

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, June 19, 1951. The Board met in the Board Room at 10:35 a.m.

PRESENT: Mr. Martin, Chairman  
Mr. Szymczak  
Mr. Vardaman  
Mr. Powell

Mr. Carpenter, Secretary  
Mr. Sherman, Assistant Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Thurston, Assistant to the Board  
Mr. Thomas, Economic Adviser to the Board  
Mr. Leonard, Director, Division of Bank Operations  
Mr. Vest, General Counsel  
Mr. Young, Director, Division of Research and Statistics  
Mr. Noyes, Director, Division of Selective Credit Regulation  
Mr. Youngdahl, Chief, Government Finance Section, Division of Research and Statistics  
Mr. Leach, Economist, Division of Research and Statistics  
Mr. J. J. Smith, Special Counsel

Reference was made to a request filed under date of June 14, 1951 by attorneys for Transamerica Corporation pursuant to Rule IX of the Board's Rules of Procedure requesting that, because of the complex nature of the proceeding in the matter of Transamerica Corporation, the scope of the record, and the numerous issues of fact and law which will be presented by Respondent's exceptions and objections to the Recommended Decision of the Hearing Officer dated June 13, 1951, the matter be set down for oral argument before the full Board. Reference was also made to a motion by Counsel for Transamerica dated June 14, 1951, that the

6/19/51

-2-

time limit set in the Board's Order of May 15, 1951, for filing of exceptions, objections, and briefs to the Recommended Decision of the Hearing Officer be extended from July 13 to September 13, 1951, and that the time limit for filing reply briefs, as fixed in the same Order, be extended from July 30 to October 1, 1951.

Chairman Martin called upon Mr. Smith who said that he would recommend that the request for oral argument before the full Board be granted. He pointed out that the Board was not requested to fix a date for oral argument at this time but added that if the request was granted, he felt there should be an interval of several weeks between the time of announcement of the date and the day on which oral argument would take place.

With respect to the motion for additional time to file and brief exceptions and objections to the Recommended Decision of the Hearing Officer, Mr. Smith stated that he felt the minimum time that should be allowed by the Board would be 60 days from June 13, the day on which the Recommended Decision was filed. While he did not believe there would be error in a legal sense in denying the motion for an extension of 60 days beyond the 30 days already granted and allowing an extension of, say, 30 days, Mr. Smith expressed the opinion that because of the length and complexity of the case, the nature of the recommendations in the Hearing Officer's Recommended Decision, the fact that the newer members of the Board would have to study and familiarize themselves with the case, and

6/19/51

-3-

the fact that this was the vacation season, there was justification for granting the motion as made.

Mr. Vest stated that he felt substantially as Mr. Smith had expressed himself with respect to the motion for additional time, that there was justification for some extension of time beyond the 30 days granted in the Board's Order of May 15, 1951, that from the legal standpoint an extension of 30 days would be entirely satisfactory, that he had no strong feeling as to whether the total time granted should be 60 or 90 days from the date the Recommended Decision was filed, but that he did not know of any important reason from the standpoint of public policy or from the Board's standpoint why the total of 90 days requested should not be permitted.

With respect to the request for oral argument, Mr. Vest said that he felt strongly that the date for oral argument should be at least several weeks subsequent to the time of announcement of the date, and that he also felt that a minimum of at least two weeks should be allowed between the date for filing reply briefs and the date for oral argument in order to permit the attorneys for the Board and for the Respondent adequate time to study them.

Chairman Martin said that he had discussed the matter by telephone with Mr. Evans who had stated that it would be his preference that a somewhat shorter extension of time than that requested by Respondent be allowed, probably about 30 days extension in each instance beyond the

6/19/51

-4-

dates set by the Board's Order of May 15, 1951. Chairman Martin went on to say that, after careful consideration, he felt that because of changes in the composition of the Board since the proceeding against Transamerica was instituted, because of the possibility of misinterpretation of a denial or modification of the request of Transamerica, and because of the relatively small difference in time requested and the minimum recommended by Counsel for the Board, it would be desirable to grant the motion as filed. He also suggested that since there appeared to be no objection to the request for oral argument, that also be granted.

