and the majority of the cases this chart shows that 39 out of 40 cases never even reached 18 percent?

Mrs. SULLIVAN. Mr. Keyserling, I wonder if you, as a distinguished economist, would want to get into this and comment on the 1½-percent monthly rate as against 18 percent a year.

Mr. KEYSERLING. I would like to comment on it, although I don't know whether I am annoyed or confused by some of the statements just put forth.

It seems to me that a very simple and elementary proposition is involved in the proposed legislation.

If I buy a Government bond or if I deposit money in the bank and they tell me they are going to pay me 3 percent per annum, compounded semiannually, they can also tell me how much I will get if I leave it there a year.

Now, it is perfectly true that neither they nor I know what I am going to get, because I might cash it in earlier, or I might miss out on a semiannual compounding by 1 or 2 days, and so forth. It is simply true they have—they are telling me on a yearly basis what this will earn.

Now, if I borrow money in the form of getting consumer goods on credit, and I start out at a 1½-percent monthly interest rate, I am starting out at an 18-percent annual rate, and not all the spinning of hairs around all the needle points in the world can destroy that fact. And this plain truth has nothing to do with the fact that very few customers may pay the 18 percent, because most of them liquidate the debt before the year is out. That has nothing to do with it. If they were charged 8 percent a month, they ought to be told they are being charged at the horrendous rate of 96 percent a year, and it would be no answer to that to say they might not have to pay the 96 percent because they might pay off in 6 months or 3 months.

That is a simple, elementary thing. I understand the questioning of the committee—I don't equally understand the answers.

I would say a word on service charges. It is very easy to get into a confusion by semantics. Let me call attention to the fact that the Government of the United States pays interest on the national debt. What do they call it? They call it servicing the national debt. So, in reality, the basic economic concept is how much it costs to borrow money—whether they borrow it to finance Government programs or to build a plant or whether they borrow it to finance consumer purchases. What hits them economically, what takes money out of their pocket, is how much it costs them. You can have all kinds of refinements and divisions between service costs and interests costs, but the fact remains that it is the cost of borrowing the money that counts. And if you have a system where it costs 1½ percent a month—just to take an arbitrary case—if you pay it back in 1 month, and if you hold it a second month you pay 1½ percent the second month plus a service charge, and if you hold it 3 months you pay 1½ percent for 3 months plus another service charge, the fact is that it is not unfair to add the whole thing up and say that this is the cost of borrowing over 3 months, and by the same token it can be translated into an annual basis.