

CONSUMER CREDIT PROTECTION ACT

455

SALES AND PROFITS, LEADING FARM MACHINERY COMPANIES [Dollar amounts in millions]

	Sales	Profit after taxes ¹	
		Amount	Percent return on net worth
International Harvester:			
9 mo., ending July 31, 1965.....	\$1,717	\$74.2	9.3
9 mo., ending July 31, 1966.....	1,905	88.8	10.6
Deere & Co.:			
9 mo., ending July 31, 1965.....	656	39.1	11.0
9 mo., ending Sept. 30, 1966.....	783	62.1	16.2
Allis-Chalmers:			
9 mo., ending Sept. 30, 1965.....	526	16.4	7.3
9 mo., ending Sept. 30, 1966.....	683	21.3	8.2
Massey-Ferguson: ³			
9 mo., ending July 31, 1965.....	566	23.5	10.8
9 mo., ending July 31, 1966.....	683	32.7	13.5
I. Case:			
9 mo., ending July 31, 1965.....	203	7.9	14.5
9 mo., ending July 31, 1966.....	240	14.9	23.1
White Motor Co.:			
9 mo., ending Sept. 30, 1965.....	481	15.4	13.7
9 mo., ending Sept. 30, 1966.....	597	23.6	19.1

¹ Annual rate.

² Exclusive of \$4,800,000 net gain on chemical assets sale.

³ Dollar figures are Canadian dollars.

⁴ Company pays no income taxes because of losses incurred in preceding years.

Cost to the Taxpayer

We hope we have shown that deceptive consumer interest rate charges allow excessive interest rate charges. We hope we have shown that there has been a major expansion of this type of credit and that it has hurt the availability of lower interest rate, regular bank loans, and that it has had an inflationary affect upon interest rates.

The impact on school, local and state governmental bonds and U.S. Treasury bonds and other governmental securities has also been sizable. Many school bonds were not put on the market because of the high interest rates. Even in the fiscal year 1965-66, which was before the situation was at its worst, the average net interest cost for all school bond sales went up 42 basic points from the 1964-65 average, according to HEW.

Local government was equally hard hit. It is my belief that part of the cry for tax sharing was because of the difficulties in selling local and state governmental bonds at a reasonable rate of interest. The interest rate on high grade municipal bonds has almost reached the high point of last year—over 4%.

The U.S. Government has had to pay considerably more for the money which it borrows. The Sales Participation Act did not help, and as we predicted it did increase the interest cost for all governmental bonds and securities. While we all know that the national debt has increased since 1960, interest costs to the Federal Government have accelerated at a faster rate. In 1960, the U.S. Government paid out \$6 billion in interest rates while in 1967 it looks like we as taxpayers will be paying out about \$4 billion in national debt service charges, plus what we pay out for the Sales Participation differential.

We must, as a Nation, work at many levels to help prevent the high interest disaster which hit us last year. The Truth in Lending Bill is one tangible way in which high interest rates through deception can be stopped.

A Special Farm Problem

Increasing during the past few years as farmers have needed more credit than they could get from their local banks, a new type of business has developed around the sale of cattle. Farm journals have long carried advertisements about where farmers could buy cattle and calves, but now some firms are advertising easy credit available. Some of these do offer reasonable credit. Others actually use 12% to 18% credit, plus a big mark-up over and above the actual market value of the cow. However, you have to be a lawyer to read the contract and a math genius to find the interest rates they charge. Some of the interest rates and