

NON-BUSINESS BANKRUPTCIES

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An impending flood never fails to incite man out of his state of apathy. Corrective action, however, may take one of three forms. It may first be essentially of an emergency nature. One might, from reason or fright, initially rush to strengthen the dam against the onrushing tide. A second corrective action is more deliberative. It involves diverting the overflowing streams into harmless channels. Both of these forms of corrective action are at best only expedients. A fundamental program of flood control is broader in scope and longer-run in time span, but it does seek to get to the basic underlying causative factors.

The impending flood that threatens our economy today is not from overflowing streams or rivers, but from bankruptcy. Each bankruptcy report issued by the Bankruptcy Division of the Administrative Office of the United States Courts for the past few years has begun with the statement that bankruptcies have again "reached another all time high."

Of greater concern than the increase in the number of bankruptcies is the increase in an important segment of the total. Just a few years ago, the average layman tended to identify bankruptcy with the failure of a business. Now, however, the typical bankrupt is a wage earner, and family head, not a business!

Bankruptcy Statistics

The statistics in this section are primarily derived from the tables of bankruptcy statistics compiled by the Administrative Office of the United States Courts.

There has been a sharp increase in the number of bankruptcy cases filed in the post World War II period. The total number of bankruptcy cases filed in the fiscal year 1946 was 10,196. In 1963, 155,493 cases were filed. During the interim the number of cases filed steadily increased. The year, 1963, was the eleventh consecutive year in which the number of cases filed exceeded the total of the prior year. Preliminary estimates for 1964 are that the number of bankruptcies will again reach an all-time high, approximately 175,000.

Upward Trend in Non-Business Bankruptcy Filings

Approximately ninety per cent of the bankruptcy cases filed are classified as non-business. An examination of the 155,493 bankruptcy cases filed in 1963, indicates that 127,156, or 81.8 per cent, were filed by employees; and 12,034, or 7.7 per cent, were filed by other people not engaged in business. Thus 139,190, or 89.5 per cent, of all bankruptcy cases filed were non-business bankruptcies. Business bankruptcies, merchants, manufacturers, farmers, professionals, and others in business, constituted only 10.5 per cent of the total. It is clear then that the preponderance of bankruptcy cases are wage-earners. Many people use the expressions "non-business bankruptcies" and "wage-earner bankruptcies" interchangeably. In addition, consumer bankruptcies and personal bankruptcies

have also been loosely used as synonyms for non-business bankruptcies. Not only has the total number of filings of non-business cases increased but non-business bankruptcies as a proportion of total bankruptcies filed have steadily increased. This increase is shown in Figure 1.

The increase in non-business bankruptcy petitions is largely explained by other factors than a mere increase in the size of the population. Table 1 shows that between 1947 and 1963 the population increased by 31.3 per cent, but non-business bankruptcies increased by 1260 per cent. Table 1 also shows that if the 1947 non-business bankruptcy filings are related to the 1947 population, the rate of filings was 7 per 100,000 persons. In 1963 the filings had increased to 74 per 100,000 persons. The increase of non-business bankruptcy petitions clearly outstripped population growth.

Table 1

Relative Increase of U. S. Population and Non-Business Bankruptcy Cases Filed, Fiscal Years 1947, 1963

Year	Non-Business Bankruptcies	Per cent Increase	U. S. Population	Per cent Increase	Non-Business Bankruptcies over 100,000 population
1947	10,234	-	144,126,000	-	7
1963	139,190	1,260	189,278,000	31.3	74

Source: Administrative Office of the United States Courts

Fluctuations in Bankruptcy Filings

There are clearly identifiable cyclical fluctuations in bankruptcies that are closely correlated with the overall business cycle. In recessions (allowing for a time lag) non-business bankruptcies go up; in prosperous times they go down. In the first of the four post World War II recessions, 1948-49, the bankruptcy rate sharply increased by 40.5 per cent. The rate of increase for the other three recessions was 32.6 per cent in 1954, 24.3 per cent in 1958, and 33.3 per cent in 1961.

There was a sharp decline in the rate of bankruptcy filings in 1962. Some observers gleefully interpreted this to mean that the bankruptcy tide had reached its crest and was now receding. It now appears that the 1962 decline was cyclical in nature because the 1963 rate was up. Data for the first six months of the fiscal year 1964 shows an increase of 14.4 per cent over the comparable 1963 period.

