

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, March 21, 1949.

PRESENT: Mr. Eccles, Chairman pro tem.
Mr. Szymczak
Mr. Draper
Mr. Vardaman

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on March 18, 1949, were approved unanimously.

Memorandum dated March 18, 1949, from Mr. Leonard, Director of the Division of Bank Operations, recommending the appointment of Mrs. Helen P. Hutchinson as a clerk-stenographer in that Division, with basic salary at the rate of \$2,724.00 per annum, to be effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination.

Approved unanimously.

Letter to Mr. Stetzelberger, Vice President of the Federal Reserve Bank of Cleveland, reading as follows:

"In accordance with the request contained in your letter of March 16, 1949, the Board approves the appointment of John T. Stewart, Jr. as an assistant examiner for the Federal Reserve Bank of Cleveland. Please advise us of the date upon which the appointment is made effective and also as to salary rate."

Approved unanimously.

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Letter to the Honorable Scott W. Lucas, United States Senate,
reading as follows:

"The attached letter of March 8 from Conlon-Moore Corporation, Chicago, Illinois, was received with your memorandum of March 11. Mr. B. J. Hank, President of that corporation appears to be well pleased with the recent modification of Regulation W as it applies to the instalment sale of household appliances, but recommends that the regulation be further liberalized to remove any restrictions on the delivery of appliances for trial and demonstration in anticipation of an instalment sale.

"The regulation effective September 20, 1948 provided, as did the old one which expired November 1, 1947, that delivery of a listed appliance for approval, trial, or demonstration in anticipation of an instalment sale could be made only if at or before the time of delivery a deposit was made by the prospective customer, at least equal to the down payment.

"After due consideration of the subject and in recognition of trade practice in the matter, the regulation was amended, effective November 1, 1948, to permit delivery of appliances and certain other listed articles under an arrangement where the required down payment could be made at any time within ten days after delivery for approval, trial, or demonstration in anticipation of an instalment sale. A copy of that amendment is attached.

"As you know, Regulation W applies to instalment sales of appliances and other listed articles in two major respects. It prescribes minimum down payments and maximum maturities. It is in support of the down payment requirement that the Board regulates the conditions under which appliances and other listed articles may be delivered 'in anticipation of an instalment sale'. Without such a provision the down payment requirements would be weakened considerably and would not be nearly so effective as a credit control measure. Of course the Board has considered the points raised by Mr. Hank in that connection, but competition does tend to make registrants go farther in the matter of approval, trial, and demonstration deliveries than they would willingly go.

"In view of the above the Board is of the opinion that an amendment to adopt Mr. Hank's recommendation would seriously impair the effectiveness of the regulation."

Approved unanimously.

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Letter to the Honorable Reva Beck Bosone, United States House of Representatives, reading as follows:

"The enclosed letter dated February 21 from R. S. Gibson of Peck's, Inc., a wholesale photo supply business of Salt Lake City, Utah, was received with your letter of February 26 addressed to Chairman McCabe. You requested that we give you the Board's point of view with respect to those sections of Mr. Gibson's letter that relate to the work of the Board.

"Paragraph (1) of the letter appears to be the principal one with which the Board is directly concerned. The suggestion is made 'that an analysis of the consumer credit control, as represented by Regulation W, be made in the light of units of goods rather than dollar volume, since the present value of the dollar is now about 50 cents.' We appreciate the point that the number of units of goods involved in consumer instalment credit transactions has not expanded as much as the dollar volume of credit. This has been considered in our studies. It has seemed to us, however, that the more important factor to consider in connection with the use of Regulation W as an anti-inflation restraint, in accordance with the directive of Congress, is the relative increase in the dollar amounts, including the effect of higher prices.

"Prices today are largely the result of the upward pressures exerted on them by the inflationary conditions which have been with us in almost continuously increasing force since the early days of the war. As a result of heavy war expenditures which swelled the money supply, the people's buying power was increased out of all proportion to the supply of goods available for purchase by civilians. The large money demand bidding for the limited supply of goods inevitably resulted in strongly rising consumer prices.

"It was the purpose of Regulation W when reinstated last fall to restrain the growth of consumer instalment credit in order to lessen to some extent the inflationary forces which had been pushing prices higher and to promote sound credit conditions in the consumer credit area.

"The Board is constantly studying conditions in the economy generally as well as trends in the production and marketing of automobiles and other consumers' durable

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"goods. On the basis of this study and experience in the administration of the regulation since its reinstatement last September, the Board, on March 2, announced modification of Regulation W, effective March 7, 1949.

"The principal changes resulting from the amendment are an increase in maximum maturities to 21 months and reduction in the minimum downpayments on appliances, furniture, etc. to 15 per cent. A copy of the Board's statement for the press announcing the modification is enclosed.

"Paragraph (2) of Mr. Gibson's letter also merits brief comments.

"Both during and since the war, the Government has been seriously concerned with safeguarding the investment of the people in Government bonds. During the war period, price controls and other measures were applied to keep down inflationary price rises and maintain the purchasing power of the people's savings. During the postwar period, three major policies have been pursued for this purpose. First, a surplus of Government cash receipts over expenditures has been applied to retirement of marketable public debt. Second, receipts from sales of additional savings bonds in excess of redemptions have been applied to retirement of such debt. Third, the Federal Reserve System, in cooperation with the Treasury, has conducted its open market operations in Government securities so as to maintain at all times orderly and stable price conditions for Government issues. This combination of policies has helped significantly to restrain postwar inflationary pressures as well as contributing to investor confidence in the soundness of Government obligations for savings purposes. The continuing growth in the outstanding volume of Government savings bonds attests to general feeling among savers that Government financial policies have been consistent with their investment interests."

Approved unanimously.

Letter to The Honorable, The Attorney General, reading as fol-

lows:

"Enclosed is a copy of a letter dated March 11, 1949 which we have received from the Federal Reserve Bank of San Francisco inquiring whether, in connection

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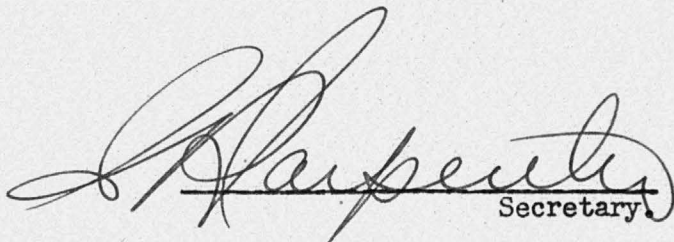
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"with the preparation of claims to be filed with the Attorney General under the Act of July 2, 1948 (American-Japanese evacuation claims) the Federal Reserve Bank may make information contained in its files available to claimants under such Act.

"Under date of March 7, 1942 the Secretary of the Treasury conferred certain powers upon the Federal Reserve Bank of San Francisco as fiscal agent of the United States in connection with the evacuation of the Japanese from the West Coast military areas. Since these files and records have been accumulated by the Reserve Bank in its capacity as fiscal agent of the United States, we have asked the Secretary of the Treasury for his views on the question raised in the enclosed letter.

"It will be appreciated if you will advise us whether you have any objection to the Reserve Bank divulging such information as it may have to claimants in connection with the preparation of claims to be filed under the above mentioned Act of Congress."

Approved unanimously, together
with a similar letter to the Honor-
able, The Secretary of the Treasury.


Secretary.

Approved:


Chairman pro tem.