

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, March 21, 1942, at 11:30 a.m.

PRESENT: Mr. Eccles, Chairman  
Mr. McKee  
Mr. Draper  
Mr. Evans

Mr. Morrill, Secretary  
Mr. Bethea, Assistant Secretary  
Mr. Carpenter, Assistant Secretary  
Mr. Clayton, Assistant to the Chairman

The action stated with respect to each of the matters herein-after referred to was taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on March 20, 1942, were approved unanimously.

Memorandum dated March 16, 1942, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that, because of approaching confinement, Mrs. Kathryn S. Faulkner, a clerk in that Division, be granted leave of absence without pay from May 6 (when her accumulated and current accrued annual and sick leave will have been exhausted) through the middle of October 1942. The memorandum stated that, in accordance with the Board's policy on confinement cases adopted November 10, 1941, Mrs. Faulkner informed Mr. Goldenweiser more than five months before her expected confinement, that she discontinued work at the close of business on March 15, 1942, four months prior to the expected confinement, and that the three-month

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period of absence following confinement should end about the middle of October 1942. The memorandum further stated that Mrs. Faulkner's case would be reviewed at the end of the period of leave of absence and an appropriate recommendation made to the Board, and recommended that the Board continue its contributions to the retirement system on behalf of Mrs. Faulkner during the period of leave of absence without pay provided she continues her own contributions during the same period.

Approved unanimously.

Memorandum dated March 16, 1942, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that Mrs. Catherine M. Counts, a clerk in that Division, who has been on leave of absence since September 16, 1941, because of confinement, be granted an additional leave without pay from March 16, 1942, through April 15, 1942, and that during the additional leave the Board continue to make its contributions on her behalf to the retirement system, with the understanding that she will continue her own contributions during the period.

Approved unanimously.

Letter to Mr. Leach, President of the Federal Reserve Bank of Richmond, reading as follows:

"In accordance with the request contained in your letter of March 16, 1942, the Board approves the appointment of Robert L. Miller as an assistant examiner for

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"the Federal Reserve Bank of Richmond. Please advise us of the effective date."

Approved unanimously.

Letter to Mr. Davis, President of the Federal Reserve Bank of St. Louis, reading as follows:

"The Board of Governors approves the changes in the personnel classification plan of your Bank as requested in your letter of March 14, 1942."

Approved unanimously.

Memorandum dated March 20, 1942, from the Division of Security Loans, reading as follows:

"There is attached a list of the automobile appraisal guides which it is recommended that the Board designate for purposes of Regulation W, showing in detail the exact territory for which it is recommended that each guide or each edition be designated.

"There are also attached a proposed letter to the Federal Reserve Banks, a proposed press release, and proposed letters notifying the guide book publishers as to the Board's decision. The letters to the publishers embody the requests that it is proposed to make regarding the manner in which the publishers may announce their designations, and some other requests that seem necessary regarding details.

"These recommendations follow substantially the suggestions made in the memorandum dated March 6, from Mr. Smith and Mr. Dembitz to Governor Ransom, with the exceptions noted below. The substance of these recommendations has been discussed with Mr. Cravens, and he has not expressed disagreement with any of them.

"It will be observed that the proposed press release to be issued by the Board is relatively brief, with full details to be obtainable from the Federal Reserve Banks. It is proposed that the matter of public announcement be handled in this way because a press release giving full details of all designations throughout the country would be unduly long.

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"It is recommended (with Mr. Cravens' concurrence) that the Board request the publishers not to announce their designations except in the manner specified in the attached proposed letters, but that the Board refrain from prescribing the exact wording of the publishers' announcements. The measure of flexibility obtained in this way seems essential, especially in view of the differences in the publishers' set-ups, and it seems unlikely that any publisher -- knowing that his designation is subject to termination at any time -- will abuse this flexibility. In case the Board wishes, however, to prescribe the exact wording of the publishers' announcements, we have prepared a draft of a form for this purpose which we can submit if desired.