Figure 2 shows the sharp variation in the filing of bankruptcy petitions within the period of each fiscal year. Filings in the first and second fiscal quarters, July-December, drop sharply but accelerated activity in filings ensues in the following quarters. The heavier volume of new cases occurs in the last half of the fiscal year which is during the months of January to June.

DISTRICT COURTS

Figure 1
 BUSINESS AND NON-BUSINESS
 BANKRUPTCY CASES COMMENCED

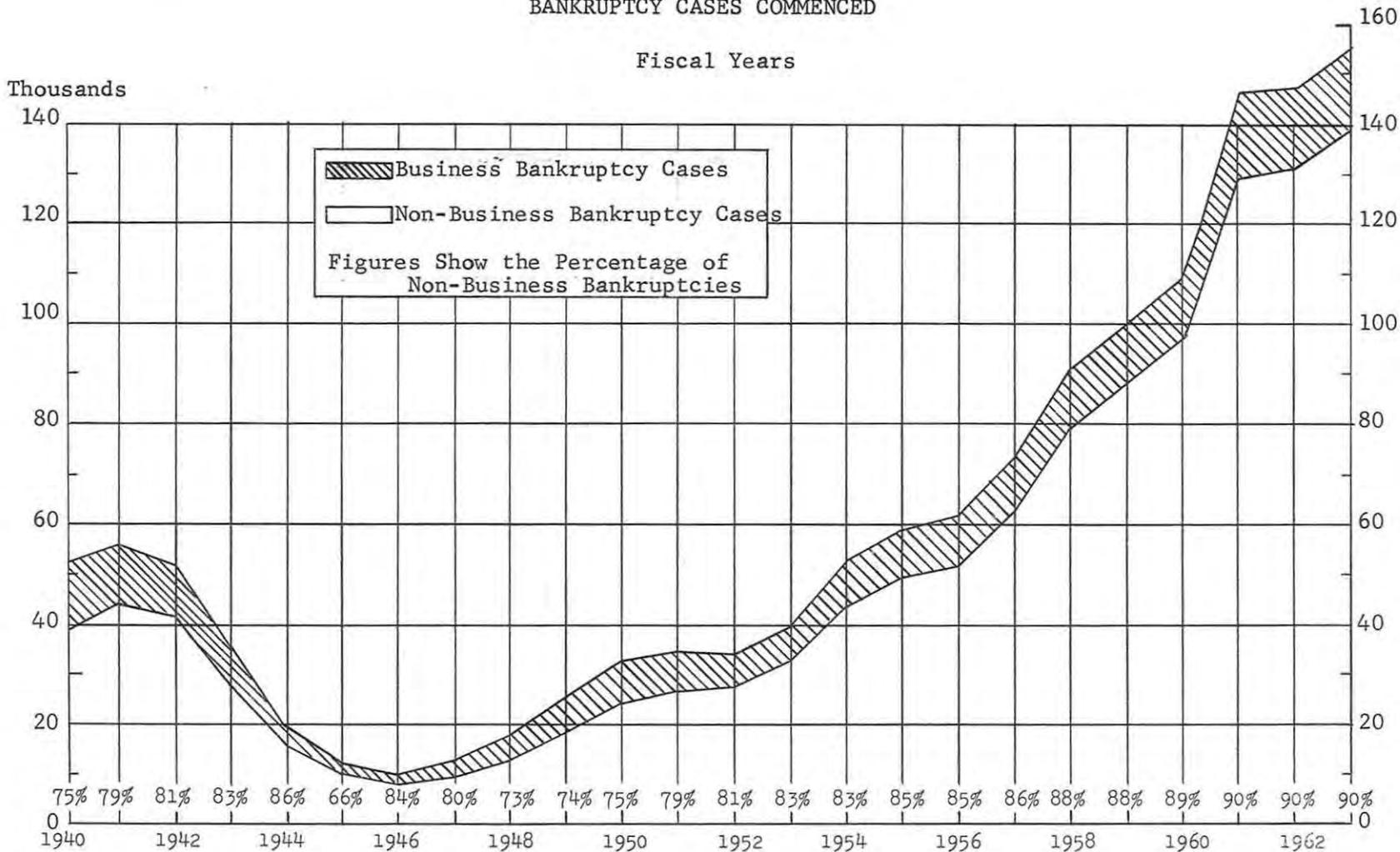
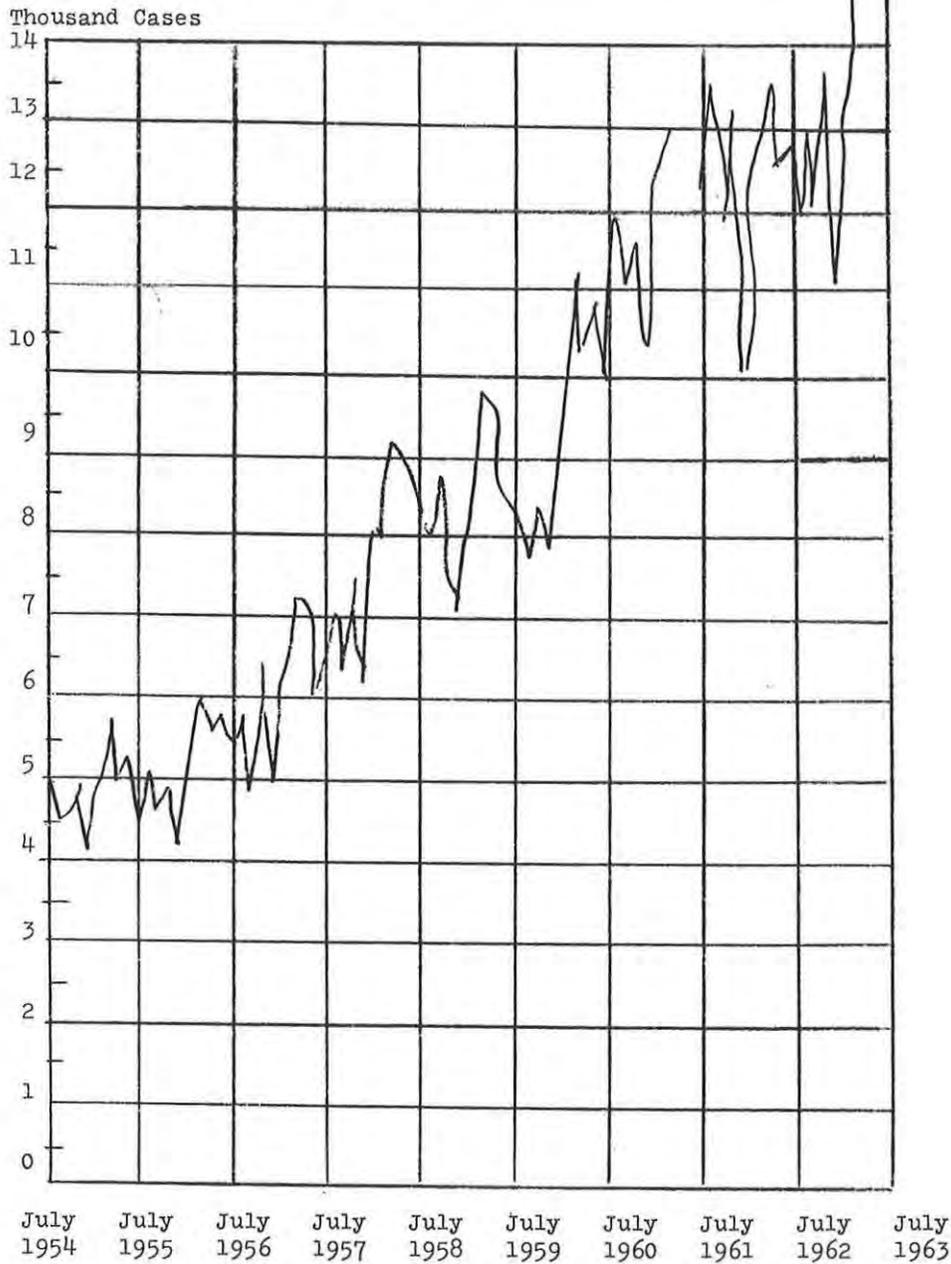


Figure 2

BANKRUPTCY CASES FILED IN DISTRICT COURTS

4

By Months



Differences in the Incidence of Bankruptcy Among States

Bankruptcy rates among states differ. On an average the bankruptcy rate in the United States is approximately 74 per 100,000 of population. Deviations from this average, however, are striking. Dr. S. Lees Booth adjusted bankruptcy rates for all states in 1962 (when the average was 72 per 100,000 persons) to allow for the differences in state populations. Table 2 regroups some of this data to show some states with high and low bankruptcy rates. Alabama and Oregon, for example, with bankruptcy rates of 279 and 200 per 100,000 respectively, had the highest bankruptcy rates in the country. North Carolina and Texas, with one and two bankrupts per 100,000 population, had the lowest rates.

