

THE WHITE HOUSE  
WASHINGTON

June 5, 1947

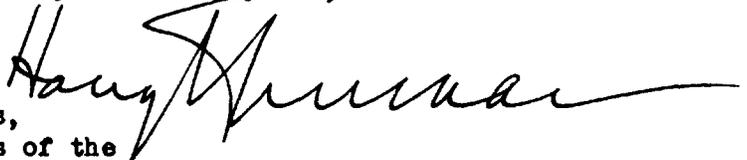
Dear Mr. Chairman:

The Council of Economic Advisers has transmitted to me a memorandum in regard to the legislation which the Board of Governors has recommended for consideration by Congress to continue instalment credit regulations now in effect under an Executive Order based on the Trading with the Enemy Act. In their memorandum the Council states:

"There now exists the power to limit the growth of instalment credit which, even under the present restraints, has been expanding at a disturbing rate. This power now rests on wartime Executive Order, which may have to be rescinded in the absence of legislative authority for its continuation. If the curbs on the extension of instalment credit now being exercised under Regulation W were to be removed at this time, there would be a tendency of producers and distributors to try to sustain the absorptive power of the market by accepting lower down-payments and a longer time period rather than adjusting prices to the purchasing power of current incomes. This would postpone rather than promote the kind of stable adjustment that our economy requires."

I wish to advise you that I am in full accord with the Council's recommendations and hope that the Congress will enact the necessary legislation to retain restraints upon excessive expansion which results in excessive contraction of consumer credit thereby making for economic instability, reduced production, and unemployment. If the Congress does not see fit to provide the necessary legislative authority, it is my intention to vacate the Executive Order because I do not believe that such regulations should rest indefinitely in peacetime on emergency or war powers after the Congress has had ample opportunity to consider the subject.

Very sincerely yours,



Honorable Marriner S. Eccles,  
Chairman, Board of Governors of the  
Federal Reserve System,  
Washington, D. C.