

PERSONAL AND CONFIDENTIAL

6/5
July 15, 1947.

Dear Clark:

In accordance with our telephone conversation last evening, I am sending you herewith two communications to the President. One is a suggested statement which the Board feels it would be desirable and appropriate for him to make public promptly rescinding consumer instalment credit controls now in effect under so-called Regulation W. For your convenience, I attach a copy of the President's letter to me of June 5 in which he gave notice to the Congress of his intention to rescind the Executive Order on which the present regulation is based if Congress failed to enact legislation specifically authorizing continuance of these controls. I also attach a suggested draft prepared by our counsel of a formal order rescinding Executive Order No. 8843 of August 9, 1941, which provided for consumer credit regulation.

In addition, I enclose a draft of a summary statement on the economic situation at this time for such use as it may possibly be to you in case the President decides to send to the Congress a statement of his own based primarily on the report of the Council of Economic Advisers, outlining the economic problems confronting the country as a result of continuance of inflationary pressures. As you know, at the Cabinet meeting last Friday when the Council's report was considered, I ventured to express the opinion that it would be advisable for the President to issue a short statement and I subsequently undertook to put down in general my own views of the current situation.

Sincerely yours,

Mr. Clark M. Clifford,
Special Counsel to the President,
The White House.

Enclosures

ET:b

July 15, 1947.

My dear Mr. President:

Notwithstanding the efforts which the Board has made to persuade the Congress to enact legislation authorizing continuance of the consumer instalment credit controls now in effect under the Board's so-called Regulation W, it is clear that Congress has turned thumbs down on this recommendation. In testifying in favor of continued controls, I made as strong a case as I could before both the Senate and House Banking and Currency Committees. However, it was evident that the issues were decided by both Committees even before the hearings were held. The opposition, particularly from small loan companies and many banks, was altogether too formidable.

I am enclosing a draft of a suggested statement which the Board feels it would be advisable for you to make public promptly in accordance with your letter to me of June 5, which I read into the record of hearings on this subject before both the Senate and House Committees. As you will recall, in this letter you strongly endorsed the recommendation of the Council of Economic Advisers for continuance of this regulation but expressed your belief that it should be given specific legislative sanction if it is to be indefinitely continued in peacetime. Since Congress has now indicated by the action of both Senate and House Committees that it is unwilling to enact effective legislation, we feel that no alternative is left except to revoke the original Executive Order No. 8843 of August 9, 1941, on which the present Regulation W is based. I have also transmitted to Mr. Clifford a draft prepared by our counsel of the formal revocation order.

While this responsibility for prematurely abandoning this regulation is clearly on the Congress, your own record and attitude have certainly been admirable and most helpful throughout.

Respectfully yours,

M. S. Eccles,
Chairman.

The President,
The White House.

Enclosures

It had been my hope that in view of existing and prospective economic conditions, Congress would provide for continuance of instalment credit regulation now in effect under Executive Order No. 8843, which is based on the Trading with the Enemy Act. On June 5, 1947, I addressed a letter to the Chairman of the Board of Governors of the Federal Reserve System in which I quoted and endorsed a recommendation of the Council of Economic Advisers that Congress enact specific legislative authority to continue in effect the Reserve System's present Regulation W as a means of helping to reduce upward pressures on prices, particularly of major consumer durable goods. While I strongly approved of the Council's recommendation, I stated that if the Congress did not see fit to provide the necessary legislative authority I intended to vacate the Executive Order because I did not believe that such regulation should rest indefinitely in peacetime on emergency or war powers after Congress had had ample opportunity to consider the subject.

This letter was read into the record of the Banking and Currency Committees of both Senate and House during hearings on this subject. However, the House Committee on Banking and Currency has since reported favorably a resolution to terminate at once all instalment credit controls, and the Banking and Currency Committee of the Senate has reported favorably a resolution to extend regulation for less than six months but under such relaxed credit terms as would nullify the effectiveness of regulation. It is evident that there will be no action by Congress at this session authorizing continuance of the regulation on an effective basis.

I regret very much that Congress has failed to authorize continuance of this protective measure in the general public interest and that I have no alternative except to revoke, in accordance with my letter, the Executive Order on which the present regulation is based. Therefore, I have today issued an Executive Order rescinding Executive Order No. 8843, thereby terminating all regulation of consumer instalment credit as of this date.

EXECUTIVE ORDER

Revocation of Executive Order No. 8843 entitled
"Regulation of Consumer Credit"

By virtue of the authority vested in me as President of the United States, it is ordered that Executive Order No. 8843 of August 9, 1941, providing for the regulation of consumer credit, be and it is hereby revoked, effective immediately.

THE WHITE HOUSE

July , 1947