FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 3673
March 20, 1951]

BULLETIN NO. 1 OF VOLUNTARY CREDIT RESTRAINT COMMITTEE

*To all Financing Institutions in the
Second Federal Reserve District:*

There is printed on the reverse side of this circular a copy of Bulletin No. 1, released today, of the Voluntary Credit Restraint Committee, appointed by the Board of Governors of the Federal Reserve System, pursuant to the Program for Voluntary Credit Restraint. Copies of the Program were furnished you by the Chairman of the Board of Governors, by letter dated March 9, 1951.

The members of the Voluntary Credit Restraint Committee are as follows:

Commercial Banks

George S. Moore, Vice President, The National City Bank, New York, New York.

Carlisle R. Davis, Vice President, State-Planters Bank and Trust Company, Richmond, Virginia.

Kenton R. Cravens, Vice President, Mercantile-Commerce Bank & Trust Company, St. Louis, Missouri.

Everett D. Reese, President & Trust Officer, Park National Bank, Newark, Ohio.

Insurance Companies

George L. Harrison, Chairman, New York Life Insurance Company, New York, New York.

Carroll M. Shanks, President, Prudential Insurance Company of America, Newark, New Jersey.

E. B. Stevenson, Jr., Executive Vice President, National Life and Accident Insurance Company, Nashville, Tennessee.

Claude L. Benner, President, Continental American Life Insurance Company, Wilmington, Delaware.

Investment Bankers

Lee M. Limbert, Vice President, Blyth & Co., Inc., New York, New York.

Rudolf Smutny, Senior Partner, Salomon Bros. & Hutzler, New York, New York.

Francis Kernan, Partner, White, Weld & Co., New York, New York.

William K. Barclay, Jr., Partner, Stein Brothers & Boyce, Philadelphia, Pennsylvania.

The Committee is under the chairmanship of Oliver S. Powell, member of the Board of Governors of the Federal Reserve System.

Additional copies of this circular will be furnished upon request.

Allan Sproul,
President.

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Federal Reserve Bank of St. Louis

BULLETIN NUMBER 1 OF VOLUNTARY CREDIT RESTRAINT COMMITTEE

The Voluntary Credit Restraint Committee at its meeting on March 14 and 15 in Washington gave consideration to the functioning of the Program as developed by the financing institutions and approved by the appropriate Government agencies.

Regional committees are in the process of formation to be available for consultation by lenders who have specific questions on the application of the Credit Restraint Program.

The Committee recognizes that there are many inflationary influences at work. The Committee expects to issue further bulletins from time to time on various phases of the Voluntary Credit Restraint Program. This bulletin deals with the matter of inventory financing.

Inventories in the United States, particularly at wholesale and retail establishments, are at peak levels even after allowance is made for the sharp increase in prices at which inventories are carried. An important part of this abnormal increase in inventories has been financed by borrowed money.

Excess inventory accumulation has already contributed directly to the rise of wholesale and retail prices beyond any level justified by the supply situation. It obviously has created undue competition in scarce materials.

In the light of the above, the Voluntary Credit Restraint Committee expressed the hope that all financing institutions would, in carrying out the terms of the Program

(1) Refrain from financing inventory increases above normal levels relative to sales, or reasonable requirements by other conservative yardsticks.

(2) Encourage borrowers who already have excess inventories to bring these commitments and inventory positions in line as promptly as is reasonably practical, thereby reducing the amount of credit being used in this manner.

THE COMMITTEE ON VOLUNTARY CREDIT RESTRAINT

Committee action of
March 15, 1951.

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