

in Connection With Extensions of Credit" (acts, 1966—ch. 587). This legislation covers, in addition to other consumer protection features, the entire spectrum of consumer finance including revolving credit and credit cards. While the legislative battle was pending the opponents of truth in lending stated among other things it was "unworkable" * * * "unconstitutional" * * * "discriminatory" * * * "will require an army of mathematicians" * * * "bookkeepers" * * * "damaging to business" * * * "simple annual interest just won't work in a store" * * * "impossible to compute percentage interest" * * * "cause a drop in sales" * * * "impossible and absurd to figure carrying cost" * * * "too great burden on the banking industry and not necessary," and so forth. I am certain this committee has heard all this and much more.

In Massachusetts everyone of the dire prophecies made have not come true. You have received the statement from the Banking Department of the Commonwealth of Massachusetts. You will also hear today further testimony supporting this view.

As an economist, I am not aware of any indication that the Massachusetts truth-in-lending laws have had any negative effect on the economy of our Commonwealth. Indeed there is valid reason to believe that the effect has been beneficial and that the benefits will increase over the years. Furthermore, as one who has devoted many years to the study of finance and firmly believes in our form of free enterprise system, I believe that the general effect on financial firms and the general economy has been and will be beneficial.

It seems to me that every move to strengthen our system by protecting the legitimate entrepreneur from the questionable practices of the unscrupulous, must benefit the business system of our country. Every move to more fully inform the consumer and enforce fair treatment should serve to increase public faith in our system and increase its strength.

I am pleased that truth-in-lending legislation has been passed by the U.S. Senate. It seems unfortunate, however, that certain exemptions were made in the Senate bill, S. 5, especially the exemption of revolving credit plans. That distinguished American, Senator Paul H. Douglas, the father of the truth-in-lending principle, emphasized this in his recent testimony before this committee when he said that the consumer should be told that revolving accounts, offered at the prevailing rate of $1\frac{1}{2}$ percent a month, actually comes to 18 percent a year. With this knowledge, he said the buyer might prefer to borrow money elsewhere at a lower rate to pay off his account. This type of account has become extremely popular in this country and its omission would leave a wide gap in consumer protection legislation. We in Massachusetts have followed Senator Douglas' advice on this matter and would respectfully suggest that the Congress might also heed his recommendation. Certainly Massachusetts has made him a prophet with honor.

Truth-in-lending legislation is especially significant at this time. It is unfortunate that the greatest financial abuses appear to occur in transactions involving our citizens who are the least educated and