

In a sense, definitions are names we agree to give to things, and the most important element is precision of expression and consistency of use both by the definer and by all others dealing with the same reality. It is quite true that a definition, to be meaningful, must be related to the purpose of the discussion in which it is used. For this reason, legal and economic definitions do not have to withstand the same tests. In economic analysis, for instance, trends in the magnitude of consumer credit are important items of information. For legal purposes, however, the precise nature and essence of the business transactions are more important than their volume or fluctuation.

One way to define consumer credit is to say that it is purchasing power advanced to individual consumers, usually in relatively small amounts, for the purchase of consumer goods and services.³ This definition advances the present discussion only insofar as it includes all those transactions to which consumer-credit legislation can reasonably be directed. Because of the difficulties in classifying types of credit, the definition, to be helpful, must be construed broadly. If legislation cannot precisely include those activities which are capable of producing the evil sought to be prevented, it seems more appropriate, in view of the desired objectives, that such legislation be overinclusive rather than underinclusive.

The difficulties inherent in defining and classifying the various types of consumer credit were well stated by Albert Hart:

The loan classification of the Federal Reserve . . . shows a mixture of at least three classification principles: (A) the line of business in which the borrower is engaged . . . ; (B) the type of collateral . . . ; (C) the purpose of the loan Since the "purpose" of a loan can often be described in several alternative ways, many economists are skeptical of principle C. If either A or B—preferably both—could be carried consistently across the whole mass of loans, bank statistics would be more illuminating.⁴

In viewing broadly the nature of consumer credit, therefore, one must consider an important principle more properly applied to all credit and not just to consumer credit:

The purpose of consumer credit is to enable the borrower to enjoy income before he has earned it or received it. Consumer credit comes into existence whenever an individual acquires

³ As normally used in banking statistics, the figures for consumer credit exclude borrowing for investment in securities, real estate, or home construction.

⁴ Hart, *Money, Debt, Economic Activity* 55 (2d ed. 1953).