Thereupon, upon motion duly made and by unanimous vote, an Order was approved as follows:

"UNITED STATES OF AMERICA  
BEFORE THE

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
IN THE MATTER OF  
TRANSAMERICA CORPORATION  
ORDER GRANTING RESPONDENT'S REQUEST FOR ORAL  
ARGUMENT AND MOTION FOR ADDITIONAL TIME TO  
FILE AND BRIEF EXCEPTIONS AND OBJECTIONS

This matter coming on this day for consideration on respondent Transamerica Corporation's Request for Oral Argument and Motion for Additional Time to File and Brief Exceptions and Objections to the Recommended Decision of the Hearing Officer Dated June 13, 1951, and the Board having fully considered the matter, it is ORDERED that:

1. The said Request and Motion be, and they hereby are, granted.
2. This matter later be set down for oral argument before the Board on a date hereafter to be determined by the Board.
3. The time for filing exceptions, objections and briefs pursuant to Rule VII of the Board's Rules of Practice for Formal Hearings be, and it hereby is, extended to and including September 13, 1951.

6/19/51

-5-

"4. The time for filing reply briefs pursuant to paragraph (b) of Rule VIII of the Board's Rules of Practice for Formal Hearings be, and it hereby is, extended to and including October 1, 1951.

This 19th day of June, 1951.

By the Board.

(signed) S. R. Carpenter,  
Secretary.

Governor Eccles took no part in the Board's consideration of or action upon the Request and Motion referred to in the foregoing Order."

At this point Messrs. Townsend, Solicitor, and Chase, Assistant Solicitor, joined the meeting, and Mr. Smith withdrew.

Mr. Thomas presented a report on developments in the Government securities market, following which Messrs. Youngdahl and Leach withdrew.

Before the meeting there had been distributed to the members of the Board copies of a memorandum from Chairman Martin, dated June 11, 1951, proposing that there be held at the Board's offices between October 1951 and June 1952, a series of six two-day meetings of Federal Reserve Bank and Branch directors similar to the pilot meeting of the directors of the Federal Reserve Banks of New York and Minneapolis and their branches which was held in conjunction with the Chairman's Conference on January 16 and 17, 1950. The memorandum stated that this series of meetings would be part of a program to promote closer relationships between the directors and the Board of Governors and would provide an opportunity for the members of the Board to obtain first-hand information from the directors as well as for the directors to gain a better understanding of the operations and policies of the Board and of their own role

6/19/51

-6-

in the System as a whole.

In a discussion of the feasibility of such a series of meetings, during which Messrs. Eccles, Norton, and Solomon, Assistant General Counsel, joined the meeting, members of the Board present expressed agreement as to the value of such meetings to the members of the Board, to the directors, and to the Federal Reserve System generally, but questioned whether in view of the number of regular meetings such as those of the Federal Open Market Committee, the Federal Advisory Council, and the Presidents' Conference, it would be feasible to have six additional meetings of the type proposed within the suggested period of about eight months. The thought also was expressed that it was important for the members of the Board to undertake to visit the Reserve Banks regularly, particularly on the occasion of directors' meetings of the respective banks, and that meeting schedules should be arranged to permit such visits.

At the conclusion of the discussion, Chairman Martin suggested that no action with respect to the suggestion in his memorandum be taken at this time and that further consideration be given the matter at a later date.

This suggestion was approved unanimously together with a suggestion by Mr. Vardaman that to provide a basis for further discussion Mr. Thurston be requested to review the schedule of meetings in which the Board would participate over the forthcoming twelve months and report to the Board whether it appeared that a series of

6/19/51

-7-

meetings such as suggested in Chairman Martin's memorandum could be arranged which would harmonize with this schedule.

