REGULATION W AND ITS EFFECT ON
CONSUMER INSTALMENT SELLING AS A MEANS OF
CURBING INFLATION AND SAVING CRITICAL MATERIALS

by

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INTRODUCTION

The analysis of the effects of instalment credit upon our economy and society is a problem that is not easily solved. Its very complexity, in fact, is a leading reason for the diversity of opinion regarding such credit and for the differing proposals made regarding its use.

Prior to the Second World War, instalment credit conditions had gotten somewhat out of hand as a result of the increased competitive efforts of merchants to distribute the great quantities of goods available in the markets. Terms of financing became ridiculously liberal, "no down payment" being a common quotation, and instalments being prolonged over periods of more than two or three years.

As a result, Regulation W was put into effect September 1, 1941, by the Board of Governors of the Federal Reserve System, primarily to restrain consumer credit during the war period, and in turn to reduce the quantities of materials used in consumer goods for the benefit of the defense effort. Regulation W sought to attain these ends through requirements concerning down payments, maximum maturity, amounts and intervals of instalments, and statements of the transactions.

A decade ago economic and political conditions brought
about the need for regulation of business activity in our economic structure in greater proportions than ever before in the entire history of the nation. This study is concentrating on one phase of control and regulation, namely that of consumer instalment selling.

The purpose of this study is to present to the reader:

1. Reasons why it was considered necessary for the government to regulate consumer instalment credit within the past decade;

2. To consider the extent to which Regulation W has succeeded in restraining the use of critical materials for the defense effort;

3. The extent to which Regulation W has succeeded in restraining inflationary pressures in the economy during the past decade.

The material found most useful in organizing this study was the monthly publications of the Federal Reserve Bulletin, and the cooperation given to the writer by the local business organizations in Tucson, Arizona, while making the survey of Regulation W.
CHAPTER II

NATURE AND HISTORY OF INSTALMENT CREDIT

Definition and Function of Instalment Selling

Instalment selling is defined as a transfer of wealth, the payment for which is deferred in whole or in part to the future, and is liquidated piecemeal or in successive fractions, under a plan agreed upon at the time of transfer. This definition includes three essential elements as follows:

1. A present transfer of wealth which may consist of physical tangible goods, or of money, or of the more incorporeal things known as privileges or rights.

2. The provision that the payment for the commodity or service shall be made in the future at a stated interval of time agreed upon at the time of the sale.

3. An agreement as to the size of the down payment, the number of instalments, the carrying charges if any, and the conditions of repossession or repurchase. These will naturally vary from commodity to commodity, and from transaction to transaction in the same commodity.¹

The function of instalment credit is based on the

following factors:

1. The existence of an article, commodity or service of appreciable value;

2. The desire for this good or service to satisfy a human want;

3. A buyer willing to make the purchase but unable to supply the necessary cash for the transaction;

4. A willing merchant who is in a position to consummate the sale and finance it for the buyer;

5. Financing of the sale with the merchant's own capital, with borrowed capital, or through a willing third party.

Instalment credit is distinguished from open credit in that the amount due does not mature at one time, as it does in an open credit sale. Instalment selling does not only include those types of sale which involve merchant and consumer, known as seller and buyer, but also those which are financed through third parties. These third parties include the commercial banks, sales finance companies, and personal finance companies. 2

Evolution of Instalment Credit in the U. S.

Instalment selling was first introduced in the United

States by Cowperthwait & Sons of New York City in the year 1807. This was high grade merchandise instalment selling and applied to furniture first, and then spread to other durable items. About 1850, the Singer Sewing Machine Company adopted this plan for its products. Sometime around 1875, pianos were sold on the instalment plan, and it was not long before the plan had spread to many other types of goods in the cheaper lines. Musical instruments, phonographs, radios, jewelry, washing machines, stoves, floor coverings, automobiles, motorcycles, boats, farm equipment, heating equipment and clothing came to be preferred articles under this plan.