"It is proposed that the Board's designations of all appraisal guides be limited to their quotations for used cars of 1935 and later models. This is proposed in order that the maximum credit value of a car of 1934 or earlier model will be  $66\frac{2}{3}$  per cent of the cash purchase price -- without requiring that the 'appraisal guide value' limitation be applied to such old cars. Reasons for this proposed exception include the fact that average price quotations for older models are necessarily less accurate than those on the later cars, the fact that application of the full rule to very old cars would result in down payment requirements of 50 per cent and more on an old car in much better than average condition, and certain other technical reasons as set forth on page 23 of the March 6 memorandum.

"Each respect in which the designations now proposed differ from those recommended in the March 6 memorandum involves a proposal that the Board refrain from giving a designation in a case where further information has revealed that a particular guide has little or no circulation to automobile dealers in the territory involved. The cases involving significant differences from the March 6 memorandum are as follows:

"1. It is not recommended that the 'Official Automobile Guide' published by the Recording and Statistical Corporation be given any designation at this time. Further analysis since March 6 has indicated that the general level of quotations in this publication is somewhat higher than had been indicated in the March 6 memorandum, and we are told by the Federal Reserve Bank of Chicago that this publication, compiled primarily for the insurance business, has 'negligible' circulation among automobile dealers and instalment lenders. As to circulation figures by states, the corporation wrote:

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"Our list of subscribers is limited to 500-600 subscribers, who may take anywhere from one to three thousand annual subscriptions. All of the large . . . Insurance Companies operate in more than one State, . . . so that we do not know just where they send the books, since we send them all of their books in one shipment for distribution.'

"2. The memorandum of March 6 suggested that the Board might refrain from designating the 'Blue Book-Executive Edition' for the State of Texas, on the ground that the circulation of this edition was believed to be very small and the prices quoted by it tended to be considerably higher than those quoted by other publications for which designation in Texas was proposed. For the same reason it is now recommended that the Board also refrain from designating this publication for the State of Minnesota. On 15 out of the 29 models which we analyzed as a sample, this edition quoted higher prices for Minnesota (other than the extreme western portion of the State) than either the Market Record or the N.A.D.A. guide, and our inquiries as to circulation details revealed that this edition has a circulation of only 9 copies in the State. Other editions of the same publisher are recommended for designation for Texas and Minnesota.

"3. For the states of Montana, Wyoming, Colorado, and New Mexico, analysis indicated that the prices quoted in the 'Blue Book-Executive Edition' were higher than those in the N.A.D.A. guide and the Market Record on 26 out of the 29 models used as a sample. Study of the detailed circulation figures given us by the publishers indicates that their Red Book and Blue Book-Editions A and B (which quote a somewhat lower level of prices) have a considerably higher circulation in those states than the Executive Edition. It is therefore recommended that the Red Book and the Blue Book-Editions A and B be designated for those states and that the Executive Edition not be given such a designation."

The list of automobile appraisal guides referred to in the memorandum was as follows:

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Name of Guide and Publisher	Territory for which publication is designated
MARKET ANALYSIS REPORT, published by Used Car Statistical Bureau, Inc.	Connecticut Maine Massachusetts New Hampshire Rhode Island Vermont
AMERICAN AUTO APPRAISAL, published by Automobile Ref- erence and Appraisal Bureau	Michigan - Southern Peninsula  Ohio
OFFICIAL WISCONSIN AUTOMOBILE VALUATION GUIDE, published by National Used Car Market Report, Inc., for Wis- consin Automotive Trades As- sociation	Wisconsin
NEBRASKA OFFICIAL USED CAR SURVEY, published by State of Nebraska Motor Vehicle Dealers Adminis- tration	Nebraska
KELLEY BLUE BOOK, published by Kelley Kar Company	Arizona California Idaho Nevada Oregon Utah Washington
THE OFFICIAL GUIDE, published by Pacific Auto Guide, Inc.	Arizona California Idaho Nevada Oregon Utah Washington
NORTHWEST USED CAR VALUES, published by Northwest Publish- ing Company	Idaho Oregon Washington