Chairman Martin then stated that Mr. Wilbur, Chairman of the Chairmen's Conference, had raised the question of holding a meeting of the Conference in San Francisco in late October or early November of this year, and had asked for an expression of the Board's views with respect to the advisability of having the meeting in that city since, if it did not seem desirable, he would like to make plans for a Conference in Washington at approximately the time indicated. Chairman Martin said that he understood the Chairmen's Conference had met outside Washington from time to time including a meeting at the Federal Reserve Bank of New York last September, that he felt there was much to be said for having such meetings at the Federal Reserve Banks, but that in view of the current international situation he questioned whether it would be desirable to schedule a meeting of the Conference for next fall in San Francisco.

There followed a discussion during which it was suggested that Mr. Wilbur be advised that, in view of existing conditions, the Board felt that if there was to be a meeting of the Chairmen's Conference next fall it should be held in Washington, and that it would seem desirable to defer calling a meeting until about September 1, 1951, with the thought that consideration might then be given to setting a time for a meeting either later this year or in the spring of 1952.

This suggestion was approved unanimously.

6/19/51

-8-

In this connection, Mr. Vardaman referred to a letter which he had written to the Chairman of the Chairmen's Conference under date of June 14, 1949, following their meeting at White Sulphur Springs, West Virginia, in May of that year, stating why he had not attended that Conference and expressing the hope that future meetings of the Chairmen would be held either in Washington or at one of the twelve Federal Reserve Banks. He added that he still felt as he had indicated in that letter.

Mr. Carpenter reported that in accordance with the understanding at the meeting of the Board on June 12, 1951, he had advised Mr. Peyton, Chairman of the Presidents' Conference, that the Board would have no objection if it should be the decision of the Presidents' Conference to hold its September meeting in St. Louis at the time of the annual meeting of the National Association of Supervisors of State Banks with the understanding that the Conference would be followed by a meeting of the Federal Open Market Committee and a joint meeting of the Presidents and the Board in Washington immediately after the annual convention of the American Bankers Association. He reported that President Peyton had now advised by letter dated June 15, 1951, that such a schedule would be followed.

Mr. Townsend referred to the matter of Public Loan Corporation, its manager, Walter L. Boynton, and Herman Bryan Hamric, doing business as Hamric Motor Sales, all of San Francisco, California, involving apparent collusion to violate the terms of Regulation W, Consumer Credit,



6/19/51

-9-

which had been referred to the Department of Justice for possible criminal action in accordance with the action taken at the meeting of the Board on May 8, 1951, and stated that while in San Francisco recently he had discussed the case with the United States Attorney's office in that city, since at that time it had been referred to that office for prosecution. Thereafter, Mr. Townsend said, the matter was recalled by the Department of Justice for further consideration and it was his understanding that no decision had yet been made by the Department as to the action to be taken.

Mr. Townsend then presented the matters of Walter L. Lange, doing business as Lange Television Sales, St. Paul, Minnesota; Sam Kay, doing business as Arkansas Home Building and Repairing Co., Little Rock, Arkansas; Andrew C. Cain, William C. Cain, and Lee Bing, doing business as Dixie Sewing Dealers, New Orleans, Louisiana; and Personal Finance Company, Yonkers, New York (a subsidiary of Beneficial Loan Corporation, which controls small loan companies operating in 36 States); each of which cases had been referred to the Board by the Reserve Banks of the respective districts as involving apparent violations of Regulation W, Consumer Credit, and stated that in accordance with the recommendation of the Reserve Bank in each instance it was his recommendation that the matters be referred to the Department of Justice for consideration whether criminal proceedings should be instituted.

6/19/51

-10-

During the presentation of the foregoing matters, Mr. Heath, Acting Assistant Director, Division of Selective Credit Regulation, joined the meeting.