These so called "hard goods" were financed from less than one year to three year periods depending on the type of article sold, amount of down payment, the buyer's income, and the general economic conditions prevailing at the time of sale. During 1938 and 1939, the typical terms were ten percent down and eighteen to twenty-four months to pay. However, the more liberal terms were nothing down and twenty-four to thirty-six months to pay.³

Reasons for Present Day Importance

Instalment credit received its first real test in the middle 1920's, and aroused much attention and interest of

³ Ibid., p. 447.
the public at that time. This may be accounted for in several ways. First, the adoption of the instalment credit method to the automobile industry gave a great impetus to its growth. Second, this method of merchandising came to be used more widely than ever before. Many more commodities were sold on the instalment plan, even "soft" goods being sold to a growing extent on the instalment basis. Third, instalment selling was no longer restricted to the poorer classes of people. It became a perfectly respectable device to be used by the highest income classes in our society and was adopted by many of the best stores.

Since the 1920's, a smaller and smaller proportion of the instalment business has been represented by motor vehicles. This means that the growing volume of instalment business, especially since the depression of the 1930's, has come from the sale of many other items of merchandise on the instalment plan. An idea of the large variety of goods now sold on deferred payments may be gained from an examination of the long list of commodities handled by the larger finance companies. In this list will be found automobiles, adding machines, automotive equipment, barber supplies, cleaners, all kinds of machinery and electric motors, furniture, hotel equipment, incubators, kitchen equipment, musical instruments, office and physicians' equipment, pianos, portable houses, pumps, radios, refrigerators, oil burners, ships and tugs for inland waterways, store
fixtures, stoves, ranges, furnaces, time clocks, washing machines and many others. It has been estimated that the instalment plan is used in connection with seventy-five percent of sales in household furniture.\(^4\)

**Volume of Instalment Credit Business**

Over thirty-four percent of the business of all retail stores in the United States is transacted on a credit basis. Of this, about one-third is on the instalment plan, which means that about twelve percent of all retail store sales is made on such a plan. However, for stores operating on a credit basis, instalment credit averages about eighteen percent of sales, varying with the kind of business. Of all retail sales, about one-third, or thirty-three percent, is on the instalment plan.

These data do not include the large amounts borrowed from banks and other financial institutions, partly through the cooperation of government agencies, to finance the purchase of commodities that would normally be bought on the instalment plan. If an adjustment is made for this factor, it may mean that approximately forty percent of credit sales is of the instalment type.\(^5\)


\(^5\) Ibid., pp. 28-29.
Significance of Instalment Credit in Relation to the Economy

Instalment credit is recognized as a significant form of buying power which increases the incentive to buy at a particular moment of time. This holds true provided there is a willing seller with adequate merchandise to sell, and the seller or another party performs the financing function in consideration of the buyer's promise to repay the sum involved at a later specified time. Purchasing power of the buyer may, therefore, at the moment, be increased by instalment credit.

Instalment credit translates the buyer's desire into effectual demand sooner than it would have been had he been required to accumulate cash before buying. Certainly, if the buyer had planned to purchase a refrigerator at some time, his ability to get it now rather than in twelve months has not increased his desire, but it has advanced the time when the demand could be significant in the market.

A point at issue among economists is the extent to which consumer instalment credit practices can be credited with influencing the economy. Do they contribute to cyclical effects through the changing relationships which credit-created demand holds to actual and potential earning power? Some analysts believe that credit usage
does not cause cycles while others believe that it does. Proof is difficult, and one theory may be offered as well as the other. The exact effect of consumer instalment credit upon cycles cannot be determined mathematically, and for the present must be regarded as a matter of speculation. Undoubtedly, it would be difficult to determine, as all types or forms of credit are taken into consideration, such as mercantile, bank and government credit plus other factors as well. 6

6. Ibid., pp. 33, 35.
CHAPTER III

REGULATION OF CONSUMER INSTALMENT CREDIT

President Orders Control of Instalment Selling

On August 9, 1941, President Roosevelt issued an executive order giving the Board of Governors of the Federal Reserve System broad authority to control instalment credit on consumers' durable goods. The President's authority to pass this law was derived from the First World War law, known as Trading with the Enemy Act, October 6, 1917. The President was also given authority on May 27, 1941, to promote national defense and protect national economy throughout the country. The President's executive order may be found in the Appendix.

