

Did watching television put Americans in debt?

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A new study conducted by researchers at Hunter College reveals that the role of advertising in household consumption and debt may be greater than suggested by existing research. Drs. Matthew Baker and Lisa George (Economics) analyzed the effect of television penetration on debt using household finance measures drawn from the annual Survey of Consumer Finances covering years 1946 to 1958. Their results indicate that the appearance of television was associated with higher levels of debt for durable goods.

With a grant from the Professional Staff Congress-City University of New York (PSC-CUNY) Research Award Program, Baker and George evaluated whether television played a causal role in changing household finances or was simply correlated with unobserved market factors responsible for these changes. Exploiting exogenous variation in the timing of the spread of television across different U.S. markets, they tested whether households with early access to television saw steeper debt increases than households with delayed access.

The study finds a positive link between mass [media advertising](#) and the tendency to take on household debt. The results indicate that television exposure is associated with a higher tendency to borrow to purchase consumer goods and a higher tendency to hold non-mortgage debt. The authors also offer suggestive evidence that markets with early access to television saw higher male [labor force participation](#) compared to markets with delayed access to television.

One possible reason for the link between television and [debt](#) is that exposure to new products on [television](#) alters the tradeoff between consumption and leisure. Households may wish to both work more and purchase more consumer goods. But if they cannot adjust labor supply in the short term, they may borrow to increase consumption in the present and work more in the future.

More information: Baker, M.J. and L. M. George. The Role of Television in Household Debt: Evidence from the 1950's. 2009. Hunter College Department of Economics Working Papers, 427. arrow.hunter.cuny.edu/research.../HunterEconWP427.pdf

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