

TO Mr. Thomas

FROM Chairman Eccles

REMARKS:

10/1/47

Wish you would prepare a reply for my signature, incorporating the following and anything else you think advisable:

Acknowledge the letter and report saying that the report was gone over thoroughly by our staff people who gave me a memorandum; that I made some suggestions to Mr. Thomas which I am advised he passed on to you over the telephone.

M.S.E.

CHAIRMAN'S OFFICE

October 2, 1947.

Dr. E. G. Nourse, Chairman  
Council of Economic Advisers  
Executive Office of the President  
Washington, D. C.

Dear Dr. Nourse:

Thank you for sending me a copy of your Council's tentative draft of its third quarter review prepared for the President's use. This draft was read thoroughly by members of the Board's research staff who gave me a memorandum pointing out its main features. I made some suggestions to Mr. Thomas as to points which I felt should be included in the report and I am advised that he passed these on to you by telephone. One suggestion concerning the powers of the Federal Reserve System to regulate credit we consider especially important at this time. In confirmation of Mr. Thomas' telephone message, I am sending you a typed draft of this suggestion. I hope you found it possible to include this proposal in your report to the President.

May I again express our appreciation for the opportunity to read your report and to make suggestions in advance of its submission.

Sincerely yours,

(Signed) M. S. Eccles

M. S. Eccles  
Chairman

Enclosure

MT:rj

*m.s.*

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**Third Quarter Review of Council of Economic Advisers**

**Insert, page 12, second full paragraph after first sentence.**

Congress should reinstate to the Board of Governors of the Federal Reserve System power to regulate consumer credit, which has been repealed effective November 1 by recently enacted legislation. Present powers of the Federal Reserve System are also inadequate to limit general credit expansion, which is now proceeding at a rapid rate. In order to restore the Reserve System's power to limit credit expansion, without upsetting the vast new war-created public debt structure, Congress should pass legislation along the lines recommended by the Board of Governors of the Federal Reserve System in its Annual Reports for 1945 and 1946.

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