

This may have the beneficiary effect of making the finance companies behave in a more responsible fashion.

As I noted earlier, our society can no longer afford to condone the crass exploitation of consumers that is now so prevalent. If consumer fraud is to be done away with, it is essential that there be strong enforcement machinery and that the perpetrators of such fraud be confronted with criminal sanctions. This is not the case today. The attorney generals of some 23 States now have consumer fraud bureaus modeled after the one set up in New York by Attorney General Lefkowitz.

But for all his investigation of consumer complaints and his efforts to negotiate them, the attorney general of New York does not have the power to prosecute the perpetrators of fraud.

To my knowledge, not a single businessman in New York has been put in jail for cheating his customers. Until strong enforcement machinery is instituted, I see little hope of making much headway in eliminating fraud. One of the merits of the proposed law is that it does provide for criminal penalties for violations.

I would like to suggest that these penalties be strengthened and made to cover even more offenses. In this connection, I would also like to suggest that the responsibility for enforcement of the various provisions of the act be placed in the hands of the U.S. attorneys' offices rather than in the central office of the U.S. Attorney General.

The U.S. attorneys are much closer to the local scene in which the violations occur and they should not have to wait for authority from the Attorney General to act.

In closing, I commend the committee for attempting to come to grips with one of the major problems confronting America today.

(The entire statement of Mr. Caplovitz follows:)

STATEMENT OF DAVID CAPLOVITZ, ASSOCIATE PROFESSOR OF SOCIOLOGY, COLUMBIA UNIVERSITY

I am most grateful for this opportunity to testify before the House Subcommittee on Consumer Affairs on the proposed "Consumer Credit Protection Act". I commend the Committee for doing its utmost to increase the protection of consumers in credit transactions. Such protection is long overdue and the need for it has never been greater.

Several generations ago, Americans had a negative attitude toward debt. The person in debt was viewed as somewhat less than an upstanding citizen. This is, of course, no longer true. Consumer credit has become the fuel of our so-called affluent society. Americans in *all* walks of life see nothing wrong with buying now and paying later. The growth of consumer credit since World War II has been extraordinary, far outstripping the growth in population. In 1945, the amount of outstanding *installment* debt was 2.5 billion dollars; in 1955, it climbed to 29 billion and by 1965, it had soared to 66 billion. Today installment debt stands at 74 billion.

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