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P Kansas' leading Appliance Distributor since 1933 .. 149 N. Rock Island,
Y Wichita 2, 2 Kansas
Phone 4-7394

January 12, 1949.

Honorable Marriner S. Eccles
Board of Governors
Federal Reserve Bank
Washington, D. C.

Dear Sir:

I read, with a great deal of interest, your interview in United States News and World Report of January 7.

Of Particular interest to me was your remarks concerning credit controls, particularly as they relate to consumer credit.

Very honestly, I was one who was in favor of the re-establishment of Regulation "W" and unquestionably, it appeared last Fall that there was a need for same.

However, things have been happening rapidly in the household appliance business, as you can see from the attached list of factories who have radically curtailed production.

I am now firmly of the opinion that the entire situation should be carefully reviewed with a view of a relaxation of controls, particularly on certain appliances.

The average working man can take \$300 and use it as a down-payment on a five room home, however when he goes to buy a refrigerator, range and washing machine and some furniture, the down-payment would have to be considerably more than \$300. Yet, he can buy a piano, clothing, furs or jewelry with practically no down-payment.

It has been the custom of man to eat regularly and usually to eat food that has been cooked. Therefore it seems to me that on items that have to do with food preservation and preparation, such as a range and refrigerator, the terms should be even more favorable than on such items as fur coats and jewelry. It is my honest belief that until Regulation "W" is relaxed, there will be an increasingly serious unemployment problem, the first straws in the wind of which are outlined in the attached sheets which are merely excerpts from recent trade publications.

Very sincerely yours,

Carroll Willis.

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attachs.

Gov. Eccles

February 24, 1949

Mr. Carroll Willis,
Siebert & Willis, Inc.,
119 North Rock Island,
Wichita 2, Kansas.

Dear Mr. Willis:

Thank you for your letter of January 12 concerning the scope of Regulation W and its possible effect on the economy.

You questioned the policy of regulating instalment credit arising in connection with the sale of "listed" articles while credit extended in connection with "unlisted" articles, such as fur coats and jewelry, is not so regulated. The list of articles, the instalment sale of which is subject to Regulation W, resulted from study of the various sources of instalment credit and selection of certain major areas which generated the bulk of such credit and which, through expansion and contraction of sales and production, exerted considerable pressure on the upward and downward movements of the economy.

In congressional committee hearings preceding the passage of Public Law 905, the Board representative stated that, in general, the contemplated regulation probably would have about the same scope as the regulation which was terminated in November of 1947. The items you mentioned were not included in that regulation.

You expressed the opinion that Regulation W should be reviewed with the view of relaxation of permissible terms. Although the Board has received a number of requests for relaxation of the regulation from people engaged in the production and marketing of consumers' durable goods, there is also evidence of a different point of view in those quarters. The attached sheets contain excerpts from unsolicited letters we have received expressing views that the regulation should not be relaxed at this time.

Regulation W is a flexible measure and the Board is particularly concerned that it be properly adapted to current economic and credit conditions. With this in mind, the Board is constantly studying conditions in the economy generally as well as conditions in those businesses which are affected directly by the provisions

of the regulation, including trends in the production and marketing of appliances and other consumers' durable goods.

On several occasions since the end of the war it has appeared that inflationary pressures were waning and that there was a prospect of general price weakness and rising unemployment. Each of these occasions was ended, however, by a renewal of the inflationary spiral. While currently there are some renewed signs of weakness in the business situation, other factors continue to exert inflationary pressures.

It is clear that factors other than Regulation W are also influencing sales of consumers' durable goods such as appliances, radios, furniture, etc. A sales decline is normal at this time of the year for some of these products on a purely seasonal basis. In view of the current high cost of living, many people have less buying power available for such purchases.

Relaxation of Regulation W is being suggested by some people in the businesses affected, in order to stimulate sales. The amounts involved in down payments and instalments reflect, in addition to the provisions of the regulation, the prices of the articles involved. Such relaxation, if it resulted in increased demand, would tend to support the current prices for appliances, radios, phonographs, furniture, etc. In this connection the following statement which appears in the report of the Senate Committee on Banking and Currency recommending enactment of this legislation is of interest:

"Only harm could result from inducing millions of American families to go heavily into debt on too easy terms for goods at the present high level of prices. The excessive credit built up in that way would not only increase present inflationary pressures; it would have to be liquidated later out of current income should a down swing occur, thus necessarily diverting that income from the channels of consumer expenditures in the ensuing period. . . .

" . . . excesses in the field . . . (of consumer credit) can be harmful not only to the people directly involved, but also to millions of others who are penalized by the inflationary effects of such excesses.

Mr. Carroll Willis

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The person of small income is the one hit hardest when inflation pushes prices beyond his reach and the one who suffers most when the resulting deflation throws him out of a job. The legislation should tend to result in directing competition along the line of decreasing prices rather than extending excessive credit terms. By making some contribution toward preventing further inflation at this time, and thus toward moderating any ensuing deflation, consumer instalment credit controls can especially serve the interests of the person of low income in addition to serving the interests of all other consumers affected by our national economy."

There is some scattered evidence of increasing supplies, price cuts, and other sales concessions in connection with certain articles, such as appliances and radios. These developments are being watched closely, and the Board is prepared to take prompt action to relax Regulation W when conditions call for such action.

Sincerely yours,

Enclosures

M. S. Eccles.

GMR:am