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Name of Guide and Publisher	Territory for which publication is designated
OFFICIAL BLUE BOOK NEW AND USED CAR GUIDE, published by National Used Car Market Report, Inc. -- A EDITION .....	entire United States <u>except</u> the states of Arizona, California, Idaho, Nevada, Oregon, Utah, Washington entire United States <u>except</u> the states of Arizona, California, Idaho, Nevada, Oregon, Utah and Washington and the following ten coun- ties of Michigan: Genesee, Jackson, Lapeer, Livingston, Macomb, Monroe, Oakland, St. Clair, Washtenaw, Wayne
B EDITION .....	
BLUE BOOK NATIONAL USED CAR MARKET REPORT -- EXECUTIVE EDITION, published by National Used Car Market Report, Inc. -- "Retail sales values" for Zone No. 1 .....	Connecticut Delaware District of Columbia Maine Maryland Massachusetts New Hampshire New Jersey New York Pennsylvania Rhode Island Vermont Virginia

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Name of Guide and Publisher	Territory for which publication is designated
BLUE BOOK NATIONAL USED CAR MARKET REPORT -- EXECUTIVE EDITION (Con- tinued)	
"Retail sales values" for Zone No. 2 .....	Alabama Arkansas Georgia Louisiana Mississippi North Carolina South Carolina Tennessee
"Retail sales values" for Zone No. 3 .....	Illinois Indiana Kentucky Michigan (Southern Peninsula, <u>except</u> the following ten counties: Genesee, Jackson, Lapeer, Livingston, Macomb, Monroe, Oakland, St. Clair, Washtenaw, Wayne.) Ohio West Virginia
"Retail sales values" for Zone No. 4 .....	Florida Iowa Kansas Michigan - Northern Peninsula Missouri Nebraska Oklahoma Wisconsin
"Retail sales values" for Zone No. 5 .....	North Dakota South Dakota



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Name of Guide and Publisher	Territory for which publication is designated
BLUE BOOK NATIONAL USED CAR MARKET REPORT -- EXECUTIVE EDITION (Con- tinued) "Retail sales values" for Zone No. 6 .....	Arizona California Idaho Nevada Oregon Utah Washington
RED BOOK NATIONAL USED CAR MARKET REPORT, published by National Used Car Market Report, Inc. --	Same as territory des- ignated for Official Blue Book New and Used Car Guide - B Edition
MARKET RECORD, published by Market Record, Inc. --  DISTRICT 1 EDITION .....	Connecticut Delaware District of Columbia Illinois Indiana Kentucky Maine Maryland Massachusetts Michigan (except the 10 counties for which District 3 Edition is desig- nated) New Hampshire New Jersey New York Ohio Pennsylvania Rhode Island Vermont Virginia West Virginia

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Name of  
Guide and  
Publisher

Territory for which  
publication is  
designated

MARKET RECORD (Continued)  
DISTRICT 3 EDITION .....

Following 10 counties  
in Michigan -- Genesee,  
Jackson, Lapeer, Living-  
ston, Macomb, Monroe,  
Oakland, St. Clair,  
Washtenaw, Wayne

DISTRICT 5 EDITION .....

Alabama  
Arkansas  
Florida  
Georgia  
Kansas  
Louisiana  
Mississippi  
Missouri  
North Carolina  
Oklahoma  
South Carolina  
Tennessee

DISTRICT 7 EDITION .....

Texas  
Colorado  
Iowa  
Minnesota  
Montana  
Nebraska  
New Mexico  
North Dakota  
South Dakota  
Wisconsin

DISTRICT 9 EDITION .....

Wyoming  
Arizona  
California  
Idaho  
Nevada  
Oregon  
Utah  
Washington

N.A.D.A. OFFICIAL USED CAR  
GUIDE,  
published by National Au-  
tomobile Dealers Association --  
DISTRICT B EDITION .....