Table 2
Selected Bankruptcy Rates, 1962

State	Number per 100,000 Population	State	Number per 100,000 Population
Alabama	279	North Carolina	1
Oregon	200	Texas	2
Tennessee	184	South Carolina	3
Maine	153	Pennsylvania	4
Georgia	149	Maryland	5
Arizona	147	Florida	7
California	145	Delaware	10
Illinois	134	South Dakota	11
Ohio	132	New Jersey	12
Colorado	131	Alaska	13
Kansas	126	District of Columbia	13
United States	72		

Source: Dr. S. Lees Booth, Director of Research, National Consumer Finance Association.

An alternative way of dramatizing the difference in bankruptcy rates is to compare the total number of bankruptcies in states with populations of comparable size. Indiana and Florida both approach a 5,000,000 population, but bankruptcies in Indiana greatly exceed those in Florida. During the fiscal year 1963, 4,486 bankruptcy cases were commenced in Indiana and 865 in Florida. The rate per 100,000 in Florida was approximately 17 in contrast to approximately 89 for Indiana. A similar difference can be shown by comparing the non-business bankruptcies filed in New York and California both of which have populations that hover around the 16,000,000 mark. During fiscal 1963, 4,171 non-business bankruptcy cases were commenced in New York and 24,641 in California. The New York rate was approximately 3 per 100,000; the California rate 18 per 100,000.

There is a marked geographic concentration of non-business bankruptcies. Five states: California, Illinois, Ohio, Alabama, and Tennessee, account for approximately one half of all of the non-business bankruptcies filed in 1963. This concentration of bankruptcy filings is shown in Table 3.

Table 3

Concentration of Non-Business Bankruptcy Cases Filed, Fiscal Year 1963

	<u>Total Non-Business Bankruptcy Filings</u>	<u>Per cent of U. S. Total</u>
California	24,641	17.7
Illinois	14,057	10.1
Ohio	13,223	9.5
Alabama	9,783	7.0
Tennessee	7,391	5.3
Total United States	<u>139,190</u>	<u>100.0</u>

Source: Administrative Office of the United States Courts.

Concentration of Personal Bankruptcy Filings Within Districts of States

There is evidence that within states there is further concentration of bankruptcy filings in limited local areas. Table 4 shows this concentration in one district in each of four states. (Each of these states has three administrative districts.) Almost three-quarters of all non-business bankruptcies filed were concentrated in one of the three districts in Alabama and Illinois. In Georgia and Tennessee almost half of the bankruptcies were concentrated in one of the three districts.

Table 4

Bankruptcy Cases Filed in One of Three Districts in Selected States, Fiscal Year 1963

	<u>Bankruptcy Filings</u>		
	Total in State	Total in One District	Per cent of State Total
Illinois	14,057	11,288	77.2
Alabama	9,783	6,734	68.8
Tennessee	7,391	3,531	47.8
Georgia	6,464	3,041	47.0

Source: Administrative Office of the United States Courts.

An analytical study of consumer bankruptcy cases filed in Maryland between 1958 and 1960 also shows a high degree of geographic concentration of bankrupts within the state. When the layman thinks of consumer bankruptcy in Maryland he is prone to assume that most of the bankrupts are concentrated in the city of Baltimore which is the largest urban center in Maryland. The data presented in the Maryland study, however, do not support this impression. Rather the concentration is in the Maryland community immediately adjacent to Washington, D. C. Forty-four and seven-tenths per cent of the bankrupts lived in such areas as Silver Spring, Bethesda, and Hyattsville.

Profile of a Typical Bankrupt

An analytical study of the characteristics of employee bankrupts in Maryland and descriptions presented in a number of papers on the bankruptcy problem have served as clues in delineating the following profile of a typical non-business bankrupt.

