

only need a minority of the buyers and borrowers to become credit and interest conscious for firms to compete for business by lowering the rates. In other words, not everyone has to become conscious, a minority could do it.

I tend also to be wary of direct price regulation by the Government except in grave national emergencies such as war, since the rates would be inflexible and require a lot of redtape and policing to administer. Having had some experience in rent control after the war, I must admit that I am cool to the idea. In addition, there is a general tendency for the legal maximum charge to become the prevailing rate. This is seen in the fixation by the States of maximum interest rates on small loans. Here the ceiling has virtually become the floor.

Mrs. SULLIVAN. What we are attempting to do on credit controls, Senator, is simply give the Federal Reserve the power to put on such controls in case of a national emergency, so that they do not have to present it to the Congress and wait months after an emergency begins before the legislation is enacted. We attempted to do this last year on the Defense Production Act, but we were defeated badly on the House floor. The gist of the opposition was that the President did not ask for this authority and we did not hold hearings on it.

Mr. DOUGLAS. I shall not argue the point. I felt that in all honesty I had to mention the chief reservation that I have.

I do not want to see this happen in the whole field of personal finance. Much and probably most of the credit could be extended profitably at far less than 18 percent.

They started at 3½ percent a month, 42 percent a year, a philanthropy of 42 percent a year and now they have been cut somewhat, to a lower maximum and a scale graduated according to the amount of the loan. I once collected a lot of the prevailing rates—I think Missouri, Mrs. Sullivan, and Illinois—I found that the actual rates were virtually the maximum rates.

8. By adding cease-and-desist procedures to the punitive damages provision of S. 5, the Sullivan bill strengthens the enforcement weapons which are at the disposal of the Federal Reserve Board.

This may be needed and I see no substantive objection to it. You are the best judge as to political maneuverability.

On other subjects which I have not discussed, such as the regulation of commodity exchanges, and emergency credit controls, I do not regard myself as qualified to speak.

May I thank the committee again for inviting me to appear and to express my hope that Congress may pass a strong and meaningful bill. And on the basis of past experience I believe that in any eyeball-to-eyeball confrontation with Members of the Senate the Representatives of the House will more than hold their own in both resolution and astuteness.

Mrs. SULLIVAN. Thank you, Senator. Your testimony has been very enlightening. When I interrupted you to explain why we included standby credit controls, I see now that you were referring instead to the 18-percent ceiling on finance charges. Of course that is a completely different matter. Because our Republican members are going to have to leave for their meeting, I am going to give Mr. Wylie a chance to do his questioning first. Then we will take the rest in order.