

surprised in recent years how greatly there has been an increase in debt in connection with services.

Representative CURTIS. Percentagewise to the value of the consumer durables.

Miss DINGLE. If you look at the expansion in consumer debt over recent years, you will find the so-called personal loans have accounted for a larger proportion of the increase and durable goods credit for a smaller proportion as compared with earlier periods. It is a complex question. Personal loans do include some loans that are incurred for purchasing small durable goods, the purpose of which is not specified by the consumer to the lender. But it does also include all of these new areas. It includes the travel credit that many lenders are actively promoting now. It includes educational loans and a number of others. So I would say again it is very difficult to judge how important this is, but the statistics on consumer credit certainly show that we have some new or expanding credit areas in connection with services.

Representative REUSS. Now let me get on to a very interesting point raised by Dr. Katona.

I am struck at the tremendous desire on the part of housewives in the European countries for our whole range of consumer durable goods—dishwashers, dryers, refrigerators, washers, and so on. I wonder if you don't feel that there is a coming boom in Europe in consumer goods, Professor Katona.

Mr. KATONA. You are 100 percent right. Not only a coming boom, but the boom in the last 3 years is largely due to consumers. It has the consequence that the consumers say that they need more income because they want to have all these attractive things. Over the last year wages rose enormously in the Common Market countries because of consumer needs.

You see, traditionally economists have always thought that consumption is a function of income. There is truth in it. There is truth also in the reverse. Income is a function of consumer wants and needs. If people desire many things they work for higher income and wage increases.

Representative REUSS. This brings me to a central question. Couldn't European employers grant most of the new wage demands without inflationary consequences, if the United States furnished a large volume of the desired consumer goods? This would require that the Common Market and the other European countries reduce their present very high tariffs. The export sales we could make as a result would help us to combat unemployment, increase the level of economic activity, and reduce our payments deficit. It would also bring American and European wage patterns close together and so contribute to long-term international payments equilibrium.

Did you follow this rather complex question?

Mr. KATONA. I did, sir. It is a wonderful thought. I don't believe it is very practicable from the European point of view.

Representative REUSS. Isn't it only practicable, but quite necessary from the free world point of view? Must we not look at the elements of our problem—surplus European payments, a U.S. payments deficit, overfull employment in Europe, underemployment here, an ebullient growth rate in Europe, and a lagging growth rate here.