Sex:	Male (however, more females are entering the ranks, especially wives whose husbands have become bankrupt)
Age:	34 years (the typical bankrupt is young)
Marital status:	Married
Number of Children:	Three
Occupation:	White-collar or skilled worker
Income preceding bankruptcy:	\$4,752 (in 1958-60 data)
Income two years preceding bankruptcy:	\$3,935 (based on 1950-1960 data)
Number of creditors:	Twelve
Computed average liabilities in no asset cases:	\$9,794 (Most experts estimate about \$3,000-\$4,000 in debts. A recent Ohio study revealed 47 per cent of non-business bankrupts with debts of less than \$2,000.)

The Importance of the Bankruptcy Problem

Among knowledgeable people there is considerable alarm about the present bankruptcy problem.

Groups Who Have Evidenced Concern

The Legal Profession

Lawyers are alarmed! Hardly an issue of the various legal journals passes without a discussion of this problem. The subject of bankruptcies familiarly appears on the convention agenda of various groups concerned with law. Local legal associations have committees working on the problem. Perhaps the most vocal group of lawyers are the referees in bankruptcy, those who are close to the problem.

The American Bar Association has appointed a Consumer Bankruptcy Committee under the chairmanship of one of the leading legal authorities in bankruptcy law, Linn Twinmen. This committee has sought to represent a broad cross section of views of legal experts who are concerned with the problem of bankruptcy. It has solicited views from various interests that are affected by this problem. It has encouraged and stimulated research in this area. Soon it is expected to come forth with specific recommendations concerning the bankruptcy law, particularly Chapter XIII (which will be discussed later in this paper).

Consumer Leaders

The so-called professional consumer is alarmed by the bankruptcy problem. Only a program chairman knows the behind-the-scene competition of the almost unlimited consumer problems for the limited space on the program of a consumer conference. Yet, almost every year for the past few years the Council on Consumer Information has devoted time to a discussion of the bankruptcy problem. In addition, it has featured personal bankruptcies in the pamphlet, on A Guide for Family Financial Counseling, issued in 1963.

Journalists

Journalists, sensitive to socially significant issues, have in effect said that the personal bankruptcy problem is serious. Such well known people as Sylvia Porter, Ann Landers, Charles Neal, and others, have written on this problem. I know of one person who did a small local study on the bankruptcy problem. He received many requests for copies and the letters almost invariably began, "I am about to do a piece on personal bankruptcies." The January, 1961 Reader's Digest article on "We Went Bankrupt on the Installment Plan," was an award winning article.

Why Bankruptcy is a Major Concern

Bankruptcy involves human distress. The bankruptcy problem is important because of the human distress it represents. Although uninformed people may minimize the gravity of the consumer bankruptcy problem by saying that only one-tenth of one per cent of the population goes bankrupt, there is a qualitative dimension in human distress that is understated by such statistics. When we hear that 60 people were killed in an earthquake in Alaska, that 16 American soldiers were killed in South Vietnam, or that one human being was a victim of a November 22 tragedy, we do not measure the great loss by engaging in statistical manipulation. Similarly, the enormous human distress represented by bankruptcy defies precise quantitative measurement.

But for those who do like ratios we do have some comparisons. The Public Health Service estimates that about 5.7 persons per 100,000 die from tuberculosis; 20.5 from motor vehicle accidents; 34.7 from hypertensive heart disease; (the rate for all forms of heart diseases together is 365.2); and 49.5 from the major type of malignancy (for all types of malignancies the rate is 147.5). The rate of divorces, an increasingly important sociological problem, is 220 per 100,000 population.

Obviously, quantitatively or in terms of the gravity of outcome, bankruptcy is not so serious as death from cancer or heart disease. But it is probably much more important than in many of the medical and social problems that we attempt to solve by generously giving to charities. The rate of bankruptcy, which is 279 per 100,000 in Alabama, 200 per 100,000 in Oregon, and 74 per 100,000 in the nation as a whole, surely ranks as an important social issue. Yet a bankruptcy is a social issue about which many otherwise knowledgeable people know virtually nothing.

Bankruptcy is a billion dollar problem. Bankruptcy is important because of the amount of money involved. Losses from non-business bankruptcies exceeded \$1 billion in 1963. Estimates of these losses are presented in Table 5.

