

3/11/47 Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, March 11, 1947.

Present: Mr. Eccles, Chairman
 Mr. Draper
 Mr. Evans
 Mr. Vardaman
 Mr. Clayton

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 March 10, 1947, were approved unanimously.

Letter to Mrs. Valerie R. Frank, Secretary of the Retirement Committee, Retirement System of the Federal Reserve Banks, reading as follows:

"Reference is made to the disability retirement of Yvonne Dodd Shaw, a participant in the Board of Governors Plan, and the questions raised by you with regard to the beginning date of her allowance and the benefits to be accorded her in the event of recovery.

"The Civil Service Retirement Act has been construed to authorize a disability allowance effective the first of the month following the month in which leave without pay begins, provided disability is shown to exist at that time. Since Mrs. Shaw was last paid in November 1945 and it is understood the Medical Board has approved her disability as of December 1, 1945, Mrs. Shaw's disability allowance should date from December 1, 1945.

"In the event of Mrs. Shaw's recovery, her rights under the Board Plan would be equivalent to those to which she would be entitled if she were under the Civil Service Retirement Plan. In this connection, there is attached a copy of Public Law 536, 79th Congress, amending Section 6 of the Civil Service Retirement Act, which would be applicable in this case at the present time."

Approved unanimously.

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Letter to Mr. C. F. Burton, President, The City Bank, 9th Street and Massachusetts Avenue, N.W., Washington, D. C., reading as follows:

"This will acknowledge and thank you for your letter of February 17, 1947, which suggested that Regulation W be amended so that loans to veterans on automobiles for business purposes could be made on a 24 months basis.

"As you point out, loans may now be made on such terms if they are guaranteed by the Administrator of Veterans' Affairs under the Servicemen's Readjustment Act of 1944, as in that event they are exempted from the regulation. You also observe that the veteran would save something in interest on the guaranteed loan. But you suggest that it would be desirable to permit such loans under Regulation W, without the guaranty, in order to avoid the paper work required in obtaining a guaranty and in order to reserve the veteran's \$4,000 guaranteed loan privilege for other purposes.

"The Board has not considered that such a relaxation of terms for veterans would be in their own interest, since it would tend to defeat the purpose of the regulation in restraining the pressure of inflationary demand against the still-limited supply of automobiles. In our opinion, it would not be possible to administer a provision such as you propose so that it would be used only by veterans for business purposes. Even if it were not abused by veterans who obtained loans for relatives or friends (who in the aggregate would include almost everyone), it would be very difficult to establish a practical definition of 'business purposes,' since perhaps most passenger automobiles are used to some extent in connection with economic activities. It has seemed to us, therefore, that special provisions of this kind for veterans would materially increase the inflationary demand for the limited supply of consumer durables. As a result, veterans generally would find it more difficult rather than easier to buy these goods, and they might be encouraged to over-extend their credit for purchases at a time when this might help to cause serious deflationary collapse later on.

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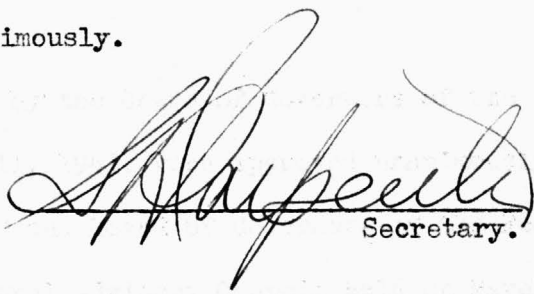
"For the above reasons, we do not think that it is advisable for the Board to adopt your suggestion at this time, although we recognize its merits and appreciate your interest in submitting it."

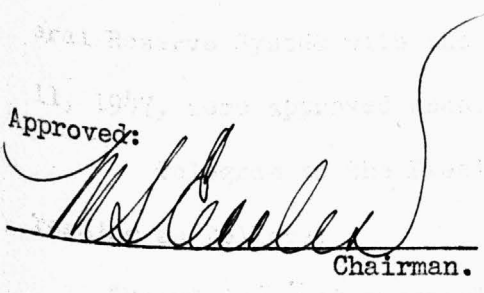
Approved unanimously.

Telegram to the Presidents of all the Federal Reserve Banks except the Federal Reserve Bank of New York, reading as follows:

"Reference Mr. Sproul's letter of February 4, first Systemwide meeting of Staff Group on Foreign Interests will not be called for March 19 as earlier contemplated. We shall communicate with you further concerning possible future meeting."

Approved unanimously.


Secretary.

Approved:

Chairman.