Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, January 13, 1947.

PRESENT: Mr. Eccles, Chairman
Mr. Draper
Mr. Evans
Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Morrill, Special Adviser
Mr. Thurston, Assistant to the Chairman

As stated in the minutes of December 26, 1946, Mr. Vardaman was absent on official business.

Memorandum dated January 10, 1947, from Mr. Bethea, Director of the Division of Administrative Services, recommending the appointment of Mrs. Josephine B. Keefe as a page in that Division with basic salary at the rate of $1,888.00 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination. The memorandum also stated that Mrs. Keefe was a member of the Federal Reserve retirement system and would remain in that system.

Approved unanimously.

Letter to Mr. Logan, Vice President and General Counsel of the Federal Reserve Bank of New York, reading as follows:

"In view of the circumstances described in your letter of January 3, 1947, the Board of Governors approves the payment of salary to Mr. J. Harding Cowan, Special Attorney, at the rate of $9,300 per annum and to Mr. Lyon Boston, Special Attorney, at the rate of $8,750 per annum, effective January 1, 1947."

Approved unanimously.
Letter to Mr. Wayne, Vice President of the Federal Reserve Bank of Richmond, reading as follows:

"In accordance with the request contained in your letter of January 4, 1947, the Board approves the designation of the following employees of the Baltimore Branch as special assistant examiners for the Federal Reserve Bank of Richmond:

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<tr>
<th>Employee Name</th>
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<tbody>
<tr>
<td>L. P. Botorek</td>
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<tr>
<td>J. S. Orem</td>
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<tr>
<td>I. J. Crowl</td>
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<tr>
<td>H. F. Ritter</td>
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<tr>
<td>D. R. Enos</td>
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<td>E. H. Rodey</td>
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<td>N. L. Eckels</td>
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<tr>
<td>C. S. Sperry</td>
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<td>I. J. Gray</td>
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<tr>
<td>J. W. Spriggs</td>
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<td>E. R. Jones, Jr.</td>
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<td>W. E. Walter</td>
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<td>R. E. Whitaker</td>
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"Appropriate notations have been made in our records of the names reported as deletions."

Approved unanimously.

Letter to Mr. Rainey, Director of Personnel of the Federal Reserve Bank of Atlanta, reading as follows:

"The Board of Governors approves the changes in the personnel classification plan of the Federal Reserve Bank of Atlanta, involved in the transfer of the functions of the Cafeteria from the Service Department to the Personnel Department, as indicated in your letter of January 8, 1947."

Approved unanimously.

Letter to "The First National Bank of Catawba County", Hickory, North Carolina, 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 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 North Carolina, 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.

Telegram to Mr. Brainard, Federal Reserve Agent of the Federal Reserve Bank of Cleveland, authorizing the issuance of a limited voting permit, under the provisions of Section 5144 of the Revised Statutes of the United States, to the "Mellon National Bank and Trust Company", Pittsburgh, Pennsylvania, entitling that organization to vote the stock which it owns or controls of "The Farmers Deposit National Bank of Pittsburgh", Pittsburgh, Pennsylvania, at any time prior to April 1, 1947, to act upon a proposal to establish a retirement system by such bank.

Approved unanimously.

Letter to Mr. Phelan, Vice President of the Federal Reserve Bank of New York, reading as follows:

"This refers to your letter of December 12, 1946, enclosing a copy of a letter from W. T. Blair, Secretary of the Federal Reserve Bank of Cleveland, together with a photostatic copy of an advertisement of the Industrial Bank of Commerce of New York. You ask us to review the advertisement and advise you if we wish the misleading aspects to be called to the attention of the Industrial Bank.
"While the advertisement can be read as not offering to make loans which violate Regulation W, since a footnote is appended which refers to an exception for 'some transactions still under Federal regulation', the whole tone of the advertisement is such as to give a false impression of the conditions under which loans can be obtained.

"In view of the fact that the advertisement has led to unfavorable comment both in New York and in other parts of the country, we believe it would be advisable for you to talk with the Industrial Bank on the assumption that it has no desire to be misleading and would want to avoid such an impression and the unfavorable comment resulting therefrom."

Approved unanimously.

Letter to the Honorable Henry J. Latham, United States House of Representatives, reading as follows:

"This is with reference to your recent note referring to us letters from Mr. A. E. O’Leary, 5818 213 Street, Bayside, L. I., and Mr. D. A. Mackay, 168-16 84th Avenue, Jamaica 3, N. Y., recommending the abolition of Regulation W.

