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SEPTEMBER 9, 1966.

Mr. JOSEPH BALDWIN,
Director, Milwaukee County Department of Public Welfare,
Milwaukee, Wis.

DEAR MR. BALDWIN: I am writing to express the appreciation of our Center for Consumer Affairs for the cooperation of your department in making possible the recent exploratory survey of the installment credit problems of fifty Milwaukee families with public welfare histories. The five second-year graduate students at the UWM School of Social Welfare, who undertook this project under my supervision to meet their thesis requirement for graduation, also appreciate the genuine cooperation of your personnel in making the necessary data available. As you are probably aware, a copy of their group-thesis is on file in your department.

Because this project has been a pioneering one, probably the first of its kind among welfare clientele, I thought you might appreciate some summary comments on our findings. We trust they might be helpful in reviewing present departmental policy in an area of life among low-income families that until recently has been largely overlooked. Traditionally it has been assumed that, because of their low incomes and the seemingly high risks involved, installment credit is not available to poor families and accordingly is not one of their major problems.

This notion is no longer tenable. Certainly a lot of credit for this change of insight nationally should go to David Caplovitz for the revelations in his book, *The Poor Pay More*. The problem of installment debt among low-income families today is a frequent topic of the daily press. Undoubtedly, revelations emerging from the ghetto riots in a number of cities as well as insights gained in the course of a number of anti-poverty projects have been responsible for the increasing attention the problem is receiving. For example, as recently as August 16, 1966, the *Wall Street Journal* gave page-one, column-one billing to the subject. Its story on "ghetto merchants" covered more than two columns. Today, then, it is common knowledge that installment credit plays a vital role in the life of low-income families.

It was this awareness that initially aroused my curiosity about present departmental policy requiring welfare clients to sign a formal statement which, in effect, prohibits them from using welfare payments for the repayment of installment purchases. I am referring to the commitment not to have "used any of the money granted me by the Department of Public Welfare for any item not included in the relief budget." As a taxpayer, I can appreciate the intent of this policy. Pragmatically, I became interested in the consequences of this policy for the clients, the welfare department, and taxpayers as well.

Some of the questions raised by this policy, and in turn pursued in our pilot study, were along these lines: Since installment credit is essentially a contractual relationship between a debtor and a creditor, what happens when the former subsequently commits himself to another "contract" with the Welfare Department, which in effect tables his commitment to this creditor? Since a corresponding commitment not to expect payment is not solicited from the creditor, how does the latter react to the welfare client's commitment? Does the creditor accept the situation and wait passively in the wings until the welfare client's case is closed? If not, how does the client respond to his requests for payment, caught between two conflicting obligations? What happens in terms of penalties for late payment and accumulating interest to the unpaid balance of the debt while the family is on welfare? If the client is on welfare for any length of time, does the increased obligation resulting from added interest and penalties awaiting him