

# CENTRAL MOTOR COMPANY

WACO, TEXAS

J. N. MITCHELL

January 25, 1949

Mr. Marriner S. Eccles  
Board of Governors  
Federal Reserve System  
Washington, D. C.

Dear Mr. Eccles:

I heard over the radio last night that the Executive Committee of the National Automobile Dealers Association had officially recommended to the Federal Reserve Board to liberalize Regulation W to allow 24 months' installment credit terms against the sale of new cars, to permit people of low income to purchase new cars for use in going to and from work.

The millrun of automobile dealers are not so altruistic that they think more of the interests of buyers than of themselves.

I was a Director, Vice President, and a member of the Executive Committee of NADA, for a number of years prior to 1948. I have been a retail dealer, representing Dodge and Chrysler in Waco, Texas, for thirty-four years. I believe I am qualified by experience to know something about the soundness of automobile credits.

Under the existing circumstances, I cannot conceive of any movement that would be, in the long-run, more detrimental to the automobile industry, to the retail dealers, and to the buying public, than to extend credit terms to 24 months against the purchase of new automobiles.

The average person who cannot pay more than one-third down on the purchase of a new automobile and liquidate the balance in 18 equal monthly installments has no moral or economic right to purchase a new car above that price. Whenever you establish the basis of 24 months' credit terms to purchasers of new automobiles, you are automatically encouraging people to purchase out of their price class — with resultant credit losses.

Mr. C. M. Wilson, President of General Motors, is quoted in Automotive News, of January 24, 1949 issue, as stating (with reference to extending terms to purchase new automobiles), "I am not in too much of a hurry to get too many folks in debt." In that same issue, Mr. Albert Bradley, Vice President of General Motors, is quoted as stating, "It would be unfortunate if every time business got a little tough the credits were stretched out farther so that a longer term became the standard." I think, Mr. Eccles, you will agree that those gentlemen are qualified by position and experience to speak wisely on this subject.

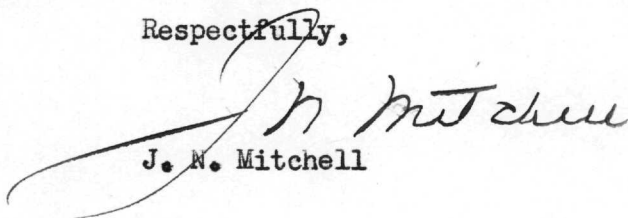
Used Car inventories are high, and the market is becoming more stagnant daily, and the prices of used cars are slipping fast.

Another factor influencing the market and sale of used cars is that all too many people, who pre-war were normal used car buyers, made easy money during the war and for a period after the war, and dissipated their earnings and are not now able to pay cash for new automobiles, as they could have done had new cars been available in 1946 and 1947, but whose appetites to purchase and own things beyond their means are not yet willing to live within their price class and are refusing to purchase good used cars, but wish to purchase new cars if they can buy them on long enough terms.

The automobile industry, an important factor in the economy of this nation, grew to its size and volume through the marketing of used cars. Anything that tends to hamper the sale of used cars will, in the end, circumscribe the sale of new cars. Therefore, a balanced relationship between the sale of new cars and used cars should always be maintained to insure a healthy operation of this very important industry. The easier you make it possible, through long credit terms or otherwise, for people to buy new cars, the quicker you bring a stalemate on against the sale of used cars, which in turn slows down the manufacture of new cars.

In my opinion, a great harm will be done to the automobile industry, both at manufacturing and retail, to the public and to our national economy, if Regulation W is liberalized to provide 24 months' credit terms to purchasers of new automobiles.

Respectfully,

A large, stylized handwritten signature in dark ink, appearing to read "J. N. Mitchell". The signature is written over the typed name below it.

J. N. Mitchell

✓ Don Evans

February 1, 1949.

Mr. J. N. Mitchell,  
Central Motor Company,  
Waco, Texas.

Dear Mr. Mitchell:

Your thoughtful letter of January 25 impressed me so much that I took the liberty of passing it along to Governor Evans as the member of the Board to whom Regulation W matters are assigned and also to the other Board members. I know that they are as much interested as I was in having your comments which are based on your own extensive business experience. They are also based on what seem to me to be very sound long-range considerations in the public interest as well as in the long-run interest of the industry itself. In fact, of course, the two are identical in the end.

It is most refreshing and encouraging to have your communication and I wanted you to know that it was appreciated.

Sincerely yours,

M. S. Eccles

*Shawyer  
ME*

ET:man