The Truth-in-Lending Bills make no bones about it. Their first-mentioned purpose is "economic stabilization." Underlying full disclosure of credit costs is a two-part theory to which CU has long subscribed. First, disclosure of true annual interest rates will make people more sensitive to the high price they pay for most installment loans. When 800 CU members reported a few years ago to the National Bureau of Economic Research on recent credit deals ("Consumer Sensitivity to Finance Rates: an Empirical and Analytical Investigation" by F. Thomas Juster and Robert P. Shay, NBER, 1964), only a minority of them said they had any idea of the interest rate they had paid. Within that minority, the average rate they *thought* they had paid was about 8%. The rate they had actually paid averaged about 23%.

The second part of the theory holds that people who are conscious of the price of credit will shop, compare and buy that credit at as low a rate as they can find. Again, the data obtained from CU members accords with the theory. Those who were able to report the true rate of interest on their loans paid an average, for loans of under $500, of about 12%. Those who had no idea of the rate paid a startling average of about 37%.

In its report on the Truth-in-Lending Bill, the Senate Banking and Currency Committee took cognizance of that and other evidence. The Senate's vote of confidence in the consumer says, in so many words, "Here is the information you need. Now don't make waves."

SPECIAL TREATMENT FOR REVOLVING CREDIT

The Senate bill falls short, however, of requiring all the information consumers will need if they are to compare credit costs.

At Senate hearings last spring, a number of opponents of the bill concentrated their fire on one provision in particular. They sought to knock out any requirement for annual rate disclosure on revolving credit charge accounts. And they largely succeeded. Under the Senate bill, revolving credit as applied to most department store accounts and most of the new wave of revolving bank credit cards would continue to be labeled, as it usually is now, with a deceptively low monthly percentage figure.

Revolving credit is one kind of consumer credit most people are familiar with, whether or not they make a practice of buying on time. People who buy at all regularly in most department stores or from big mail order houses usually open charge accounts. It's convenient to pay the bill once a month, and, besides, there's usually no credit charge if you pay the bill within 30 days. Every customer, whether he pays cash over the counter or says charge it, foots the costs of 30-day credit as part of the overhead built into the price of the goods.

Of course, most stores offer a choice of paying in full or making a payment of, usually 10% per month. It's what's called a "line of credit" or an "open-end" credit account. Each new purchase is added to the bill, and 10% of the total balance at the end of each billing period is all you have to pay ad infinitum—all, that is, except for a "small" monthly service charge. Many states set a service charge ceiling of 1½% per month, and stores almost invariably charge the maximum. A rate of 1½% a month equals an annual interest of 1½ times 12, or 18%.

The balance due on the nation's charge accounts has been running at $10.5 billion. About $3.5 billion is revolving credit. That's not much next to the total installment credit outstanding. But it is probably not an accurate figure at present, and it certainly won't be an accurate one in the future, because it omits, among other things, the revolving credit schemes now being heavily merchandised by banks. Until last year, bank revolving credit was probably not a major factor, although it has been on the scene at least since 1950. But in only the past year or two, according to the Federal Reserve Board, the number of banks issuing credit cards or operating open-end check credit plans reached 627, plus several hundred local banks acting as agents for large city banks' credit plans.

"The enthusiasm with which the supposedly conservative banking profession has greeted this relatively new consumer service is unparalleled in the pages of modern banking history," the American Bankers Association was told by a Chicago banker. And he explained why: "We are beginning with this first step to recapture a larger share of the credit business which heretofore conceivably could have fallen into nonbanking hands by default."

The bank credit card, unlike the department store card, can be used to charge purchases at many different stores—as many as can be recruited by the spon-