Mr. Vardaman objected to the procedure now being followed in connection with cases arising under Regulation W, Consumer Credit, and Regulation X, Real Estate Credit, involving references to the Department of Justice for the possible institution of criminal proceedings, and suggested that consideration be given to a procedure whereby the Board would delegate to the Federal Reserve Bank located in the district where the apparent violation occurred the responsibility for referring direct to the local United States Attorney any case which it felt should be transmitted for possible criminal proceedings.

In the discussion of Mr. Vardaman's suggestion, the opinion was expressed by Mr. Eccles, and it was the consensus of the members present, that it would be desirable to have as much as possible of the enforcement work in connection with Regulations W. and X handled by the Federal Reserve Banks to as to avoid the need for adding to the staff of the Solicitor's Office.

During this discussion, Chairman Martin withdrew from the meeting to keep an appointment.

During the discussion, it was agreed unanimously that in the absence of Mr. Evans the matter be referred to Mr. Norton as the

6/19/51

-11-

member of the Board having the assignment of matters relating to Regulations W and X, with the understanding that he would review with Messrs. Townsend, Vest, and Carpenter, in the light of the discussion at this meeting, the procedure now followed in referring cases to the Department of Justice and the holding of administrative hearings and present to the Board recommendations as to how such matters should be handled in the future. In taking this action, it was understood that pending adoption by the Board of a different procedure, the present procedure for consideration of cases for possible reference to the Department of Justice or for the institution of administrative hearings would continue to be followed.

At the conclusion of the discussion, upon motion by Mr. Norton, it was voted unanimously that reports of the four matters referred to above be transmitted to the Department of Justice in order that that Department might, in its discretion, institute criminal proceedings.

Secretary's Note: Pursuant to the foregoing action, a letter was sent to the Honorable James M. McInerney, Assistant Attorney General, Department of Justice, Washington, D. C., under date of June 25, 1951, reading as follows, together with similar letters, also dated June 25, 1951, relating to the matters involving Sam Kay, doing business as Arkansas Home Building and Repairing Co., Little Rock, Arkansas; Andrew C. Cain, William C. Cain, and Lee Bing, doing business as Dixie Sewing Dealers, New Orleans, Louisiana; and Personal Finance Company, Yonkers, New York:

"Pursuant to Section 21 of the Securities Exchange Act of 1934, made applicable to the Board of Governors by Section 604 of the Defense Production Act of 1950, the Board of Governors is transmitting to you herewith a report concerning acts and practices which appear to the Board to constitute violations of its Regulation W by Walter L. Lange, doing business as Lange Television Sales, St. Paul, Minnesota. This report is sent to you in order that you may, in your discretion, institute criminal proceedings."

6/19/51

-12-

Mr. Townsend referred to the action of the Board on May 8, 1951, authorizing the Solicitor to institute action to compel Maxim Appliance Company, Bartow, Florida, a registrant under Regulation W, to produce its records and open its books for investigation, and stated that inasmuch as the registrant had made his records available, it was recommended that the Solicitor be authorized to take the necessary steps to obtain dismissal of the suit that had been filed.

Upon motion by Mr. Norton, this recommendation was approved unanimously.

Mr. Heath withdrew from the meeting at this point.

Mr. Norton presented two memoranda dated June 19, 1951, stating that in letters dated June 15, 1951, the Housing and Home Finance Administrator advised that, for reasons stated, he had concluded that the Vallejo, California, and Quad Cities, Iowa-Illinois areas should be designated as defense areas for the purpose of instituting special action to assist in the production of necessary defense housing, and that he recommended that if designation of the areas was concurred in by the Board, the schedules of relaxed credit terms under Regulation X, Real Estate Credit, be similar to those previously announced for other designated defense areas. Mr. Norton stated that he recommended that the Board concur in the designations.