Table 5

Liabilities and Disbursements in Asset, Nominal Asset and
No-Asset Cases Concluded under the Bankruptcy Act,
Fiscal Year 1963*

	Number of Cases	Liabilities	Total Disbursements
Asset	14,531	\$327,037,081	\$55,390,638
Nominal Asset	16,150	208,049,698	1,893,038
No-Asset	88,624	865,971,558	--
Chapter XIII Arrangements	6,654	8,729,035	8,533,153

*The assumption is made that all of the asset cases are business bankrupt cases, and therefore do not involve unpaid obligations of wage earners and others not in business. The assumption is further made that there are no unpaid obligations under the relief chapter. The obligations of the nominal-asset cases and the no-asset cases are added and the total disbursements in the nominal-asset cases are subtracted from the total. The remainder is \$1,072,128,218 of unpaid liabilities of non-business bankrupts.

It should further be noted that these liabilities relate only to those that have been allowed. With these assumptions the estimated unpaid liabilities of \$1 billion of non-business bankrupts has a downward bias.

For statistical purposes the Administrative Office of the United States Courts considers four broad categories of closed or terminated cases:

- a. An asset case is an ordinary bankruptcy proceeding (as distinguished from a proceeding under one of the relief chapters of the Bankruptcy Act) in which there was some distribution to some class of creditors (secured, priority or unsecured) over and above exemptions and costs of administration.
- b. A nominal-asset case is an ordinary bankruptcy proceeding in which there were some assets coming into the estate above exemptions but these were all consumed in payment of costs of administration.
- c. A no-asset case is an ordinary bankruptcy proceeding in which there were no assets coming into the estate above exemptions.
- d. One relief chapter of the Bankruptcy Act, Chapter XIII, known as the "Wage Earner's Plan for Liquidation," is essentially a device for debt payment by the near bankrupt.

Bankruptcy is a symptom of deep-rooted problems. Essentially, the consumer or personal bankruptcy problem is a symptom of a more fundamental problem that our economy is presently facing. I have been collecting data on a number of series that chart some profound and fundamental changes that are taking place in the American economy. Most are economic, but some are sociological. Divorce rates are up. The increasing crime rate has alarmed officials throughout the nation. Summary ejectments (notices to evict people from their homes because of non-payment of rent) have increased a thousand-fold over the years in one major city. The rate of foreclosures on F.H.A. as well as conventional mortgages has increased significantly. The unemployment rate has remained stickily high for several years.

Summary

I introduced this paper by saying that there are three ways of dealing with an impending flood: build dams, divert streams, or effect a fundamental program of flood control. I laud the attempts of the legal profession to take emergency action of proposing law changes to stem the rising tide of bankruptcies, but I think that we should understand that in effect these are emergency measures

Promoting the use of Chapter XIII is more deliberative. This is comparable to diverting the streams. These actions also are not to be condemned. But the social scientists, and particularly those who are contemplating depth research in this area, should recognize that a broader and more fundamental solution must be sought to the financial problems of consumers, of which bankruptcy is a mere manifestation.

Current Anti-Bankruptcy Proposals

There is remarkable consensus among students of the bankruptcy problem today that two major factors "trigger" (without necessarily being an underlying causative determinant) bankruptcy cases and account for the differences in the non-business bankruptcy petitions filed in the various states.

1. State collection laws; particularly, garnishment laws.
2. The Federal Bankruptcy Law itself; particularly, with respect to the use of Chapter XIII.

State laws govern replevins, attachments, collection procedures that creditors may use, what assets may be exempted by a petitioner for bankruptcy, and the like. These laws vary among states. Most important are the garnishment laws. States with "harsh" garnishment laws enable creditors to tie up rather easily, often without the knowledge of the debtor, a large part of a wage earner's salary. This deprives the wage earner of an income to meet his daily needs. In addition, the legal processes require involvement of employers. Therefore, two or three garnishments may (at times because of the automatic application of company policy) cause the employee to lose his job. To save himself from loss of income, loss of a job, and harrassment, the wage earner in

desperation looks for a way out. This way is bankruptcy. A number of studies have shown that states such as California, Ohio, and Oregon that have harsh garnishment laws have high bankruptcy rates. States such as Connecticut, Florida, Pennsylvania, and Texas where wages are not subject to garnishment, have low bankruptcy rates. In Maryland, where not only relatively good garnishment laws exist but where other statutes have been passed to protect the user of credit, bankruptcy rates are low. Illinois, has for many years had harsh garnishment laws and the bankruptcy rates have been high. These laws were softened in 1961, and in 1962 Illinois had the largest decrease in bankruptcy petitions filed of any state in the Union. It is too early to tell whether this was a mere cyclical decline. In 1963 bankruptcy petitions filed in Illinois have increased. Again it is impossible to tell whether this increase is smaller than it would have been in the absence of the new law. Nevertheless, there is remarkable agreement that bankruptcy petitions filed are, in large measure, a function of state laws. A large number of proposals have been made concerning changes in state laws that would reduce the incidence of bankruptcy filings. Two are illustrative.