Connecticut  
Delaware

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Name of Guide and Publisher	Territory for which publication is designated
N.A.D.A. OFFICIAL USED CAR GUIDE (Continued) DISTRICT B EDITION (Con- tinued) .....	District of Columbia Maine Maryland Massachusetts New Hampshire New Jersey New York Pennsylvania Rhode Island Vermont Virginia
DISTRICT EF EDITION .....	West Virginia - fol- lowing 8 counties: Berkley, Grant, Hamp- shire, Hardy, Jeffer- son, Mineral, Morgan, Pendleton
DISTRICT G EDITION .....	Alabama Arkansas Florida Georgia Louisiana Mississippi Tennessee Following county in Texas - Bowie. Illinois (except the southern section for which the J Edition is designated) Indiana Following 4 counties in Iowa -- Clinton, Dubuque, Jackson, Scott Kentucky Michigan - Southern Peninsula (except the 10 counties for which the S. E. Michigan Edi- tion is designated)

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Name of Guide and Publisher	Territory for which publication is designated
N.A.D.A. OFFICIAL USED CAR GUIDE (Continued) DISTRICT G EDITION (Con- tinued) .....	North Carolina Ohio South Carolina West Virginia (ex- cept the 8 counties for which the Dis- trict B Edition is designated)
S. E. MICHIGAN EDITION .....	Following 10 counties in Michigan -- Genesee, Jackson, Lapeer, Livingston, Macomb, Monroe, Oakland, St. Clair, Washtenaw, Wayne
DISTRICT H EDITION .....	Michigan -- Northern Peninsula Minnesota (except the 15 counties for which the District K Edi- tion is designated)
DISTRICT J EDITION .....	Wisconsin Illinois -- Section south of and includ- ing following counties: Adams, Cass, Champaign, DeWitt, Logan, Menard, Piatt, Schuyler, Ver- million Iowa (except the 4 counties for which the District G Edi- tion is designated) Kansas Missouri Nebraska (except the 12 counties for which the District K Edition is designated)

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Name of  
Guide and  
PublisherTerritory for which  
publication is  
designated

N.A.D.A. OFFICIAL USED

CAR GUIDE (Continued)

DISTRICT J EDITION (Con-  
tinued) .....

Oklahoma

Following 5 counties  
in South Dakota: Bon  
Homme, Charles Mix,  
Clay, Union, YanktonTexas (except Bowie  
County and the 6  
counties for which  
District K Edition  
is designated)

Colorado

Following 15 counties  
in Minnesota: Big Stone,  
Clay, Kittson, Lac qui  
Parle, Lincoln, Marshall,  
Norman, Pennington, Pipe-  
stone, Polk, Red Lake,  
Rock Traverse, Wilkin,  
Yellowmedicine

Montana

Following 11 counties  
in Nebraska -- Banner,  
Box Butte, Cheyenne,  
Dawes, Deuel, Garden,  
Kimball, Morrill,  
Sheridan, Scotts Bluff,  
Sioux

New Mexico

North Dakota

South Dakota (except  
the 5 counties for  
which the District  
J Edition is desig-  
nated)Following 6 counties in  
Texas -- Brewster, Culberson,  
El Paso, Hudspeth, Jeff  
Davis, Presidio

Utah

Wyoming

DISTRICT K EDITION .....



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"(This paragraph to be varied as necessary for publishers who publish more than one edition.)

"This designation is to apply to the \_\_\_\_\_ (date) \_\_\_\_\_ edition(s) of \_\_\_\_\_ (name of guide) \_\_\_\_\_ and, during the remainder of the year 1942, to subsequent (monthly) (bimonthly) editions, but is subject to revocation by the Board at any time.

"It is assumed that the issues published during the remainder of the year 1942 will be similar in form to the issue(s) of \_\_\_\_\_ (date) \_\_\_\_\_ and that the basis on which the retail prices quoted are determined will be generally similar to the basis of the retail prices quoted in the \_\_\_\_\_ (date) \_\_\_\_\_ issue(s). If your organization decides to make any substantial change in form or basis, or to change your schedule of publication dates, it is suggested that you notify the Board in advance.