Thereupon, upon motion by Mr. Norton, unanimous approval was given to letters to Mr. Foley, Housing and Home Finance Administrator, as follows:

6/19/51

-13-

Letter regarding Vallejo, California area

"In response to your letter of June 15, 1951, this is to advise you that the Board of Governors concurs in your designation of the Vallejo, California, area, including the communities of Benicia, Fairfield, Suisun, and Vacaville, as an area for the application of special credit terms under section 6(p) of Regulation X, Real Estate Credit, for purposes of defense construction. Your letter states that there is a need for approximately 600 housing units to be located within reasonable commuting distance of the Vallejo area, 480 to be rental units ranging from \$60 to \$80 per month each, and 120 to be sale units at \$8,500 and \$9,500 each. Under the terms of the exemption, the entire 600 units will be controlled by your agency through the issuance of specific certificates.

"In accordance with your suggestion, the relaxation of terms prescribed by Regulation X will be similar to that previously announced for other designated defense areas."

Letter regarding Quad Cities, Iowa-Illinois area

"In response to your letter of June 15, 1951, this is to advise you that the Board of Governors concurs in your designation of the Quad Cities, Iowa-Illinois, area, including Davenport, Iowa, Moline, Illinois, East Moline, Illinois, and Rock Island, Illinois, as an area for the application of special credit terms under section 6(p) of Regulation X, Real Estate Credit, for purposes of defense construction. Your letter states that there is a need for approximately 750 housing units to be located within reasonable commuting distance of the Quad Cities area, 450 to be rental units ranging from \$60 to \$75 per month each, and 300 to be sale units at \$10,000 and \$11,000 each. Under the terms of the exemption, the entire 750 units will be controlled by your agency through the issuance of specific certificates.

"In accordance with your suggestion, the relaxation of terms prescribed by Regulation X will be similar to that previously announced for other designated defense areas."

Mr. Carpenter reported that in response to the request in a memorandum from the President dated June 11, 1951, for the Board's suggestions

6/19/51

-14-

on material for inclusion in the President's Midyear Economic Report, the staff had prepared a draft of statement incorporating such suggestions together with a background statement of the general economic situation.

After discussion, it was suggested that copies of the two statements be furnished each member of the Board for review, with the understanding that if any member of the Board had changes to suggest in them he would notify the Secretary and they would be discussed at a meeting of the Board tomorrow afternoon or Thursday morning.

This suggestion was approved  
unanimously.

All of the members of the staff then withdrew and the Board went into executive session.

Following the executive session, Mr. Eccles, as Chairman pro tem, reported to the Secretary that he had informed the members of the Board present that he proposed to submit his resignation as a member of the Board on Thursday, June 21, to be effective July 15, 1951, and that the Board had approved his recommendation that his secretary, Miss Egbert, be continued on the pay roll for such period as might be necessary, but in no event beyond November 30, 1951, to afford her an opportunity to go through Mr. Eccles' personal files for the purpose of determining what material should be turned over to the Board for its official files. Mr. Eccles also reported that at the end of that period Miss Egbert planned to resign.

6/19/51

-15-

The action stated with respect to each of the matters herein-after referred to was taken by the Board:

Minutes of action taken by the Board of Governors of the Federal Reserve System on June 18, 1951, were approved unanimously.

Memoranda dated June 14, 1951, from Mr. Young, Director of the Division of Research and Statistics, recommending increases in the basic annual salaries of the following employees in that Division, effective June 24, 1951:

<u>Name</u>	<u>Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
John M. Culbertson	Economist	\$4,600	\$4,725
Charles Trescott	Library Assistant	3,195	3,275
Lois I. Steidel	Clerk	2,890	2,970
Marjorie C. Capps	Clerk-Stenographer	2,450	2,530
Bruna L. Watts	Draftsman	2,450	2,530
Jesse D. Smith	Clerk-Messenger	2,930	3,050

Approved unanimously.

Memorandum dated June 12, 1951, from Mr. Bethea, Director of the Division of Administrative Services, recommending increases in the basic annual salaries of the following employees in that Division, effective June 24, 1951:

<u>Name</u>	<u>Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
Stanley J. Bloch	Assistant Supervisor, Duplicating and Mail Section	\$4,325	\$4,450
John N. Lyon	Accountant	3,950	4,075
Franklin Taylor	Clerk (Composition)	3,825	3,950
Frank W. Constable	Photographer (Offset)	3,825	3,950
Bruce L. Moffett	Offset Press Operator	3,450	3,575
Nelson S. Dyson	Bindery Worker	3,450	3,575

Approved unanimously.

