

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, December 18, 1946.

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

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Morrill, Special Adviser
Mr. Thurston, Assistant to the Chairman

Minutes of actions taken by the Board of Governors of the Federal Reserve System on December 17, 1946, were approved unanimously.

Memorandum dated December 16, 1946, from Mr. Nelson, Director of the Division of Personnel Administration, recommending that the following increases in basic annual salaries of employees in the Board Members' Section be approved effective December 29, 1946:

Name	Designation	Salary Increase	
		From	To
James F. Hamilton	Messenger	\$2,093.04	\$2,168.28
Michael Jamison	Messenger	2,093.04	2,168.28
Daniel Lane	Messenger	2,093.04	2,168.28

Approved unanimously.

Letter to "The First National Bank of Athens", Athens, Tennessee, reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other

12/18/46

-2-

"fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Tennessee, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

"This letter will be your authority to exercise the fiduciary powers granted by the Board pending the preparation of a formal certificate covering such authorization, which will be forwarded to you in due course."

Approved unanimously.

Letter to the Honorable Walter F. George, United States Senate, reading as follows:

"This refers to your letter of November 27, 1946, with which you enclosed a letter dated November 21 received from Miss Ray Mary DeCandt, 2520 North View Avenue, Augusta, Georgia, criticizing this Board's Regulation W and advocating its abolition.

"Since this letter relates to the controversial question of whether or not consumer credit regulation should be continued, we believe that you and your correspondent may be interested in the enclosed copies of the November 15 statement to the press in which the Board announced its position on the question at issue.

"As for the specific point stressed by your correspondent, as well as by certain other critics of the regulation, that a regulation of this type is basically unfair to persons of restricted means, we wish respectfully to express our general dissent. It has always seemed to us that in times like the present, when inflationary pressures are very strong, it is persons of restricted means who stand most to benefit from the anti-inflationary program of which consumer credit regulation is a part. During this period when prices are high every reasonable effort should be made, we believe, to discourage buying through the medium of over-extended individual credit. The regulation, as it now stands does not preclude the use of consumer credit. On the contrary, it merely seeks to prevent deterioration of the mechanism during this critical period and its terms -- now, in most cases, one-third down and 15 months to pay -- do not appear to be particularly onerous.

12/18/46

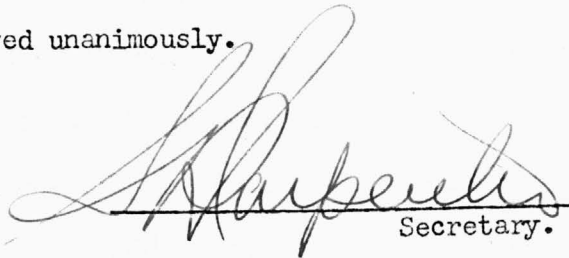
-3-

"As you are doubtless aware, a sharp division of opinion exists with regard to this entire question and it is as a consequence of this division of opinion that the Board recommended in its annual report that the appropriate committees of Congress decide the issue one way or the other after giving both sides their day in court. We believe the issue should be settled on the basis of its inherent merits or demerits; on the ground of whether it is in the general public interest to continue restraints in the field of consumer credit. As you know, the tendency towards over-expansion is inevitably followed by sharp contraction of this sort of credit which has been a highly unstabilizing factor in the whole economy.


"Your correspondent is frank in stating that her interest is that of the small loan business which group quite understandably has been and is vigorously opposed to this regulation. It is only fair to point out, however, that we also receive numerous letters taking the opposite view from other business interests and trade groups. We have had no protests against the regulation from consumer groups, labor organizations or veterans' groups.

"We appreciate sincerely the opportunity you have afforded us to comment on this matter. It is our belief that in due course, as the Congress explores the issues involved, the ultimate legislative determination of these issues will be one that is both in the public interest and generally acceptable to the public. We are returning herewith the letter upon which we have commented."

Approved unanimously.


Secretary.

Approved:


Chairman.