

US History
Social & Economic History of the 1950s

Learning Target:

I can identify and examine two of the most important factors of the affluent society of the 1950s, discretionary income and credit.

2. Discretionary Income and the Growth of Credit

Discretionary Income –

-Income above what was needed to buy necessary goods and services or money to buy what you want not just what you need.

Areas of Need –

1. Food
2. Clothing
3. Shelter
4. Transportation

-Even in these areas of need one can spend discretionary income

John Kenneth Galbraith –

-The Affluent Society – (1958)

-Discovered Americans had an excess of discretionary income at the end of WWII

Where did this discretionary income originate?

-Growth of Savings During WWII –

- Wartime jobs and depression spending habits
- Wartime rationing forced saving money
- Led to discretionary income
- Income led to desire to purchase consumer goods (washers, dryers, tv's, etc . .)

Conclusions –

-Discretionary Income available to Americans at the end of WWII caused the American economy to takeoff and also changed US culture.

Credit –

“During the Depression and World War II, many Americans had dreamed about buying a home or a car. In the affluent postwar years they could satisfy their deferred desires. Families purchased not one but sometimes two cars and equipped their new homes with the latest appliances and amusements – dishwashers, television sets, and stereo sound systems. When they lacked cash to buy what they wanted, they borrowed money.”

What does society do when it runs out of savings?

- They use credit
- Two types of credit –
 1. Installment Purchasing Plans – Homes and Cars
 2. Credit Cards – Visa, MasterCard, Discover, American Express

The Birth of the Credit Card –

- Diner’s Club Credit Card (1950) –
 - Frank McNamara
 - A lawyer who forget his wallet when eating at a NYC restaurant
 - Diner’s Club Card created
 - 27 restaurants and 200 people
 - By end of 1950 20,000 people had a card

- Bank Americard (1959) –
 - Bank of America intrigued by Diner’s Club Card
 - Created the 1st national credit card – Bank Americard
 - Became VISA in 1977 and gained international acceptance

Growth of Credit –

1946 – 8 billion
1950 – 21 billion
1959 – 47 billion
1960 – 56 billion

Conclusions –

- Credit helped to sustain the postwar economic growth.
- Credit is still the economic basis of the American consumer culture.