

Mr. WILLIAMS. You must bear in mind that in cutting down the cost of the credit, they have to reduce their incidence of loss because this is a tremendous factor.

Mr. MARGOLIUS. There is one State recently—either Oregon or Wisconsin—where they require that one of the banks operating a bank credit card plan reduce the rate from 18 to 15 percent because it bumped up against the State usury law. It was either Oregon or Wisconsin. They did it and they are still operating. So, that is a similar plan to a department store plan. We want to remember that when the revolving credit first started it was one half of 1 percent a month and it has gradually come up. After the war it came to 9 percent and 11¼ and now 11½. When the banks started the credit club plans they started out charging 1 percent. It was Chase-Manhattan. I think you are right, they can't operate at 1 percent. Chase-Manhattan has not gone into the credit card business as First National City has, because Chase says they can't do it at 12 percent a year, they tried it and had to go out, and they won't do it at 18.

Mr. WILLIAMS. One quick question for Mr. Morse.

You made the statement that the poor are paying more for merchandise because they can't pay cash. I would like to suggest to you that so many middle-income families are using credit and paying more because credit isn't free under any circumstances.

But we have heard a lot of testimony, a lot of comment from some committee members about the plight of the poor—they seem to be paying more and getting inferior merchandise. It is my own belief that one of the reasons for this is because the merchants in poorer areas do have a greater incidence of loss and if they don't recover these losses in some way all the other customers are going to pay more so we are just hurting the other poor people in that area who aren't paying their bills.

As long as garnishments are used properly I fail to see why the honest small merchant that this country is doing everything to help through the SBA, we have people out advising them, we are lending them money and everything else, I don't see where they shouldn't have the protection of garnishment to collect money from people who just aren't going to pay?

Mr. MARGOLIUS. Rudolph Severa, manager of the Greater New York Credit Bureau, a very experienced man in retail credit, and former credit manager of Macy's, says that credit well granted does not require a wage assignment. For the sake of a few honest merchants who may need that, and who have other collecting devices they can use, you will turn a lot of people over to the unscrupulous operators.

Mr. WILLIAMS. I don't agree with that gentleman's statement because in poor areas, many people who are now good risks will be a poor risk the first of the next month.

Mr. MARGOLIUS. One of the benefits of getting rid of garnishments is that credit will be more carefully granted. Here is a statement from a credit bureau in a Pennsylvania city complaining that merchants are granting credit too loosely in order to make sales.

Mr. WILLIAMS. The loss of credit to some people in poor areas might start a riot.

We might not overlook that one.