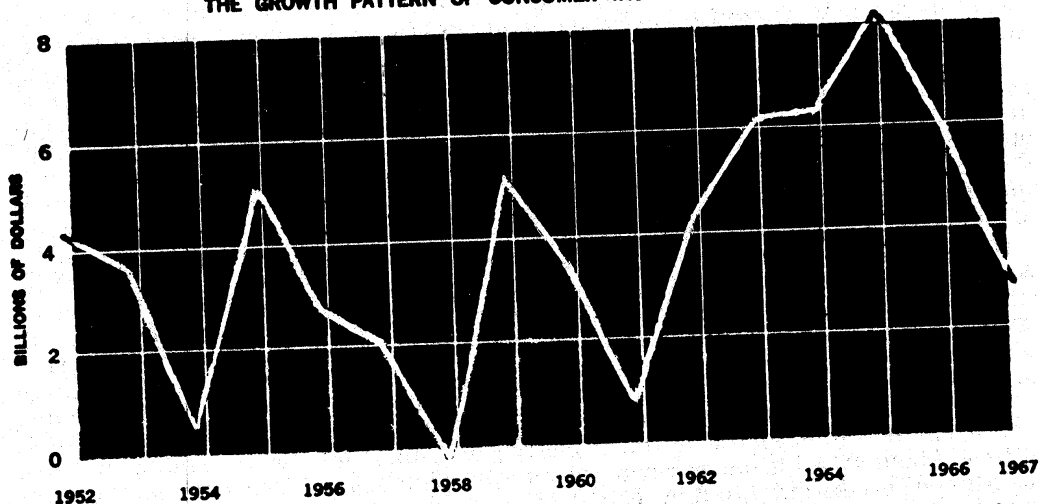


The chief symptom of recession is a slackening of economic growth. Thus, in 1958 there was no increase in the Gross National Product. Credit expansion hit another new high in 1959, followed by almost no credit expansion in 1961.

THE GROWTH PATTERN OF CONSUMER INSTALLMENT DEBT



Wild waves of growth on the rising sea of installment debt have been economic storm signals. The graph line

traces only the growth; the debt itself quadrupled from \$18.7 billion in 1952 to \$74.6 billion in 1966

Again, the trough on the graph was accompanied by a sharp tapering off of economic growth. To put it mildly, more orderly use of credit might have a less unsettling effect on the general economy.

The Senate Truth-in-Lending Bill makes no bones about it. The first-mentioned purpose of the bill is "economic stabilization." Underlying full disclosure of credit costs is a two-part theory to which CU has long subscribed. First, disclosure of true annual interest rates will make people more sensitive to the high price they pay for most installment loans. When 800 CU members reported a few years ago to the National Bureau of Economic Research on recent credit deals, only a minority of them said they had an idea of the interest rate they had paid. Within that minority, the average rate they *thought* they had paid was about 8%. The rate they had actually paid averaged about 23% (CONSUMER REPORTS, October 1964).

The second part of the theory holds that people who are conscious of the price of credit will shop, compare and buy that credit at as low a rate as they can find. Again, the data obtained from CU members accords with the theory. Those who were able to report the true rate of interest on their loans paid an average, for loans of under \$500, of about 12%. Those who had no idea of the rate paid a startling average of about 37%.

In its report on the Truth-in-Lending Bill, the Senate Banking and Currency Committee took cognizance of that and other evidence. The Senate's vote of confidence in the consumer says, in so many words, "Here is the information you need. Now don't make waves."

SPECIAL TREATMENT FOR REVOLVING CREDIT

The Senate bill falls short, however, of requiring all the information consumers will need if they are to compare credit costs. That is not surprising, considering the tortuous course of the legislation. Senator William Proxmire, the bill's chief sponsor, succeeded in getting a bill to a vote—where his predecessor, former Senator Paul H. Douglas, had failed—partly because Senator Proxmire was prepared to compromise. When it became quite evident early this year that some kind of Truth-in-Lending Bill would be passed, one of its old-line opponents, The National Retail Merchants Association, sent out this advisory to its members: "With . . . the prospect of more intensive pressures for credit controls during 1967, it is becoming increasingly evident that flat opposition to credit legislation may be doomed to failure. *A wiser course might be to work for legislation and regulations that can be lived with.*" (Italics supplied by the NRMA.)