

more for the simple reason that it costs them more to operate. I am not thinking only of the fact that being small businessmen, they cannot buy in bulk the way chainstores or large department stores can. I also have in mind the fact that these merchants frequently have to pay more for the money they borrow and in particular that they have to pay more for the insurance they need. If I am not mistaken, the insurance companies of America are now facing a crisis concerning insurance in ghetto areas. Even at the much higher rates they charge, they apparently are not finding it profitable to extend insurance to ghetto merchants. There is a need then for new institutional arrangements to meet the needs of the local merchant as well as those of the local consumer. Why, for example, cannot there be some system of pooling insurance and sharing the risk so that the local merchant does not have to pay an exorbitant price for insurance?

Mr. ROSENTHAL. What kind of insurance are you talking about?

Mr. CAPLOVITZ. Fire insurance, theft insurance, the typical kinds of insurance that a businessman needs on his business in order to function.

Mr. ROSENTHAL. Have you found in your investigation, or did you go into the question at all, that the merchants in Harlem have difficulty in obtaining fire and theft insurance?

Mr. CAPLOVITZ. They pay higher rates for their insurance, and I recently read in the New York Times that as a result of the riots, the insurance companies of America are considering, seriously considering, withdrawing insurance from all ghetto areas, because they claim it is so unprofitable.

But I have heard this complaint from merchants who say: "It is very easy to beat us up, but you must stop to think that we have to pay more in order to operate——"

Mr. ROSENTHAL. Well, I think you have——

Mr. CAPLOVITZ (continuing). "In the ghetto."

Mr. ROSENTHAL. You have engaged in a rather searing indictment of some of these ghetto merchants. My own judgment is, without having much experience at all, that the high cost of insurance they have to pay, the higher cost of insurance they have to pay, and the higher the cost of money that they may borrow, hardly accounts for these practices that they engage in.

Mr. CAPLOVITZ. I agree. I am not in any way condoning their practices, but I am merely trying to broaden our picture. Perhaps it is best the committee do one thing at a time and focus on the interests of the low-income consumer where, indeed, there is much room for reform. But I think the larger picture should not be lost sight of, and the larger picture includes the situation of the local merchants.

It may very well turn out that it is not profitable, that it should not be profitable, to do business in a low-income area, and that the best solution is to educate the poor in the remedies I suggest, credit unions and cooperatives. I am not sure our society is ready to replace our businessmen in the ghetto with consumer cooperatives, and to the extent we feel that the smaller merchant has a place in the ghetto, then we should take his interests into account as well.

Mr. ROSENTHAL. I think your book "The Poor Pay More" was published in 1963.

Mr. CAPLOVITZ. Correct.