The initial regulation issued by the Board of Governors was adopted August 21, to become effective as of September 1, 1941, except for certain sections which became effective on October 1, November 1, or at the beginning of 1942. This regulation was to be known as "Regulation W of the Federal Reserve System".


Purposes of Regulation W

The text of the Executive Order issued by the President of the United States on August 9, 1941, with respect to regulation of consumer credit, listed five main reasons why it was necessary to regulate instalment selling.

1. To facilitate the transfer of productive resources to defense industries.

2. To curb unwarranted price advances when supply is curtailed.

3. To restrain inflation, and to accumulate savings to help pay for the defense program.

4. To aid in creating a backlog of demand for consumers' durable goods.

5. To restrain the consumer debt structure in order to repress effective demand for goods and service in the post defense period.9

In explaining further the purpose of regulating consumer instalment selling, Chairman Eccles of the Federal Reserve Board made public the following statement on August 25, 1941, which is summarized below:

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It is important that the public know why they are asked to accept and to cooperate in making effective the President's Executive Order calling for regulation of instalment credit. Employment and national income are rapidly rising to new high levels primarily because of the huge defense expenditures. The volume of instalment credit has been expanding very rapidly, as it always does in time of rising national income. Our people cannot spend their increased incomes and go into debt for more and more things without precipitating a price inflation that would recoil ruinously upon all of us. The Government is striving in various ways to combat inflation.

Instead of an ever increasing volume of consumer credit, we need to bring about a substantial reduction in the total outstanding. Civilian demand for goods must be adjusted as closely as possible to supplies available for consumption. Regulation of instalment credit is a necessary measure to this end. By deferring demand at this time, we can help avoid inflation, we can aid in defense, and we can store up a backlog of buying power that will help offset a post-defense slump. The main purpose is to dampen demand, not to diminish production.

The public should be fully aware that regulation is subject to change from time to time as experience with its administration develops, and as economic conditions require further dampening of buying power in order to safeguard the interests of consumers and the public generally.

**Administration of Regulation W**

The Board of Governors of the Federal Reserve System was designated as the agency with authority to regulate and control instalment credit between buyer and seller.

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This agency was chosen because of its experience with other types of credit, and has the power to utilize the services of the Federal Reserve Banks and other agencies, federal or state, which are available and appropriate to enforce regulation.

In order to coordinate the Board's functions, a committee was created composed of the Secretary of the Treasury, Federal Loan Administrator, and members of the Office of Price Administration and Civilian Supply. The Board's duty was to maintain liaison with this committee and take into consideration any suggestions it might make with respect to down payments, terms of payments, or any questions of general policy.\footnote{Governors of Federal Reserve System Confer with Reserve Bank Officials and Trade Representatives on Regulation of Installment Credit, "Commercial & Financial Chronicle," (August 16, 1941), p. 921.}

**Nature and Scope of Federal Reserve Board's Power to Regulate**

The regulation covered primarily extensions of instalment credit for the purpose of purchasing or carrying certain designated types of consumers' durable goods. The list of articles covered may be found in the Appendix. Used articles as well as new ones, were covered in all cases except household furniture.

In order to prevent evasion of the main purposes of the order and regulation, maturity restrictions were
imposed on cash loans repayable in instalments, whether or not secured by listed articles, provided the loan did not exceed $1,000.00. Regulation W did not apply to open book accounts, nor to any loan payable in full on a fixed date. Instalment contracts and loan agreements made prior to the effective date of the regulation were not covered by the regulation, except in certain cases when they were renewed, revised, or consolidated after the effective dates of applicable provisions.

Persons and agencies subject to this regulation included all who were engaged in the business of making extensions of instalment credit, or discounting or purchasing instalment paper, including instalment sellers of the listed articles, whether dealers, stores, mail order houses, or others; sales finance companies; banks, including Morris Plan and other industrial banks; and personal finance or "small loan" companies and credit unions. The types of persons and agencies listed as extending credit were required to register with the Federal Reserve Bank of their district and had to be licensed in order to engage in the business of extending such credits. To all persons engaged in that business, however, a general license was granted by the regulation itself, until December 31, 1941.

