belt Livestock Feeder.

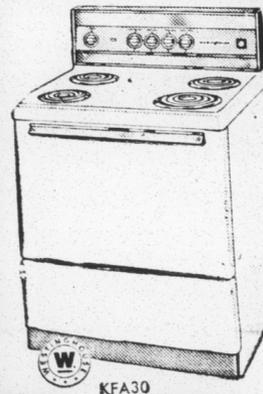
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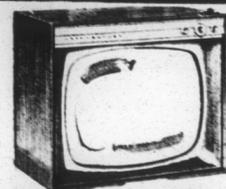
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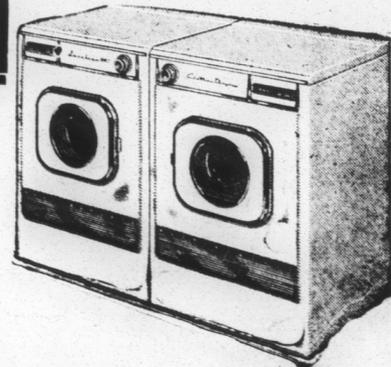
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