"The Board's designations of all appraisal guides are being limited to their quotations for used cars of 1935 and later models. The maximum credit value of a car of 1934 or earlier model -- in the absence of designated 'appraisal guide values' for such cars -- will be 66-2/3 per cent of the bona fide cash purchase price, and there will be no objection to your pointing out these facts in connection with any values that you quote for 1934 and earlier models.

"It is requested that your organization refrain from publishing any statement (in \_\_\_\_\_ (name of guide) \_\_\_\_\_ or elsewhere) to the effect that such publication is among those designated by the Board for the purposes of Part 3(b) of Regulation W unless such statement is accompanied by a statement of equal prominence to the effect that such designation does not indicate any finding by the Board as to the accuracy or correctness of the prices shown or of the methods of compilation. It is also requested that any such statement as to this designation appear inside of the publication rather than on an outside cover. It is assumed, of course, that you will avoid making any statement (in \_\_\_\_\_ (name of guide) \_\_\_\_\_ or in any advertisement, circular, letter, or other material) that would improperly indicate that your prices or methods of compilation have been found to be correct by the Board or by the United States Government or by any other agency thereof, and that you will use your best efforts to prevent any such misrepresentation by others.

"It is also suggested that your publication, if it

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"includes any notice that it is among those designated for purposes of Regulation W, include also a statement indicating the territory for which it is designated and the dates within which the particular issue is in effect.

"It is noted that the \_\_\_\_\_ (date) issue of your publication states that the values shown for the various models may be increased somewhat if the particular car is equipped with a radio or heater. The 'estimated average retail values' to be used for purposes of Regulation W should be values without any such additions for cars having a radio or heater, and it is suggested that your statement regarding such extra equipment be accompanied by the information that such additions should not be included in determining maximum credit values for purposes of Regulation W. Your publication also specifies an amount that may be added for cars with overdrive or automatic transmission as extra equipment; there is no objection to the inclusion of such amount in determining maximum credit values for purposes of Regulation W. (This paragraph to go only to publishers who recommend adding for radios or heaters.)

"In the event that you desire that any change be made in the terms of designation or in the requests outlined above, the Board will be glad to give consideration to any suggestions or proposals that you may wish to submit.

"There is enclosed for your information a copy of a press release which the Board is issuing for release on March 23."

Telegram to the Presidents of all Federal Reserve Banks, reading as follows:

"In order to assist the Board in determining the advisability of regulating open credits under Regulation W, Governor Ransom has formulated the questions set forth below. He would like to have your opinions in response to these questions independently of the views that have been received from those engaged in the trade. It is assumed, however, that you will wish to discuss the matter within your own staff before formulating your opinions. We appreciate the fact that your opinions, as well as any that we may have, are not necessarily final but would like your judgment at this time. If you will mail or wire your answers so as to reach the Board not later than next



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"Thursday, it will be greatly appreciated.

"1. Do you think open credits (including open book accounts and similar non instalment credits) should be regulated to any extent under Regulation W? Answer yes or no.

"2. If your answer is yes, which of the following arguments have influenced your conclusion, indicating those which are the most important in your mind.

- A. To prevent evasion of regulation;
- B. To more nearly equalize the regulation of consumer credit between those now subject to Regulation W and those obtaining and extending other forms of credit;
- C. To round out the regulation of consumer credit by covering an important field not now regulated, thus making more effective the machinery of Regulation W for future use;
- D. To contribute to the fight on inflation by reducing the amount of credit extended on present and future listed articles;
- E. To lessen the diversion of materials and skills from war purposes by dampening consumer demand for present and future listed articles;
- F. Through determent of unnecessary purchases, to build up a backlog of savings to aid the Government in financing the war and to accumulate purchasing power for use when production for war purposes lessens;
- G. To support the efforts of other Governmental agencies to curb consumer demand through more direct methods of control such as taxation, priorities, rationing, price control, etc., and thus possibly contribute some assistance particularly to the lessening of the difficult problems of rationing and price control.

(If the foregoing list does not cover the ground adequately in your opinion, state any other arguments which have influenced your conclusion.)

"3. If your answer is no, which of the following arguments have influenced your conclusion, indicating those which are the more important in your mind.