Memorandum dated June 15, 1951, from Mr. Horbett, Assistant Director of the Division of Bank Operations, recommending that the

6/19/51

-16-

resignation of Mrs. Betty Jane Vogenitz, Clerk-Typist in that Division, be accepted to be effective, in accordance with her request, at the close of business June 29, 1951.

Approved unanimously.

Memorandum dated June 18, 1951, from Mr. Bethea, Director of the Division of Administrative Services, recommending that the resignation of Miss Constance F. McCarthy, Clerk in that Division, be accepted to be effective, in accordance with her request, at the close of business June 18, 1951.

Approved unanimously.

Memorandum dated June 15, 1951, from Mr. Noyes, Director of the Division of Selective Credit Regulation, recommending that the resignation of Miss Betty Jean Plaughter, Stenographer in that Division, which had been approved effective June 22, 1951, be rescinded.

Approved unanimously.

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

"In view of the circumstances described in your letter of June 15, 1951, the Board of Governors approves the payment of salary to Miss Helen Hater, Check Collection Stenographer, Cincinnati Branch, for an additional period of one month from July 1, 1951, at the rate of \$2,580 per annum, which is \$120 below the minimum established for the grade in which her position is classified."

Approved unanimously.



6/19/51

-17-

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

"In accordance with the request contained in your letter of June 15, 1951, the Board approves the appointment of Carl F. Spaeth, Jr., at present an assistant examiner, as an examiner for the Federal Reserve Bank of Chicago. Please advise us of the date upon which the appointment becomes effective."

Approved unanimously.

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

"In view of your request and the information contained in your letter of June 14, 1951, the Board of Governors extends to December 18, 1951, the time within which the Union Trust Company of Springfield, Springfield, Massachusetts, may establish a branch in West Springfield, Massachusetts, under the authority granted in the Board's letter of December 18, 1950."

Approved unanimously.

Letter to Mr. Slade, Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"Reference is made to your letter of June 7, 1951, regarding the request of the Seattle Trust and Savings Bank, Seattle, Washington, for permission to establish a branch between 175th and 185th Streets, on Aurora Avenue, outside the corporate limits of the City of Seattle, Washington.

"In view of your recommendation, the Board of Governors approves the establishment and operation of a branch between 175th and 185th Streets, on Aurora Avenue, outside the corporate limits of the City of Seattle by the Seattle Trust and Savings Bank, Seattle, Washington, provided the prior approval of the appropriate State authorities is obtained and the branch

6/19/51

-18-

"is established within six months of the date of this letter. It is understood that this approval covers the establishment of only one branch in the above defined area. The Board approved the establishment and operation of a branch between 180th and 185th Streets, by Seattle Trust and Savings Bank on July 2, 1946. It is understood that it is the intent of the parties that the authority granted on July 2, 1946, should be and it is hereby cancelled.

"It is further understood that Counsel for the Reserve Bank will review and satisfy himself as to the legality of all steps taken to establish the branch."

Approved unanimously.

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

"Reference is made to your letter of June 8, 1951, submitting the request of the Southern Arizona Bank and Trust Company, Tucson, Arizona, for permission to establish an additional branch within the metropolitan area of Tucson, but outside the city's corporate limits.

"In view of your recommendation, the Board of Governors approves the establishment and operation of a branch on Alvernon near Broadway, outside the corporate limits of Tucson, Arizona, by the Southern Arizona Bank and Trust Company, Tucson, Arizona, provided the branch is established within six months from the date of this letter.

"It is understood that Counsel for the Reserve Bank will review and satisfy himself as to the legality of all steps taken to establish the branch."

