

April 15, 1947.

Dear Matt:

Enclosed for your information is a copy of the letter I have sent to Mr. Patrick J. McDonough in response to your note of April 11 enclosing his letter to you.

As you request, I am returning his letter for your files.

Sincerely yours,

Mr. Matthew J. Connelly,  
Secretary to the President,  
The White House,  
Washington.

Enclosures 2

 ET:b

April 15, 1947.

Councilor Patrick J. McDonough,  
State House,  
Boston, Massachusetts.

Dear Mr. McDonough:

In a note of April 11 Mr. Connelly, Secretary to the President, referred to me your letter to him inquiring about Regulation W.

The Reserve Board has taken the position that if regulation of this type is to be continued, it should rest on permanent legislation and not on a wartime executive order as at present. Accordingly, the Board has advised Chairman Wolcott of the House Banking and Currency Committee that, while we favor continuance of regulation and believe Congress should enact the enabling legislation, if this session of Congress adjourns without favorable action we shall recommend that the executive order be vacated. That, of course, would terminate the regulation automatically.

The issue as to whether the regulation of instalment credit should continue is a highly controversial one, as you know. The banks generally, the small loan companies and other powerful groups oppose it. Opinion among dealers in the durable goods covered by the regulation at present appears to be sharply divided, although the majority no doubt oppose it. On the other hand, we have not had protests against the regulation from consumer groups, and an impressive array of informed, impartial economic opinion agrees with the view that restraints upon excessive expansion of consumer credit would be in the interest of the country from a long-range standpoint.

It is not feasible in a letter to deal adequately with the broad problem, but it may perhaps be summed up by pointing out two aspects of it. One is that overextension of this sort of credit has always ended in serious economic trouble, resulting in curtailed production and unemployment. Another is that, without any restraint, it is likely that sellers of durable goods will seek to expand their sales by easing terms instead of by reducing prices.

The absence of all regulation will tend to maintain high prices and get more and more of the public into debt at high prices.

Councilor Patrick J. McDonough - 2 -

April 15, 1947

We do not believe that this would be in the public interest or in the long-run interest of individual lenders and dealers affected by the regulation.

Sincerely yours,

M. S. Eccles,  
Chairman.

ET:b  
*ET*

THE WHITE HOUSE  
WASHINGTON


April 11, 1947

Dear Marriner:

The enclosed correspondence I have had with Councilor Patrick J. McDonough of Boston is self-explanatory.


I would appreciate your returning Mr. McDonough's letter to me together with copy of your reply.

Sincerely yours,



MATTHEW J. CONNELLY  
Secretary to the President

Honorable Marriner Eccles  
Chairman  
Federal Reserve Board  
Washington, D. C.

  
April 11, 1947

Dear Sonny:

I regret this delay in replying to your recent letter about the status of Regulation W of the Federal Reserve Board.

It is my understanding that the Board has been giving considerable study to this regulation, and I am asking Chairman Eccles to advise you of its current status.

Sincerely,

MATTHEW J. CONNELLY  
Secretary to the President

Councilor Patrick J. McDonough  
State House  
Boston, Massachusetts

## THE MAYFLOWER

Dear Matt;-

I came down looking for information relative to Regulation "W" of the Federal Reserve Board. The group with whom I have contact are interested in the removal of the Regulation.

Could you give me any information as to the chances of the President abolishing this regulation by executive order. I understand that Congress may act to remove it later.

I would appreciate a note from you on this matter as soon as possible.

Please send to Governor's Councilor, Patrick J. McDonough, State House, Boston, Mass.

Many thanks.

(Signed) Sonny.