

Mr. SMITH. That is correct. This has been so stated in the newspapers in the past weeks. The newspapers claim that these small merchants have charged higher prices.

Mrs. DWYER. How do you get around this if you try to protect the poor?

Mr. SMITH. I don't have an answer to that. That is a question of competitive practice, of retailing—what is known as pricing. The retailer has the right to set his own price and be competitive, and he will do so. When he comes into the area of poor credit risks and he must comply with the law as far as the limitations of financing charges are concerned, and there is a natural tendency to add another \$15 or \$20 to the selling price to make up for the finance charges.

Mrs. DWYER. Some of our poor people, then, are going to be gypped just the same, regardless of the Massachusetts law or perhaps Federal law.

Mr. SMITH. That is a good question. The retailer or small merchant cannot buy volume merchandise and depend upon his volume sales. Since he wants to stay in business, he must get a higher price to make a profit and compensate for the greater credit risk and possibly greater losses.

Mrs. DWYER. He has to charge for it because he is assuming a higher credit risk; is that not so?

Mr. SMITH. That is correct. His losses are much higher.

Mr. KLEIN. May I point out that the middle-income person is paying for credit he does not use, too. He is paying for credit every time he buys at a store which has charge accounts—30-day charge accounts—available.

I would just like to read from the Wall Street Journal last week. There was an article you may have seen on discounts—discount stores and how their discounts are dwindling away.

Many discount chains are raising markups partly to pay the costs of adding such conventional department store features as charge accounts, package deliveries and fancy merchandise displays and of hiring more sales clerks.

Mrs. SULLIVAN. Thank you.

Mr. WILLETT. May I interrupt and interject one last word?

Mrs. Dwyer, it seems to me in this case of increasing the price, if I could just say one word about that, at least you are forcing the unscrupulous merchant into something that is much more easily noticeable. If a person goes in to buy a television set and is told that one that is advertised in the local press for \$350 will cost him \$400, at least this is something which unfortunately, he is still cheating him in a sense, but it is of public record that he hopefully can see. The other type of situation where you hide this in an interest charge is a sneaky type situation that can't as easily be seen.

Mrs. DWYER. It will take a lot of education though. Do you agree?

Mr. WILLETT. Yes.

Mrs. SULLIVAN. That is a good point. Mr. Smith, I understand that you advertise by brand name so the public knows what you charge.

Mr. SMITH. We are the National Brand Retailer of the Year. The second time we have won it.

Mrs. SULLIVAN. Again, I want to thank all of you gentlemen for your fine cooperation with this subcommittee of the Congress of the

United States in sharing your knowledge in a most important field of legislative concern. The three of you from Massachusetts speak from experience about a law which goes all the way into a credit disclosure procedure which we on this subcommittee are being urged to temper or modify on the national level to fit all sorts of alleged fears and misgivings. One State's experience does not necessarily prove the validity of any legal concept, but you have provided an arena for nearly a year in which all of the horrendous consequences predicted for this legislation could have occurred, and no such things occurred. That is very persuasive. Thank you very much for coming, and you, too, Mr. Klein. Your magazine has been of invaluable service to all consumers.

The committee will be recessed until 9:30 in the morning.
(Whereupon, at 4:15 p.m., the subcommittee recessed, to reconvene Tuesday, August 15, 1967, at 9:30 a.m.)





