

concentration being associated with high loan rates, low rates on time and savings deposits, and high profits.³⁴

Professor Donald Jacobs, too, has reached the conclusion that changes in the regulations governing bank operations and changes in entry restrictions on new banks are necessary if banks are really going to be able to compete with other financial intermediaries.³⁵

In a recent credit conference in Canada, Professor Wallace P. Mors stated the case for ceilings as follows:

There are some grounds . . . for believing that interest or finance rate ceilings might be necessary even with rate and dollar disclosure. Like most markets, the consumer credit market is imperfectly competitive. Imperfections are many and include differentiation of loan services among financing agencies, limitation of buyer-seller contracts, and borrower inability to determine price. Rate and dollar disclosure of finance charges would reduce only one of the many factors which contribute to market imperfections.³⁶

Professor Neufeld, upon whose paper Professor Mors was commenting, had suggested the desirability of making entry into the credit industry easier, and of thus avoiding monopoly profits by encouraging competition. Mors answered this by saying:

Proliferation of installment lenders might increase competition and reduce monopoly profits without reducing prices to consumers. Judging from small-loan experience, the greater the number of loan offices, the smaller is the size of the average office and the greater is the cost of operations. Any intensification of competition takes the form of increased advertising and other forms of sales promotion, rates of charge remaining at the ceiling level allowed by law.³⁷

Several conclusions should be drawn from this discussion. First, the essence of a credit transaction—delay of payment by the buyer—should be acknowledged and laws revised to agree with economic reality. Second, the imperfectly competitive nature of the market should be faced. On the buyer's side of the market there are imperfections because of the lack of knowledge of alternatives in rates,

³⁴ Edwards, *The Banking Competition Controversy*, in *Studies in Banking Competition and The Banking Structure* 327 (1966).

³⁵ Jacobs, *The Framework of Commercial Bank Regulation: An Appraisal*, in *id.* at 350.

³⁶ Mors, *The Economic Significance of Consumer Credit: Commentary*, in *Consumer Credit in Canada* 21-22 (Ziegel & Olley ed. 1966).

³⁷ *Id.* at 22.