

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, July 5, 1945, at 11:00 a.m.

PRESENT: Mr. Eccles, Chairman
 Mr. Ransom, Vice Chairman
 Mr. Szymczak
 Mr. McKee
 Mr. Draper
 Mr. Evans

Mr. Carpenter, Secretary
 Mr. Connell, General Assistant,
 Secretary's Office
 Mr. Morrill, Special Adviser to the Board
 Mr. Thurston, 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 July 4, 1945, were approved unanimously.

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

"In accordance with the recommendation contained in your letter of June 29, 1945, the Board approves the appointment of Charles Edward Townsend as an assistant examiner for the Federal Reserve Bank of St. Louis. Please advise us of the date upon which the appointment becomes effective."

Approved unanimously.

Letter for the signature of Mr. Carpenter to Mr. Day, President of the Federal Reserve Bank of San Francisco, reading as follows:

"The Board of Governors has designated Mr. L. S. Myrick of the Division of Bank Operations to serve in my stead as an associate with the Presidents' Conference Committee on the Destruction of Records.

"A copy of this letter is being sent to Mr. Leach, Chairman of the Presidents' Conference Committee on Operations, to Mr. Sienkiewicz, Secretary of the Presidents'

7/5/45

-2-

"Conference, and to Mr. Logan, Chairman of the Committee on the Destruction of Records, so that they may be informed of this change."

Approved unanimously.

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

"In view of the fact that the supplements to Regulations T and U were changed effective July 5 and the new provisions with respect to omnibus accounts and loans do not become effective until July 16, the Board has ruled that until July 16 such accounts and loans may be handled either as they were prior to July 5 or as they are required to be handled after July 16."

Approved unanimously.

Letter prepared for the signature of Mr. Ransom to Congressman Louis E. Graham reading as follows:

"We have your note of June 28, enclosing a letter from Mr. James J. McLaughlin, Manager of the Community Loan Company of Ellwood City, Pennsylvania, and requesting our comment.

"Your correspondent's letter relates to the Board's consumer credit regulation, Regulation W, which went into effect in 1941 under Executive Order No. 8843. It came into existence at a time when it was apparent that, in consequence of the war, there would be an acute shortage of consumers' goods, especially consumers' durable goods, in comparison with a large volume of consumer demand accentuated by the increase in aggregate consumer income. Regulation W, therefore, is a part of the Government's anti-inflation campaign, designed to restrain the flow of credit dollars into a spending stream that is already swollen. These conditions still exist, with inflationary pressures still strong, and will apparently need to be combatted for some time yet. During that time, it would seem that any material relaxation of Regulation W would not be in the general public interest; in any event, none is being contemplated at the present time.

"Your correspondent refers to Amendment No. 16 to Regulation W, effective June 11, as if it were on the side of additional restriction. The fact is that this amendment, which simplifies the regulation and consequently serves a useful

7/5/45

-3-

"administrative purpose, cannot as a whole be fairly characterized as either restrictive or liberalizing. It contains elements of both kinds which are believed in general to balance out.

"The view, expressed by your correspondent, that consumer credit regulation is hard on people who are forced by circumstances to make use of instalment credit is not without significance, but it is to be remembered in this connection that the regulation exempts loans for medical purposes, etc., that the maturities prescribed (12, 15, 18, or 24 months in different cases) are not really very severe, and that the people referred to, such as those whose incomes have not risen, would be among the worst sufferers if serious inflation were allowed to develop.

"We appreciate your inquiry and will be glad to consider carefully any others that you may wish to make. Mr. McLaughlin's letter is returned herewith."

Approved unanimously with the understanding that a copy of the above letter would be sent to Mr. James J. McLaughlin, Manager of the Community Loan Company of Ellwood City, Pennsylvania.

Letter to Mr. Day, President of the Federal Reserve Bank of San Francisco, reading as follows:

"Receipt is acknowledged of your letter of June 9, 1945, with further reference to the violations of Regulation W by Maurice M. May, an individual doing business as May Finance Company and Murray Motors Company, and Murray Motors, Inc., a corporation of which Maurice M. May is president and principal stockholder.

"The delay in replying to your letter has been due in large part to the fact that the Board has been studying a similar problem in Chicago involving the Consumers Home Equipment Co. In that case, as in that of Maurice M. May and his affiliates, the record shows repeated violations of the Regulation, and it would appear that, unless more drastic enforcement measures are invoked, such violations will continue. Accordingly, the Board has determined that, in the case of such chronic violators, a more vigorous enforcement program should be undertaken and the Consumers case is being approached in the light of this determination.

"As you may have gathered from the wire and correspondence relative to the Consumers matter, copies of which were sent

7/5/45

-4-

"you under date of June 30th, the Board has concluded in that case to require the registrant to submit to judicial restraint in the form of a consent injunction decree or, in the alternative, to stand ready to answer charges in an administrative proceeding before the Board to determine whether or not its license should be suspended.

"The record of Maurice M. May and his affiliates seems to be a parallel case to that of Consumers. Under the circumstances it may well be that the Board will wish to adopt similar measures in dealing with these registrants. As you know, a conference is now scheduled for July 10th in Chicago between representatives of the Board and officials or representatives of Consumers. The results of this conference will be helpful to the Board in determining its precise method of procedure in the cases of Maurice M. May, et al. As soon as these results are known, therefore, the Board will communicate further with you on the subject."

Approved unanimously.

Letter to Senator James M. Mead reading as follows:

"This letter is in reply to your note of June 28, 1945, enclosing a letter from Mr. C. C. Van Patten, Treasurer, Security Mutual Life Insurance Company, Binghamton, New York, in which he states that he has heard reports of a possible Executive Order to provide for a 35 to 60 per cent down payment on purchases of real estate.

"While the possibility of an Executive Order on this subject has been under consideration by several interested agencies of the Federal Government, we do not know at this time what action may be taken on the matter by the President.

"We are in a position, however, to state that there is no present intention of amending Regulation W so as to include any such requirement.

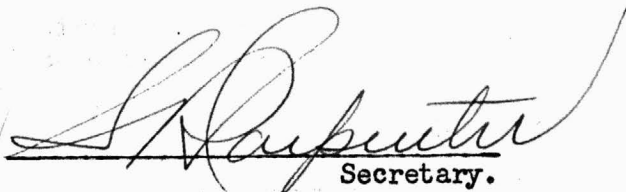
"Mr. Van Patten's letter is returned to you herewith."


Approved unanimously, together with
a similar letter to Congressman Edwin A.
Hall.

7/5/45

-5-

Thereupon the meeting adjourned.


Secretary.

Approved: 
Chairman.