

DALLAS' OLDEST RETAIL STORE

E·M·KAHN & CO.

APPAREL FOR MEN, BOYS, WOMEN

MAIN AND ELM AT LAMAR • DALLAS 2, TEXAS

October 26, 1946

Mr. Marriner S. Eccles
Chairman of the Federal Reserve Board
Washington, D. C.

Dear Mr. Eccles:

Recent press quotes from yourself and other members of the Federal Reserve Board would indicate that a substantial portion of Regulation W is about to be discontinued. I would very much regret to see this take place as I feel that it is not to the advantage of our American economy to so drastically remove these controls. I am well aware that much pressure has been exerted by organized groups, who are selfishly grasping for all they can absorb as quickly as they can, to bring you to these conclusions.

But has the Federal Reserve Board given consideration to this phase of sound consumer credit control? During the war, when merchandise was scarce, credit regulation was not particularly needed from Government sources. Then cash income was high, cash sales were high, and just about all the available goods could be purchased for cash. Merchants extending credit could be selective in taking credit risks and did not have to bid for volume through easy credit terms. That is, the condition of the market acted as a control in itself of any inflationary credit extensions.

When we are to realize a surplus of commodities there will always be merchants who will unwisely use credit to overextend their customers and at the same time place their own financial structure in jeopardy. A retailer may have the right to sacrifice and lose his own assets but he certainly should not be permitted to contribute to the destruction of the credit stability of his customers who become unconscious victims of poor credit practices. The public is entitled to the protection of Regulation W just as it is against murderers and thieves by organized police.

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Much can be done to the present regulation to make it acceptable to a large majority of those who are vigorously advocating its abolition but I am sure you have been overcome by such suggestions so I shall refrain from adding to this heap. I sincerely hope you will seek to permanentize the regulation as announced some time ago as it is more needed in an economy of surplus than only on items that are scarce. That is the principle difference in O.P.A and Regulation W, which not too many realize, and confusedly oppose both. Unfortunately many merchants do not distinguish between competition in merchandise and competition in terms and its effect on the public.

Very truly yours,

H. M. Tobolowsky
Credit Manager

HMTobolowsky:g

November 4, 1946.

Mr. H. M. Tobolowsky,
Credit Manager,
E. M. Kahn & Co.,
Main and Elm at Lamar,
Dallas 2, Texas.

Dear Mr. Tobolowsky:

Your letter of October 26 in regard to regulation of consumer credit is one of the most penetrating and understanding commentaries that I have ever received on this subject. I find myself in general agreement with you that when goods are scarce the seller can dispose of them for cash or, in any case, can and naturally will of his own volition apply strict credit terms, whereas when the reverse is true and goods are overabundant that is when the competition in terms not only gets the seller in trouble but, what is often worse, as you point out, is bad for the general public who might overload pledging their future incomes. It was not our thought, of course, to do away with the regulation at this juncture.

I enclose a copy of a talk I gave in Boston in which I discussed this subject, among others, in an effort to put it in proper focus. The fact is, of course, ironically and unfortunately, that the public will support this kind of regulation when it isn't needed and is disinclined to support it when it is needed. It would be rather blind on the part of those responsible for administration of such a regulation not to take account of this reality.

Let me add again that I appreciated, as did other members of the Board and staff, having your excellent comment. I only wish your viewpoint were more universal.

Sincerely yours,

M. S. Eccles,
Chairman.

Enclosure

ET:mmm