

**STATEMENT OF DR. DAVID CAPLOVITZ, NEW YORK CITY, N.Y.,
AUTHOR OF THE BOOK, "THE POOR PAY MORE"**

Dr. CAPLOVITZ. The phenomenal growth of installment credit has brought in its wake a sharp rise in deceptive and fraudulent marketing practices. Insofar as market transactions depended on cash, sellers had less opportunity and incentive to employ deception and fraud.

The consumer who could afford to pay cash for an automobile or an expensive appliance was probably more deliberate and sophisticated in his shopping behavior and there was no point in trying to convince the person without cash to make an expensive purchase. All this changed with the advent of installment credit.

Whether or not the consumer can afford the purchase has become largely irrelevant. Once the contract is signed, the seller can count on the law to enforce his right to payment. Appropriate changes in the laws governing consumer credit have lagged far behind the growth of our credit economy.

The signed contract is treated as sacrosanct in courts of law and the fraudulent techniques used to obtain the consumer's signature, so difficult to prove in court, are largely ignored. It is a sad fact that the laws in most States are now heavily biased in favor of the creditor; his rights are much better protected than those of the debtor.

I shall skip to save time.

I cannot stress too strongly the need for Government to do everything in its power to stamp out consumer fraud and exploitation. The need is particularly great today when our cities are being torn asunder by ghetto riots.

Last year, when I testified before another congressional subcommittee, I suggested that resentment against consumer exploitation was one of the many grievances that find expression in riots. I am even more convinced of this today. Numerous newspaper accounts have quoted ghetto residents as rationalizing the looting on the grounds that they have been victimized and robbed by the merchants for many years.

The common thief is severely sanctioned when apprehended, but the credit merchants who abuse the law to bilk the unsuspecting consumer run little risk of punishment. Untold millions of dollars are stolen each year from consumers by disreputable used car dealers, home repair firms, vacuum cleaner firms, and many other types of firms. But instead of being met with criminal sanctions, the perpetrators of this kind of thievery more often than not become wealthy men respected in their communities.

How can we expect the disadvantaged to learn respect for the law when those in positions of responsibility do not themselves respect the law? And how can we expect the disadvantaged to obey the law when we do not enforce the law for their protection? I believe the time has come when society can no longer tolerate a dual system of law, one set of laws for the disadvantaged and another set for those in respected positions of responsibility.

It is in the light of these observations about the compelling need for consumer protection that I shall comment on the proposed legislation. I wholeheartedly endorse the provision for full disclosure of credit