

SUMMARY OF REMARKS ON FINANCIAL PROBLEMS OF WAGE-EARNER FAMILIES

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It may seem strange to tie in Federal Court procedures with social problems. Actually, though, our legal system, in a final analysis, is the set of rules by which we endeavor to regulate our society. The more complicated our social system, the more complicated the rules by which it is governed. The Security and Exchange Act became a part of our social system to provide a set of rules for the guidance of that segment of our society that is usually affluent. The bankruptcy laws historically dealt with the merchandising segment of our society and was not of interest to individuals who were not engaged in business. Until recently, there has been no occasion for the individual who was not engaged in some sort of merchandising or other business activity to incur an indebtedness beyond the value of the property which he could mortgage. In the last 25 years we have developed a system of consumer financing which is entirely new to our social and economic system. We have today more consumer debt than the entire national debt was at the beginning of World War II. That segment of our society that works for a living today owes more money on installment basis than any other single segment of our social structure. I do not mean to infer that this is improper or even undesirable. As a matter of fact, it is quite the contrary. Consumer credit has been the extremely useful social tool in developing our present standard of living. How, otherwise, would young married couples be able to acquire a home, automobile and modern appliances in their younger years? A young man who has completed his education and has fitted himself for years of gainful employment is by this means able to acquire useful articles to make family life more enjoyable and to pay for them out of his future earnings while using the property.

With something between forty and fifty billion dollars of this type of debt, it is not at all surprising that some of it has been both improvidently granted and improvidently obtained. Those individuals who have over-extended themselves and have incurred indebtedness beyond their ability to pay, have a serious social problem to solve. For example, let's take an individual who is employed at \$2.00 an hour. His gross annual pay will be about \$4000.00 a year. If, by use of consumer credit, he has, over the last three years, spent \$5000.00 a year and now has two additional children, he finds himself faced with a problem of reducing his living standard, not from \$5000.00 to \$4000.00, but from \$5000.00 to \$3000.00 or \$3500.00, depending on how rapidly he is going to liquidate the accumulated indebtedness. There is no business in America today that can survive in the present conditions, if it's required to reduce it's income 30% or more. Any such reduction of income in this magnitude by any economic unit, be it "Joseph" Wage Earner of U. S. Steel, call for major re-adjustment. Among the individuals in the hourly working segment of our society, we find a number of people who are unable to make

adjustment without assistance. This is the point of Chapter XIII of the Bankruptcy Act or the Wage Earner Plan, it provides one set of rules by which our social system can assist these people in making that adjustment. I don't perceive that the purpose of this conference is a legal symposium and I do not propose that we get into a discussion of the legal procedures involved, but rather the social significance of the process.

The Wage Earner Plan or Chapter XIII of the Bankruptcy Act provides the rules by which our society assists these individuals in making the economic adjustment themselves.