

Unfortunately, those who favor this legislation to correct the evil of unscrupulous operators of this type face certain disappointment.

May I interpose to say that many of these cases that were heard yesterday involve fraud—violation of the present law. Fraudulent operators will violate any law—thieves will always be thieves. The way to correct it is to enforce the present law, and there are many facilities existing for the correction and prosecution of fraud.

The committee is aware of the historic fact that the law has never defined "fraud" because the capacity of the human mind is such that those who want to perpetuate fraud find ways to evade all statutes.

The questionable credit clothing stores operating in the slums of America and feeding off the poor and the illiterate normally do not make a charge for credit. In many instances, they blatantly advertise "no charge for credit." They take advantage of the poor in the exorbitant charges made for the merchandise. A legitimate store will normally sell a suit costing the merchant \$50 for about \$85. This store, extending credit beyond a 90-day period, normally levies a service charge of 1½ percent on the unpaid balance. The questionable credit operator will buy a much inferior suit for \$35 and will sell it on the "dollar down and dollar a week" basis for \$100 or higher—no charge for credit. The proposals now under consideration will not correct this existing evil but rather will promote its growth.

As a matter of fact, if this legislation passes, many legitimate stores will discontinue service charges for credit. They will find the provisions too burdensome and too difficult to comply with. The easy road is to eliminate a charge for credit. The expense of credit will be hidden in the markup on merchandise. This means the cash buyer will be penalized and will be paying for the credit extended to the credit buyer. The cost of credit will be driven underground.

For these reasons—because of the fundamentals of Americanism and respect for our great Nation's constitutional principles—I sincerely feel it is my duty as a spokesman for Menswear Retailers of America to oppose the proposed legislation.

We realize our arguments differ sharply from the many leaders of American big business engaged in interstate commerce who have preceded us to the witness stand. The explanation is simple. The problems of survival for small, independent, local business differ sharply from their large counterparts.

Thank you very much, Madam Chairman and members of the committee.

Mrs. SULLIVAN. Thank you, Mr. Rothschild.

We are glad to have your statement, for we believe all sides should be heard on a matter of this kind. However, I do not agree that this committee has neither the jurisdiction nor the competence to look into these issues.

You say that most of your members make a monthly service charge of only 1½ percent, usually, for credit beyond 90 days. Does that mean—as I hope it does—that most of them make no charge at all for the 90-day period, considering that a cash transaction?

Mr. ROTHSCHILD. That's correct, in most cases. There is no uniformity. Approximately, among our membership today, 70 percent of the sales are made on credit. Of that 70 percent, 50 percent is made on the