Some types of instalment loans were exempt from the
regulation, including loans of over $1,000.00 not secured by a listed article recently or about to be purchased. First mortgage loans on real estate, some building repair loans, loans made for educational purposes, for medical and similar expenses where needed to prevent undue hardship, and loans made to dealers were exempt.

For all types of loans covered by the regulation, a maximum maturity of eighteen months was prescribed and minimum down payments were required for listed goods sold on the instalment plan. The down payment requirements amounted to thirty-three and one-third percent for automobiles, which included the trade-in value of a used car; to twenty percent for refrigerators and other household appliances; to fifteen percent for major items of housing equipment such as furnaces and plumbing; and to ten percent for household furniture. No down payment was required on real estate modernization loans of less than $1,000.00 for services and materials other than listed articles, but such loans had to be repaid in eighteen months. Since Regulation W had been effective, there were numerous changes in interpretations of definitions of the law, changes in the law itself, and amendments, varying in importance. However, the basic structure of Regulation W has not been changed since its adoption in September of 1941. The writer felt that the major amendments were
worthy of noting and these may be found in the Appendix.\footnote{12}

**The Need for Regulation W**

Regulation of instalment selling was not especially wanted by the general public during 1941. However, facts proved that there was a need for curbing the increased purchasing power that came into being with higher income payments. At that time there was a rapid upswing in the sale of consumers' durables, as shown in the chart on the following page. Automobile sales in the second quarter of 1941 increased by about forty percent over the same period of 1940. On the same basis refrigerator sales increased by over forty per cent and furniture production by thirty percent. In the aggregate, sales of consumers' durable goods appeared to have expanded two or three times as much as income payments to individuals.

Instalment credit was also facilitating to a large extent the growth in demand for consumers' durable goods. The volume of consumer debt amounted to $6 billion, which was at an all time peak in the year 1941, and nearly doubled the low in 1938. The amount of credit outstanding on automobiles increased over forty percent, and other forms of instalment credit also increased substantially at

\footnote{12: U. S. Federal Reserve Bulletin (Washington: September, 1941), 27: p. 827.}
INCOME PAYMENTS AND SELECTED DURABLES,
UNITED STATES, 1937-1941

Indexes Adj. for Seas. Var. 1935-39=100

Percent Percent

Income Payments

Retail sales, pass. cars
Mfg. shipments, refrig.
Production, furniture

Source: Income payments to individuals estimated by the United States Department of Commerce. Retail sales of passenger cars reported by the Automobile Manufacturers Association. Manufacturers' shipments of refrigerators supplied by United States Department of Commerce. Furniture production is one of the constituent series in the Board's Index of the physical volume of production. Passenger car sales, refrigerator shipments, and furniture production are three-month moving averages, centered on the second month.

that time. The chart shows the total expansion of consumer instalment debt, and of instalment debt arising from automobile sales. \[14\]

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\[14\] U. S. Federal Reserve Bulletin (Washington: September, 1941), \textit{27}\textsuperscript{3} p. 828.
CHAPTER IV

GENERAL CRITICISMS NATIONALLY AND EFFECT OF REGULATION W DURING AND AFTER THE SECOND WORLD WAR YEARS

Effect of Regulation W on Consumers

In its first few months of operation, Regulation W had an effect on the consumers. There was a decline in the sale of stoves, heating equipment and other large-unit items because consumers could not meet the down payment and maturity requirements of the regulation.

The effect of the regulation of consumers' durable goods had fallen most heavily on those at the bottom of the income scale who could not even afford the modest down payment which Regulation W required. Those hurt most were the workers who migrated to defense areas where it was necessary for them to find accommodations and set up housekeeping with whatever they could get. The principal complaints on this score came from the South, but there were many from the North also. 15

In 1946 many families in this country could not buy durable goods because the Federal Reserve Board made

recourse to instalment buying more difficult. The Board reduced the maturity date of loans from eighteen to fifteen months, and one-third down payment was required for most of the articles listed.

