

AMERICAN ASSOCIATION
FOR THE
ADVANCEMENT OF SCIENCE

Board of Directors

CHAUNCEY D. LEAKE, *Retiring President, Chairman*
THOMAS PARK, *President*
PAUL M. GROSS, *President Elect*
HARRISON BROWN DON K. PRICE
HENRY EYRING ALFRED S. ROMER
H. BENTLEY GLASS WILLIAM W. RUBEY
MARGARET MEAD ALAN T. WATERMAN
PAUL A. SCHERER, *Treasurer*
DAEL WOLFLE, *Executive Officer*

Editorial Board

KONRAD B. KRAUSKOPF H. BURR STEINBACH
EDWIN M. LERNER WILLIAM L. STRAUS, JR.
PHILIP M. MORSE EDWARD L. TATUM

Editorial Staff

DAEL WOLFLE HANS NUSSBAUM
Publisher Business Manager

GRAHAM DUSHANE
Editor

JOSEPH TURNER ROBERT V. ORMES
Associate Editor Managing Editor

ELLEN E. MURPHY, *Assistant Editor*

NANCY TEIMOURIAN, *Assistant to the Editor*

News: HOWARD MARGOLIS, DANIEL S. GREENBERG, PATRICIA D. PADDOCK

Book Reviews: SARAH S. DEES

Editorial Assistants: SUE E. BERKE, NANCY S. HAMILTON, OLIVER W. HEATWOLE, EDGAR C. RICH, JOHN E. RINGLE, CONRAD YUNG-KWAI

Staff Assistants: GENEVIEVE M. KIRBY, JEAN P. D. PIEKNIK

Advertising Staff

EARL J. SCHERAGO, *Director*

BERNICE SCHWARTZ, *Production Manager*

Sales: RICHARD L. CHARLES (New York, N.Y., PE 6-1858); C. RICHARD CALLIS (Old Bridge, N.J., CL 4-3680); HERBERT BURKLUND (Chicago, Ill., DE 7-4973); DILLENBECK-GALAVAN (Los Angeles, Calif., DU 5-3991)

SCIENCE, now combined with THE SCIENTIFIC MONTHLY, is published each Friday by the American Association for the Advancement of Science at National Publishing Company, Washington, D.C. SCIENCE is indexed in the *Reader's Guide to Periodical Literature*.

Editorial correspondence should be addressed to SCIENCE, 1515 Massachusetts Ave., NW, Washington 5, D.C. Manuscripts should be typed with double spacing and submitted in duplicate. The AAAS assumes no responsibility for the safety of manuscripts. Opinions expressed by authors are their own and do not necessarily reflect the opinions of the AAAS or the institutions with which the authors are affiliated. For detailed suggestions on the preparation of manuscripts, see *Science* 125, 16 (4 Jan. 1957).

Advertising correspondence should be addressed to SCIENCE, Room 1740, 11 West 42 St., New York 36, N.Y.

Change of address notification should be sent to 1515 Massachusetts Ave., NW, Washington 5, D.C., 4 weeks in advance. Furnish an address label from a recent issue. Give both old and new addresses, including zone numbers.

Annual subscriptions: \$8.50; foreign postage, \$1.50; Canadian postage, 75¢. Single copies, 35¢. Cable address: Advancesci, Washington.

Copyright © 1961 by the American Association for the Advancement of Science.

Tricks with Numbers

Most people know that it is a fallacy to compare absolute numbers instead of rates or percentages. The fact that California annually leads the nation in motor vehicle deaths does not necessarily mean that it is the most dangerous state to drive in. Nevada, for example, with a much lower absolute number, usually leads the nation in motor vehicle deaths per hundred thousand population. Thus, in 1958, this rate for Nevada was 43 and for California, 26.

In one field of practical concern, that of consumer credit, the customer usually has no way to determine what his true credit rates are and no standard by which to compare different schemes. Consider a one-year loan that is to be paid back in monthly installments. One method is the "add-on" plan. The borrower signs a note for \$105 and receives \$100. The true annual interest rate on the declining balance is 9.10 percent, not 5 percent. Then there is the "discount" plan. The borrower signs a note for \$100 and receives \$95; this makes his annual interest rate 9.58 percent. But rates as low and as relatively straightforward as these are unusual. To take an actual case, a man signed a note for \$114 to obtain a \$100 loan. The charges were: interest and discount, \$6.93; investigation fee, \$2.00; insurance fee, \$2.00; bank service fee, \$2.78. On an annual basis he was paying at the rate of 24.8 percent. Another plan is to determine interest on declining balances. This plan is used by credit unions and many "small loan" companies, but rarely by banks. The customer knows that his money costs him 1 percent or more per month, and he can readily compute his annual rate by multiplying by 12.

The practices are far more diverse in installment buying than they are for personal loans. The rates vary with number of installments and length of loan, with service and insurance charges, and with differences between cash price and credit price. The ordinary customer simply cannot compute the rate he is paying for his credit. Interest charges range from about 12 percent to well over 100 percent in extreme cases, but the true rates are not ordinarily disclosed.

To remedy this lack of standardization, Senator Douglas and 21 of his colleagues have introduced a "Truth in Lending Act" (S. 1740), which is now in committee. The main feature of the bill is the requirement that the percentage that the finance charge bears to the total amount to be financed be expressed as "a simple annual rate on the unpaid balance of the obligation" (as is now done on many, but not all, personal loans and rarely if ever on installment credit).

The bill is opposed by the following, among others: The American Bankers Association, the Chamber of Commerce of the United States, and the National Retail Furniture Association. It is favored by the Federal Reserve System, the AFL-CIO, the President's Council of Economic Advisers, and the Credit Union National Association, to name a few. Opponents of the bill argue that it invades states' rights, that it is unnecessary, that if passed it would be detrimental to the economy, and that simple interest would be too difficult to calculate. Those who favor it deny that any of these arguments have validity. On the positive side they point to the benefit that would accrue to the customer if he could shop for credit as he can for goods. The statement of the simple annual interest rate would permit a customer to compare the true costs of different forms of credit and to act rationally on that basis. On balance, we favor any step that encourages rational decisions.—G.DuS.