Approved unanimously.

Letter to the Honorable Overton Brooks, House of Representatives, Washington, D. C., reading as follows:

"Your letter of May 22, 1951, addressed to the National Production Authority, with which you enclosed a letter from Mr. Leon J. Phillips, President, Motor Securities Company, Inc., Shreveport, Louisiana, has been referred to us for reply since

6/19/51

-19-

"this Board is charged with responsibility for Regulation W concerning consumer credit. Mr. Phillips' letter relates to the down payment and maturity requirements of Regulation W as they pertain to used automobiles.

"One of the major problems involved in administering a regulation such as this is to make it restrictive enough so that it will be effective in accomplishing its over-all purposes but at the same time to keep the regulation from being an excessive burden on the people who are subject to it. The Board has felt that relatively tight terms for instalment credit are required at present in order to help restrain the strong inflationary pressures that are tending to raise the prices of all goods and services. We are certain you understand the necessity for avoiding the widespread hardships which would prevail if inflationary tendencies in the economy as a whole were allowed to continue unabated.

"Mr. Phillips claims that the sale of used cars does not involve the use of critical materials or labor. This is, of course, true. The expansion of instalment credit for the purchase of used cars if this credit were not regulated would, however, contribute to an inflationary increase in demand for articles that do use critical materials. Any increase in demand for used cars would tend to spread to the demand for new cars either directly or via the trade-in. Moreover, any expansion of credit buying encouraged by easier terms would tend to circulate throughout the economy in the form of larger demand for all consumer goods.

"He also stated that 'it is very unfair to the laboring class for them to be required to pay one-third down on a used automobile and the balance in fifteen months when a man who has the money to pay cash can buy all of the new cars he wants or a good used car'. Regulation W as you know is not a rationing instrument. As a credit control instrument it is necessarily limited in its effect to the users of credit. The main purpose of Regulation W is to reduce the extent to which over-all consumer purchasing power is expanded through the use of instalment credit. It is only one part of a broad anti-inflationary program designed to halt the decline in the purchasing power of the dollar, which, if continued, would hurt especially the lower-income groups.

"One of the points made in the Special Bulletin which Mr. Phillips enclosed with his letter was that old cars are a menace to traffic safety. While statistics for one community may not be typical of the entire country, nevertheless according to police statistics, two of every three cars involved in traffic accidents in Washington, D. C. are postwar

6/19/51

-20-

"cars, although the total number of registrations of postwar and prewar is approximately equal. Furthermore, in roughly nine of every ten accidents the cause is due to some failure of the driver rather than any mechanical failure of the car, and where mechanical failure is the principal cause of an accident this is, in the great majority of cases, the result of improper maintenance, and not the age of the car.

"We appreciate this opportunity of commenting on Mr. Phillips' letter, which is returned herewith as requested."

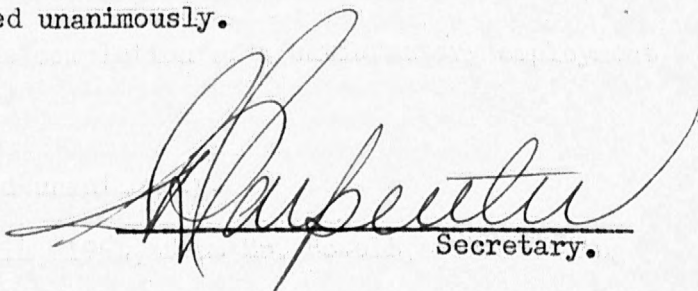
Approved unanimously.

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

"A Federal Reserve Bank has raised the question whether lenders engaged in the business of extending real estate credit in the territories and possessions of the United States are required to file registration statements under Regulation X.

"In view of section 6(c) of the regulation, very few extensions of credit by such lenders will be subject to the regulation, and the Board will raise no objection if such lenders do not file registration statements in accordance with the Board's public announcement of May 11, 1951."

Approved unanimously.

  
Secretary.