Because of continuation of the control, the government was penalizing the small consumer who depended on credit because of his limited income, and thus lowered his standard of living. Those who had adequate income and sufficient cash could purchase durable goods at their convenience, this was providing that ample supply was on hand.16

Many of our legislative leaders did not favor the continuation of control over instalment credit. For one, Congressman James C. Davis did not hesitate to protest against the continuation of Regulation W. He contended that it entailed burdensome reporting by business, was no longer dependable as a war time measure, hindered peacetime production, and was undemocratic in its application.

Congressman Davis commented that the removal of restrictions would help the American veteran and worker to re-establish their own homes and their own family lives by their own labor, on terms which they could meet. He said that what the American people want most is for the

Government to get out of business so the American people can get back into business. 17

An important consumer who did not come under Regulation W was the veteran of World War II. Naturally, this made the sellers very happy and the automobile manufacturers, for one, were finding this provision to be a new source for post-war sales. There were two conditions necessary before a seller could ignore the regulation. First, the consumer had to be a World War II veteran. Second, he had to have a need for the product either in his business or to modernize his home. 18

At this point, it is interesting to note that at first the Board of Governors was opposed to exempting veterans from instalment buying and other forms of consumer credit because the exclusion of approximately twelve million veterans might disrupt the whole system of consumer credit control. The veteran being excluded from the regulation did not affect the economy to any noticeable degree as twelve million veterans did not mean that there were that many buyers in the market for durable goods at one time.


Viewpoint of the Merchants, the Dealers, and the Manufacturers about Regulation of Instalment Credit

The retail industry as a whole recognized the need for restrictions imposed upon them as a result of war necessities. However, it did not like the licensing system adopted for enforcement, because licensing was regarded as unnecessary and a burden to business. It was further stated that certain goods that did not hinder the defense industries, such as furniture, should not be included in the regulation, because it was used, to a large extent, for the worker's comfort and morale. 19

When Regulation W was first introduced, some institutions such as the American Bankers Association, the National Retail Credit Association, and the National Retail Dry Goods Association advocated restrictions on instalment selling, but they preferred voluntary codes rather than governmental codes. 20

Other associations objected to the restrictions and wanted them lifted completely. The American Retail Federation President complained that they had a strong and valid right to object to the administrative licensing system in a


democracy such as ours. The National Furniture Association declared that there would be strong criticism from retailers in defense areas who were helping low income workers in getting settled in comfortable surroundings. 21

Some merchants took an entirely favorable viewpoint of Regulation W. Even before the war was over, a few merchants expressed the opinion that some of the provisions embodied in Regulation W should be carried over into peacetime, perhaps in a revised form. These merchants claimed that larger cash down payments that were required gave the buyers a greater incentive for keeping up their payments and retaining the merchandise purchased. Collections were also noted to be more prompt and there were less repossessions in general. Another advantage stated was that bookkeeping and collecting costs were kept down, thereby reducing general overhead of the business. 22

After Regulation W was reinstated on September 20, 1948, Henry J. Kaiser and Joseph W. Frazer made a public announcement on January 10, 1949, that this regulation threatened the spiral of unemployment in the automobile industry. They urged its modification at once. Under


Regulation W, eighty-six percent of the people were prevented from owning better cars, with literally millions of families forced out of the mass market which is the life blood of the great American automobile industry.

The automobile manufacturers charged that the regulation which restricted automobile financing to eighteen months was virtually dictatorial, and that only the rich and high income families could buy better automobiles. Kaiser and Frazer were after the Board of Governors to take the "squeeze" off the automobile industry, relax the regulation, and make it more flexible so that the highest possible level of production would be maintained.\(^23\)

A spokesman for Nash Motors, having in mind that sixty percent of new cars and seventy-five percent of used cars then sold on credit in his industry, commented that business would take a thirty percent drop if the terms required thirty-three and one-third percent down and allowed only fifteen to eighteen months to pay. If buyers were given twenty-four months in which to complete transactions, then sales would not fall any lower than five to eight percent.

