

through more informed use of credit. Now, could you tell us first, whether you believe that the great growth of consumer credit that you cite in your statement has been the stabilizing or destabilizing force in our economy, and, second, would you give us your views as to the likelihood that better disclosure will lead to a use of credit more in tune with the general trends of the economy, particularly in view of the fact that many studies seem to show a relative lack of sensitivity to finance rates among most customers?

Mr. DOUGLAS. That is a very good question.

I think to the degree that consumer credit has concealed the real costs of consumer credit which had an expansionary influence on demand—it has caused people to mortgage their future in order to make purchases in the present. Now I am in favor of installment buying because it permits people to enjoy commodities in the present which otherwise they would have to put off for a long, long time.

Just as an example of that is home mortgages. If people waited until they could pay for the entire house their children would have grown up and the purpose of the house would largely have passed. So I want it understood that I am in favor of installment selling and the rest. Nevertheless, it can be abused. And to the degree that the real costs are not stated it does lead perhaps to a greater mortgaging of future credit than would otherwise be the case. To this degree it accelerates an upswing, I think beyond question. Then, if we should have a depression or a very serious recession, if unemployment were to be pervasive, in combination with the repossession provisions it could accelerate the downswing, too. So I think the best remedy for this is that people should know how much the credit costs. This would somewhat restrain purchases on the upswing and therefore reduce the slide down on the downswing. So I think this does have a stabilizing influence.

In general the greater the degree of truth the more rational the choice.

Mr. HALPERN. In suggesting that better disclosure might lead to enhanced competition in the credit industry you have indicated that only a small minor percentage—a small minority of cost-conscious buyers would be necessary to accomplish this purpose. Yet studies show that the more cost-sensitive customers come from a distinct group of credit users, generally those to whom the availability of credit is the greatest and whose demand for credit is weakest. Considering the fact that such low-risk customers probably avail themselves of only certain types of credit, do you feel that the competitive pressures that they generate will penetrate down through the entire spectrum of credit sources?

Mr. DOUGLAS. I think it will have this effect and if I may use some experiences with which we are all familiar, you know when we run for office it is the marginal vote which either elects us or defeats us. Each party has a body of loyal supporters. Elections are decided, say, by that 10 percent except the safe districts. That 10 percent may swing from one party to another and from one candidate to another. In making one's appeals you primarily appeal for this undecided vote.

James Russell Lowell put it in some lines when he said:

Every fool knows that a man represents not the fellows that sent him, but them on the fence.