Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, September 7, 1950.

PRESENT: Mr. McCabe, Chairman
Mr. Szymczak
Mr. Evans
Mr. Vardaman
Mr. Norton
Mr. Powell
Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary

Minutes of actions taken by the Board of Governors of the Federal Reserve System on September 6, 1950, were approved unanimously.

Memorandum dated September 5, 1950, from Mr. Bethea, Director of the Division of Administrative Services, recommending that the temporary appointment of Hiram J. Roush as a Guard in that Division, be extended on a permanent basis, effective September 11, 1950, with no change in his present basic salary of $2,450 per annum.

Approved unanimously.

Telegram to Mr. DeMoss, Vice President of the Federal Reserve Bank of Dallas, reading as follows:

"Reurlet August 30 Board approves designation of Jason A. Burow as special assistant examiner for the Federal Reserve Bank of Dallas."

Approved unanimously.

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

"Reference is made to Mr. Sheehan's letter of August 29, 1950, enclosing a letter addressed to the Federal Reserve Bank of New York by Bankers Trust Company, New York, New York, requesting the Board's
"consent to the absorption of the Lawyers Trust Company of New York without increasing the capital and surplus accounts of the Bankers Trust Company to amounts equal to the aggregate totals of these accounts as they now exist in the individual banks.

"As recommended, the Board of Governors hereby gives consent pursuant to the provisions of Section 12B(v)(4) of the Federal Reserve Act, as amended, to the absorption by Bankers Trust Company of Lawyers Trust Company upon condition that: the absorption is carried out substantially in accordance with the plan as submitted; formal approval of the program is obtained from the appropriate State authorities; and with the understanding that counsel for the Federal Reserve Bank of New York will review and satisfy himself as to the legality of all steps taken to effect the absorption."

Approved unanimously.

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

"Supplementing our telegram September 1 re Regulation W.

"Expectations now are that President may sign the Defense Production Act today or tomorrow. Board is prepared to adopt Regulation W promptly thereafter to be effective September 18.

"If bill is signed in time Board plans to make press announcement for release in papers Saturday morning, September 9. We will advise you later as to the actual issuance of the Regulation and confirm the date of the press release. Text of the proposed press statement follows. Please keep strictly confidential until released by the Board.

"For release in morning papers of __________, September __, 1950.

"Under the authority of the Defense Production Act of 1950, the Board of Governors today reinstituted regulation of consumer instalment credit through Regulation W effective at the opening of business September 18, 1950.

"The Regulation covers automobile instalment credits of $5,000 and less and other instalment credits of $2,500 and less. Except that home improvement credits are now
"Covered and terms are generally tightened, the Regulation is in much the same form as the Regulation which expired June 30, 1949.

"The limitations initially established are:

'Down payments of at least one-third, and maximum maturities of 21 months for automobiles.

'Down payments of at least 15 per cent, and maximum maturities of 18 months for appliances: refrigerators, food freezers, radio or television sets, phonographs, cooking stoves, ranges, dishwashers, ironers, washing machines, clothes driers, sewing machines, suction cleaners, air conditioners and dehumidifiers.

'Down payments of at least 10 per cent, and 18 months maximum maturity for furniture and rugs.

'Down payments of at least 10 per cent, and 30 months maximum maturity for home repairs, alterations or improvements.

"Following the past policy of placing fewer restrictions on small credits, the new Regulation does not contain down payment requirements for articles costing less than $100 although, unlike the former Regulation, maturities are limited.

"Instalment loans for the purchase of any listed article carry the same limitations that apply to the instalment sale of the article; other instalment loans are limited to a maximum maturity of 18 months.

"In establishing the initial terms the Board took into account the prevailing practices and terms in the trades affected. There has been a material relaxation of instalment credit terms during the past year or more, and the requirements of the Regulation are substantially tighter than the terms now widely offered.

"In the automobile field the great majority of recent instalment sales of new cars and late model used cars are reported as having been financed on substantially easier terms, either as to down payments or maturities or both, than permitted by the new Regulation.

"Similarly, many instalment sales of appliances and furniture are reported as having been made with down payments of 10 per cent or less; in many cases only token or no down payments have been required. Maturities of 24
months on instalment sales of such articles have been reported as widely prevalent with longer maturities offered in some cases.

"Consumer credit has undergone an unprecedented expansion, particularly in recent months. Under present conditions continued excessive growth of consumer instalment credit adds materially to inflationary pressures.

"The Regulation of consumer credit is one of the fiscal, monetary and credit measures designed to restrain the inflationary pressures that result in higher prices and to facilitate diversion of critical material and manpower to production of defense needs as such diversion is required.

"As the Board has frequently emphasized, the Regulation is a useful supplementary instrument to combat inflation. It applies to an important part, but only to one part, of the credit structure and therefore cannot by itself effectively control inflationary forces.

"The Regulation is being published in the Federal Register and copies of the Regulation will be made available through all Federal Reserve Banks and branches as soon as possible. The Regulation will be administered in the field by the 12 Federal Reserve Banks and their 24 branches located conveniently throughout the country. Inquiries should be addressed to the nearest Federal Reserve Bank or branch.

"Regulation W was first put into effect under Executive Order September 1, 1941. It expired November 1, 1947. It was reinstalled September 20, 1948 under statutory authority which expired June 30, 1949. The business community and the buying public, the Board and the Federal Reserve Banks have thus had extensive experience with this type of credit regulation.

"Through the 12 Federal Reserve Banks and their 24 branches, and the more than 250 directors of the Reserve Banks and branches, the Board has the advantage of immediate and close contact with all segments of commerce, trade and industry, and with consumers affected by the Regulation. Because of this advantage, a regulation of this kind can be promptly adapted in the future, as it has in the past, to changing conditions as reported on the basis of experience in all parts of the Nation."

Approved unanimously.

[Signature]

Secretary.