Another automobile company went along with this point

of view, stating that "it is almost axiomatic that the shorter the period, the more potential buyers are taken out of the market entirely or diverted to the purchase of used cars." These spokesmen took a point of view that Regulation W should extend its maturity terms to twenty-four months instead of fifteen or eighteen months. 24

Bankers' and Finance Companies' Outlook on Regulation W

Regulation W was not favored by most of the bankers and finance companies in this country during the Second World War period. It is still today looked upon as an unnecessary piece of legislation in our economy. Regulation of consumer instalment selling was strongly opposed on the local level. Practically every executive in the financial field responded negatively to such legislation. Following are a few comments made by some of the largest banking associations in this country.

The nation's banks are the largest providers of consumer credit for small borrowers today. American Bankers Association President Dodge claimed in 1947 that it made no appreciable difference in terms of business volume whether or not consumer credit controls were reestablished. He further remarked that throughout its existence during

the war and post-war years, Regulation W was not effective in any appreciable sense in curtailing inflationary forces, because prices continued to rise and the cost of living continued to mount. Mr. Dodge stressed self-control and not government control in the extension of credit. This did not mean to deny credit for sound and necessary productive purposes. It meant to relate a bank lending policy in terms of the nature and amount of credit being granted to the needs and circumstances of the economy, as well as those of the borrower and the bank. If that was done effectively, then there could be no real need for the imposition of any controls on credit from outside the business to accomplish that result. 25

Richard H. Stout, the president of Morris Plan Bankers Association, definitely opposed post-war regulation of consumer instalment credit. However, he did favor the extension of regulation in the immediate post-war period because of the public rush to satisfy deferred wants when the inflationary danger would be at its highest peak. After this readjustment, he thought the economy should be free to seek its own level. 26

Myron R. Bone, editor of the Industrial Banker, was

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another to oppose Regulation W. The editor contended that there was no sound evidence that consumer credit caused business cycles to rise or fall, or that volume of consumer credit had a direct bearing on inflationary or deflationary trends. He did not approve of the proposition made by the Federal Reserve Board to make Regulation W a permanent setup in our economy, because this action would be stepping towards a planned and controlled economy. 27

Vincent Yager, vice-president of the Harris Trust and Savings Bank, Chicago, Illinois, issued a similar statement to that made above. Mr. Yager held that it was the responsibility of banks and finance companies to adhere to sound credit terms as laid down by the American Bankers Association. He also warned against excessive competition among banks and finance companies, and asserted that substantial relaxation of credit terms would induce further government regulations. 28

These are just a few of the negative comments given to the regulation of consumer instalment selling by some of the leading bankers throughout the country.

The banks of the country deserve a great deal of


credit in the major task of educating both sellers and buyers in their rights and privileges, and of advising them of the restrictions under Regulation W. Thousands of manuals were distributed by the American Bankers Association in 1941 to all who needed them. All through the war years, the banks were the interpretive medium for many consumer credit lenders, especially small lenders operating in limited areas.

The Board of Governors remarked that the banks satisfactorily administered the task of conveying the terms of Regulation W to the public with a minimum amount of expense and policing.29

The war strongly affected the finance companies early in 1942 when rising war contracts choked off the flow of consumer hard goods (principally automobiles) that ordinarily generated time payment paper. Instalment credit outstanding at the end of 1941 totaled just under six billion dollars, with automobile paper accounting for almost two billion dollars. By the end of 1944, the total was down to two billion dollars, and automobile paper outstanding down to a scant two hundred million dollars. What this meant to finance companies was reflected in their operating statements as shown by the three largest in the field; General Motors

29. W. B. French, "Cars; Refrigerators; Bigger Down Payment; Shorter Time to Pay," Banking (October, 1950, 43: p. 82.)
Acceptance Corporation, C. I. T. Financial Corporation, and Commercial Credit Company, who did about two-thirds of the total business of all finance companies before the Second World War. It was evident that Regulation W did play an important part in curbing instalment credit when it was most needed, although there was no production of automobiles during the major part of the war period.

Other finance companies tried with varying success to get new kinds of business to fill their dwindling portfolios. Some bought into manufacturing companies. Others used their capital to buy high grade bonds and took on the appearance of investment trusts. Some of the smaller operators simply let their paper run out, put up the shutters, and went out of business. 30

**Instalment Credit and Mass Production**

Anton A. Friedrick, Professor of Economics at New York University, claims that instalment credit makes mass production possible and this in turn supplies the growing demand for consumers' durable goods. In the past twenty-five years, instalment credit has grown tremendously in our economic structure. It touches the lives of more people, more directly, and increases their standard of living more than any other form of credit.