Honorable Estes Snedecor, Referee in Bankruptcy of the United States Court in the District of Oregon, is one strong proponent of the view that the number of wage-earner bankruptcies can be substantially reduced by amending the state laws in the following respects:

1. Provide that there be no deficiency recoverable after repossession of personal property.
2. Provide for the automatic exemption of at least 80% of all wages and salaries.
3. Reduce the rate of interest on consumer loans to a level not exceeding 2% a month on loans of \$300 or less and 1% a month on loans in excess.

If these amendments to the law are effected, Referee Snedecor is convinced, "our social and economic life would be put on a sounder and happier basis."¹

The warm reception accorded Referee Snedecor's first and second proposals and the increasing extent to which these two proposals are being quoted are hints that others share his views. Certainly the dramatic evidence he presents demonstrating that states with low wage exemptions have the highest bankruptcy rates is convincing support of his views.

Professor Daniel R. Fusfeld of The Labor and Industrial Relations Center of Michigan University, however, would go even further. He would attack at its foundation the procedure whereby business firms use the courts as collection agencies for debts. In his ten-point program:

1. Wage Assignments would be outlawed.
2. Exemptions from wage garnishments would be increased to 90% for house-holders with families and 85% for non-householders. Under

¹ Cf. Estes Snedecor, "Consumer Credit and Bankruptcy," Journal of the National Association of Referees in Bankruptcy, Vol. 35, No. 2, April, 1961.

- certain conditions this would drop to 80%. The maximum number of allowable garnishments at any one time would be three. Present dollar limits would be dropped.
3. Collection costs in wage garnishments should be paid by the creditor. At the present time, the creditor's costs are borne by the debtor and the court expenses by the public.
 4. Garnishment of wages for small amounts, \$25 or less for example, would be prohibited.
 5. Garnishment of wages would be limited to debts for medical care, food and rent.
 6. Frequent garnishment on the same judgment by the same creditor against the same debtor would be prevented. For example, such action would be limited to one per month.
 7. All non-voluntary deductions from wages would be exempted by law from wage garnishment or assignment.
 8. The petition for conciliation law would be tightened up, stating specifically the present customary exemptions and legally providing for continuation of the partial payment order during layoffs and illness.
 9. Add-on contracts and "balloon" notes would be prohibited by law and effective penalties provided.
 10. Deficiency judgments for repossessed installment purchases would be abolished; it would be assumed that the down payment plus monthly charges covered normal depreciation of the item.²

In time some type of uniform collection-law statute will be enacted by most states. But few if any experts have high hopes of coping with the current bankruptcy problem through legislation in fifty different states. They hold high hopes of coping with the problem through amending the bankruptcy law to encourage a wider use of Chapter XIII. Essentially this is a technique whereby the debtor works out a program to pay his creditors out of future earnings under guidance.

At the outset it should be stressed that there is no unanimity of agreement on the merit of using Chapter XIII. Some groups contend that Chapter XIII is a device to make the courts a collection agency for creditors. Some referees refuse to encourage the use of this chapter. Some professional consumers see possible abuses in applying this "relief," to persons who should have the relief of straight bankruptcy. Others contend that the sensational results claimed by some ardent supporters of Chapter 13 are not justified by the statistics.

² Don't Get Garnisheed!, Labor and Industrial Relations Center, Michigan University, pp. 18-19.

Table 6

Chapter XIII Cases concluded in Selected Areas, Fiscal Year 1963

	Total	Per cent of U.S. Total	Dis- Missed	%	Ad- judi- cated	%	Ar- rang- ed	%
United States	18,152	100.0	9,351	51.5	2,147	11.8	6,654	36.7
Alabama	7,488	41.3	3,828	51.1	203	2.7	3,457	46.2
Tennessee	2,891	15.9	1,595	55.2	315	10.9	981	33.9
Georgia	1,634	9.0	720	44.1	231	14.1	683	41.8
Kansas	1,464	8.1	815	55.7	222	15.2	427	29.2
California	1,064	5.9	608	57.1	185	17.4	271	25.5

Source: Administrative Office of the United States Courts.

