

April 26, 1945.

To Chairman Eccles

From Governor Ransom

The attached is Dr. Parry's memorandum
resulting from Mr. Will Davis' request of April 24.

A handwritten signature in dark ink, appearing to be "B. R. Ransom", is written over a large, loopy, circular flourish.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date April 26, 1945

To Mr. Ransom

Subject: Talk with Mr. Walter Salant

From Mr. Parry

of Mr. Davis' Office.

LEP

Following through on your request of Tuesday morning, I got in touch with Mr. Salant and he came to see me Tuesday afternoon and again Wednesday afternoon. He said that he had been on Mr. Davis' staff only a week. On Tuesday he asked "What could be done by means of credit controls," particularly with reference to urban and rural real estate and on Wednesday "What could be done in those fields by means of credit controls without either new legislation or an Executive Order."

On Tuesday I gave Mr. Salant a brief history of credit controls in general and the proposal (first brought to our notice in 1942) that they be applied to real estate credit. Mr. Salant listened to this history with close attention. He expressed special interest in (1) the fact that Mr. Vinson's letter of January 1945 had asked what could be done "within the limits of existing law" and (2) in the technique that might be used in applying controls to real estate credit. On this second point, he took special notice of the idea of basing the down-payment requirement on the price paid for a given farm (instead of on some appraisal) and the idea that some means could be used to prevent the purchaser from borrowing the down payment. The question on Mr. Salant's mind seemed to be whether credit controls in the real estate field would be "administratively feasible."

On Wednesday, when Mr. Salant asked about the use of credit controls "without either new legislation or an Executive Order," I told him that -- since no power is now possessed by any agency to lay down rules of general application (supported by sanctions) -- only the educational or "hortatory" approach could be used. He seemed to be somewhat disappointed, but listened with interest to my account of what has already been done along these lines for farm mortgage credit by the Farm Credit Administration, etc., and my explanation of steps which would be necessary to develop a similar campaign for urban mortgage credit. I told him that the patterns and methods used by FCA could best be learned from Mr. Edward C. Johnson of the Department of Agriculture and he said that he would see Mr. Johnson. To find a man, either in Government or outside, who would have a thorough knowledge of the urban mortgage industry and would at the same time not be altogether "promotionally minded" would not be easy, but the names of some men were suggested in the National Housing Agency, etc. Mr. Salant said he would be getting in touch with me again.

I got little light from Mr. Salant on how Mr. Davis' mind may be running. It did seem, however, that in Mr. Salant's view Mr. Davis

has not given up the idea of an Executive Order but is most interested at this time in finding some way of combatting inflation in real estate prices without either asking Congress for new legislation or asking the President for an Executive Order.