"This regulation is designed to put some restraint on buying at a time when goods are in short supply. The Board’s position on this matter is summarized in a release to the press, of which copies are enclosed, announcing a revision of the regulation effective December 1, 1946.

"We recognize that there will be some people who will find it difficult to buy on prescribed terms certain things they are anxious to obtain, even though the terms presently prescribed -- typically one-third down and 15 months in which to pay -- do not seem particularly onerous. It has not seemed to us, however, that their problem, except in individual cases, would be solved by extremely easy credit terms; in fact, for many of them it would be aggravated because of the additional demand that would be stimulated all over the country.

"Aside from the inflationary stimulus to demand in general, we are mindful of the prospect that with too liberal credit terms many people who could ill afford it would be encouraged to buy goods at inflated prices and to incur excessive debts. In view of the uncertainties of the near future it would appear that caution in incurring debt would be much in their own interest."
"The letters you have sent to us are similar to a number which have been written by persons in the personal finance business who are naturally anxious to expand their activities. As stated in the enclosed press release, the Board feels that the issue should be decided by Congress — on the basis of the general public interest — after an exploration of the merits and demerits of this type of regulation.

"We appreciate the opportunity to comment on these letters which are returned to you herewith."

Approved unanimously.

Letter to the Honorable Philip J. Philbin, United States House of Representatives, reading as follows:

"This is in reply to your letter of December 11, 1946, inquiring about the terms of the Board's Regulation W which is applicable to instalment credit.

"The Board's position on this matter of regulating instalment credit is summarized in the enclosed copy of a statement which was issued at the time Regulation W was revised effective December 1, 1946.

"In administering this regulation, the Board has had prominently in mind the relationship between the supply of and the demand for consumers' goods and services, particularly durable goods. As you know, the potential demand for durables, as a result of low production during the war and the substantial increase in incomes, has been very large — while supplies from current production, although they have been increasing for some time, have been inadequate. It has been one of the principal objects of the regulation to contribute to a better balance in supply and demand by keeping effective demand under some restraint.

"At the present time, the terms for the list of articles now subject to the regulation are one-third down and 15 months to pay the balance (furniture and soft-surface floor coverings, one-fifth down). In view of the large amounts of liquid assets and high incomes, it is quite understandable that our studies have developed no evidence to show that aggregate sales are handicapped by these terms. There is every indication that sales would be higher if the goods were available."
"We cannot say at this time when terms such as those mentioned in your letter—10 per cent down and 24 months to pay the balance—would be appropriate. In varying the terms of the regulation, the Board would be influenced by a number of factors which would include the general level of economic activity, the distribution of activity as between durables and other things, the price level and its movement, the volume of credit and the rate and direction of movement in that volume, public holdings of liquid assets, and other similar matters. What we would propose is that terms would be set from time to time, depending upon the circumstances, so as to lessen the influence of credit in aggravating business cycles.

"The present situation is not typical of the problems that will be faced after the disruptions resulting from the war have been cleared up. The production of consumers' durables is still low in relation to other items but the circumstances, as we see them, are not such at the present time that any stimulus to production is needed from the demand side."

Approved unanimously.

Letter to the Centre Motor Company, Inc., Norfolk, Virginia, reading as follows:

"This is in reply to your telegram of January 2 to the President, protesting against the provision of Regulation W which limits the credit that may be extended for the purchase of a used automobile. The President referred your wire to this Board as the agency responsible for this regulation.

"This provision does not restrict the price of used cars, which may be sold at any price as far as Regulation W is concerned, provided that any credit extended for the purchase does not exceed two-thirds of the cash purchase price or the appraisal guide value, whichever is the lower. In the case of new automobiles, the credit value under the regulation is two-thirds of the cash purchase price, whatever that may be.

"It is true that the restriction on the credit value of used automobiles would require a down payment of more than one-third if the cash purchase price of a financed used car is greater than the retail value shown in the appraisal guide. This requirement should not prevent the sale of a used car at more than the appraisal guide value, however, if it is worth more."
"The used car credit value provision in Regulation W is not intended to place price ceilings on these automobiles. A similar provision was in effect in the regulation prior to the establishment of price ceilings on used cars. Its purpose now, as it was then, is to prevent the assignment of fictitious values to the prices of the car sold and the car accepted in trade in order to circumvent the down payment requirement.

"We are enclosing a copy of the press release in which the Board announced the designation of appraisal guides for the purposes of Regulation W, and also a copy of the release dated December 26 in which the effective date of the designation was postponed until January 15, 1947."

Approved unanimously.

Secretary.

Approved:

Chairman.