

and Economic Research of Michigan State University entitled 'An Analysis of Economic and Personal Factors Leading to Consumer Bankruptcies?' In this study, 80 percent of the persons who went bankrupt had been threatened with wage garnishment. Seventy-five percent of them indicated that garnishment or the threat of garnishment was the reason for their filing for bankruptcy. Do you agree, Mr. Secretary, that the correlation between consumer bankruptcies and wage garnishment has been adequately and positively established?"

I would agree that considerable evidence supports a conclusion that there is a correlation between consumer bankruptcies and wage garnishments. Our examination of the subject shows that there is a widespread opinion among judges, lawyers, economists and bankruptcy referees that there is a correlation. This is corroborated by the opinions of three referees in bankruptcy recently testifying from personal knowledge before the Subcommittee.

A study in 1965 by the Administrative Office of the United States Courts showed that bankruptcies were highest where wage garnishments were least restricted—Alabama (9,522) bankruptcies, Michigan (5,877), Ohio (14,850), Tennessee (8,602), and Oregon (8,080). Conversely, states strictly limiting or prohibiting garnishment had the fewest bankruptcies—Alaska (76), Pennsylvania (512), Texas (329), Florida (507), and South Carolina (140).

Evidence of a correlation between consumer bankruptcies and wage garnishments was among the considerations prompting me to call attention to the possible use of the bankruptcy powers as a Constitutional basis for developing measures to cope with the garnishment problem.

"2. Mr. Secretary, personal bankruptcies have risen from 19,033 in 1950 to 208,000 for the fiscal year ending June 1967. In the latter year consumer bankruptcies—that is wage earner bankruptcies—have accounted for over 190,000 of total personal bankruptcies. In excess of \$1.25 billion in debts have been negated by such consumer bankruptcies. What, in your view, is the impact on our economy of this trend?"

I observe striking parallels between the upward trend in consumer bankruptcies and that of consumer credit, the latter expanding 40 times in the last 40 years. It is fair to assume that the credit abuses sought to be removed by legislation before the Subcommittee have been partially responsible for the credit-bankruptcy tandem. The removal of these abuses would likely tend to reduce the number of consumer bankruptcies and therefore have a wholesome impact upon the economy. In addition, I do not think I can overlook the personal tragedies of 190,000 persons and their families who found themselves so deep in financial trouble that they were forced to turn to bankruptcy for a solution.

If you wish any additional information concerning the subject matter of the proposals before you, I shall be pleased to assist you in any way that I can.

Sincerely,

W. WILLARD WIRTZ,
Secretary of Labor.