- A. Administrative difficulties.
- B. Trade reaction.
- C. Public reaction.
- D. General dislike of selective or direct credit controls.

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"E. Unsatisfactory results so far from regulating consumer credit.

F. Belief that better results can be produced in curbing consumer demand by action on the part of other Governmental agencies, e.g., taxation, priorities, rationing, price control, etc.

G. Belief that some other agency, not the Federal Reserve System, should regulate consumer credit.

H. Belief that all outstanding consumer credit is in process of being reduced regardless of regulation.

I. Belief that the disturbance of normal business processes would more than offset any possible benefits.

(If the foregoing list does not cover the ground adequately in your opinion, state any other arguments which have influenced your conclusion.)

"4. If your answer to Question Number One is yes, state in substance your idea of the types or kinds of credits that should be included within the regulation.

"5. Assuming, for the sake of discussion, that the Board should regulate such credits, indicate the order of your preference among the following possible methods of control or any combination of them (adding any other methods that you may think should be considered):

A. Requiring the same cash down payment on any present or future listed article that is required by the regulation when such article is covered by installment sale credit.

B. Requiring some particular percentage down payment in cash on any article (whether listed or unlisted) sold on open credit. If you favor this plan, suggest the percentage figure that seems appropriate at this time.

C. 'Freezing' an existing account, that is, denying further credit for (a) listed articles or (b) for any article whether listed or unlisted (1) whenever there is a charge in such account for a listed article which has remained unpaid for a specified period or (2) whenever there is a charge in such account, whether for a listed or unlisted article, which has remained unpaid for a specified period.

This plan might work as follows: If there were an unpaid item in the account for (a) a listed article or (b) any article, the merchant having such account

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"on his books could not extend further credit to such customer until the account was paid in full. In this connection please consider the question whether the denial of further credit should apply also whenever there is a default in an instalment sale credit of the same seller or whether the denial of further credit should include the denial of new instalment sale credits, as well as additions to the existing account. If you favor such a plan state which of the alternatives you prefer. Also please consider how the account might be 'unfrozen', as, for example, by payment in full or by converting it into an instalment credit with an appropriate down payment.

D. If you favor plan C, in some form, indicate what period you would specify before the account is frozen and when that period should begin. Suggestions as to length of period which have been received range from 15 to 120 days.

E. Requiring a certain percentage of every open book credit to be paid monthly. (Suggestions which have been received have varied from one fifth to one half). What percentage would you suggest?

F. If you favor some other plan or some variation or combination of the foregoing plans, please outline its substance here, and give briefly your reasons.

"6. Since there are many possible ways of stating arguments pro and con and plans for dealing with the subject of open book credit, we would not wish the foregoing to be considered as representing any preconceived conclusions or as representing any attempt at perfection of statement and therefore we hope that you will feel free to add at this point any comments, suggestions or preferences that you may think would be helpful in rounding out the consideration of the entire problem. In this connection please consider and indicate whether your answers to any of the questions would be materially influenced by the possibility of a substantial increase in the number of listed articles over those now covered by the regulation, to include soft goods and goods with relatively small unit values."

Approved unanimously.

Letter to the Director of the Mint, Treasury Department, reading as follows:

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"Reference is made to your letter of March 11, 1942, requesting the cooperation of the Federal Reserve System, as part of the war effort, in returning to the coinage mints empty coin bags as they accumulate from time to time.

"A copy of your letter is being sent to all Federal Reserve Banks and we are sure that they will continue to cooperate with your office in this matter to the fullest extent. Incidentally, a number of Reserve Banks forwarded circulars to their member banks regarding the return of empty coin bags after receiving Mr. Julian's letter of February 23, 1942, requesting advice as to what might be done in the matter of recovering coin bags from member banks and other financial institutions."

Approved unanimously, together with a letter to the Presidents of all Federal Reserve Banks transmitting copies of the above letter and the one under reply.

Thereupon the meeting adjourned.

Chester Morrie

Secretary.

Approved:

W. S. ...

Chairman.