Table 6 summarizes the experiences with wage earner bankruptcies for one year. Of the 139,190 filings of non-business bankruptcy cases in 1963, 18,152 were "wage earner" filings. The Administrative Office of the United States Courts estimates that wage earner filings for the fiscal year 1964 will exceed 26,000 and possibly will reach 27,000. It will be seen that five states (Alabama, Tennessee, Georgia, Kansas, and California) accounted for 80 per cent of Chapter XIII filings. Alabama alone accounted for 41.3 per cent of the cases.

After the bankruptcy cases are filed they may be disposed of in three ways: they may be dismissed, the debtor may simply not wish to continue. Secondly, the case may be adjudicated; that is, it may be transferred from a Chapter XIII to a straight bankruptcy case. Finally, the case may be "arranged." In effect, this is a success. Usually the repayment period is three years when a case is "arranged" in which the debtor pays off his obligations. Table 7 shows some relationships between "high-rate" Chapter XIII states and "low-rate" states. Column 1 shows that in Alabama, for example, 86 per cent of all petitions for bankruptcy were converted into Chapter XIII cases. Alabama, then, is considered a "high rate" user of Chapter XIII. Similarly, Arkansas, Kansas, Maine, Tennessee, and Georgia were "high rate" users of Chapter XIII. In New York, only 2 per cent of the petitions for bankruptcy filed in that state were directed into Chapter XIII. New York, then, is considered a "low rate" user of Chapter XIII. Similarly, Michigan, Ohio, Illinois, and California were "low rate" users of Chapter XIII.

Table 7

Chapter XIII Proceedings FY 1962 and Straight Bankruptcy Dismissals,
FY 1963 in Selected Areas

	Chapter XIII Proceedings as a Per Cent of All Non- Business Bankruptcy Proceedings in State or Area (a)	Straight Bankruptcy Cases Dismissed (b)
Alabama	86	19.9
Arkansas	61	6.7
Kansas	59	13.7
Maine	50	9.5
Tennessee	49	12.8
Georgia	33	9.6
United States	17	4.5
New York	2	1.4
Michigan	2	1.0
Ohio	3	5.3
Illinois	5	3.2
California	8	4.2

(a) Source: Dr. S. Lees Booth, Director of Research, National Consumer Finance Association.

(b) Source: Administrative Office of the United States Courts.

A relationship was uncovered for which an explanation is not readily available. High rate users of Chapter XIII were also the states in which the petitions for straight bankruptcy were dismissed relatively more than average. It should be stressed that the petition to dismiss a straight bankruptcy is not the same as dismissal used in referring to a discontinued Chapter XIII case. The bottom of Table 12 shows that those states that were low rate users of Chapter XIII were also the states in which the petitions for straight bankruptcy were seldom dismissed. This is a relationship that requires continuing study.

The use of Chapter XIII is an effective technique of diverting streams that would otherwise culminate in a flood of bankruptcy. The consumer pays his debts. His honor and self respect are restored. And creditors get their money! In 1963, of 6,654 successful arrangements, under Chapter XIII, over \$8.5 million was paid. This is a sum that would otherwise have been written off as uncollectible bad debts.

The Administrative Office of the United States Courts has endorsed the use of Chapter XIII by its referees when they consider it appropriate. The American Bar Association's Consumer Bankruptcy Committee in January, 1964

also endorsed the use of the Wage-Earner Plan under Chapter XIII. The chairman of this committee reports that ways are now being sought to improve the relief chapter so that the procedure would be less expensive and more convenient for the debtor, while at the same time cutting down red tape and unnecessary delays for the creditors. It is expected that the American Bar Association will recommend that the Bankruptcy Act be amended to promote the use of Chapter XIII. But the recommendation will probably be to give the referees discretionary authority to compel the petitioner to use Chapter XIII if in the opinion of the referee the relief chapter is the appropriate technique.

More ardent advocates of the use of Chapter XIII dissent. Mr. Albert W. Driver, Jr., Assistant General Counsel of the J. C. Penney Co., argues that the bankruptcy act should be amended to require that consideration be given to the use of Chapter XIII.

In summary, amendment of the Federal Bankruptcy Act to encourage or require the use of Chapter XIII and the enactment of fair and just collection laws by states are the two legal techniques that are now being widely considered to cope with the bankruptcy problem.