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Where would mass production be without instalment credit? Millions of people have enjoyed consumer durable goods through this method whose wants might have remained mere wishes and unfulfilled expectations. Historically, the fact is that the development of the technique of mass production of durable goods by industry was accomplished by a development of instalment credit as a means of mass financing and distribution. A reciprocal relation exists between the two; that is, these miracles of mass production would not have occurred if the great mass of consumers did not have at hand the means of buying the articles produced.31

Federal Reserve Board along with the Council of Economic Advisers Urges Reinstatement of Regulation W

A statement was made on June 10, 1947, by Marriner S. Eccles, Chairman of the Board of Governors of the Federal Reserve System, to the Banking and Currency Committees of the Senate and House, strongly recommending continuance of the regulation of consumer instalment credit.

The statement further stressed that the trend of expansion in consumer instalment debt needed careful watching so that American families would not go too heavily into debt on too easy terms. The decline that would be bound to

follow would be felt not only in the durable goods industries, but throughout the economy. Therefore, continued restraints as proposed in the legislation would help to prevent a repetition of such an unsound sequence of events.

At the same time, the Council of Economic Advisers transmitted to the Board their memorandum recommending the continuation of the regulation of consumer instalment credit. In their memorandum, the Council stated:

There now exists the power to limit the growth of instalment credit which, even under the present restraints, has been expanding at a disturbing rate. This power now rests on wartime Executive Order Number 8843 which may have to be rescinded in the absence of legislative authority for its continuation. If the curbs on the extension of instalment credit now being exercised under Regulation W were to be removed at this time, there would be a tendency of producers and distributors to try to sustain the absorptive power of the market by accepting lower down payments and a longer time period rather than adjusting prices to the purchasing power of current incomes. This would postpone rather than promote the kind of stable adjustment that our economy requires.

Chairman Eccles advised that he was in full accord with the Council's recommendations and hoped that Congress would enact the necessary legislation to restrain the excessive expansion of consumer credit in order to keep economic stability. Mr. Eccles further stated that such regulation should not rest indefinitely in peacetime.
on emergency or war powers after Congress had had ample opportunity to consider the subject.

Chairman of the Board, Mr. Eccles, had contributed much to the operation of Regulation W since its adoption in 1941. He was a firm believer of regulating instalment credit in time of need to promote economic stability. However, it was doubtful in 1947 whether Congress would vote to keep credit control active. 32

CHAPTER V

SUSPENSION AND REINSTATEMENT
OF REGULATION W
IN THE POST WAR PERIOD

Termination of Regulation W

For the first time in six years, there were to be no
government controls on consumer credit when retail stores
Regulation W would then become a dead letter. Theoretical­
cally, then, every retailer was free to cut down payments
and lengthen the time on his instalment sales just as much
as he liked. 33

On August 8, 1947, Congress terminated federal control
on instalment credit. The President felt that Congress
should have followed the advice of the Federal Reserve
Board and the Council of Economic Advisers to continue
controls as a check against inflation. The President urged
manufacturers and merchants to exercise caution in granting
instalment credit. 34

33. "Consumer Credit United," Business Week,

34. "Credit Easing: What It Will Do," U. S. News,
The Board of Governors urged that there should be no relaxation of terms by banks, finance companies, and installment sellers, because the demand for durable goods specifically covered by the regulation was still far in excess of supply. Easier credit would intensify demand and accentuate prices upward. Easier terms should await a time when growth of credit would be needed to maintain full production. Therefore, it would be in the public interest for every merchant and financial agency extending credit to avoid undue relaxation of terms. The use of self-restraint on the part of the buyer and seller would reduce the danger of over-expansion and severe contraction, which would result inevitably in unemployment and reduced production.35

Consumer Instalment Credit Grows - Need for Regulation

Since the end of Regulation W on November 3, 1947, a number of trade associations of credit grantors had urged their members to exercise caution in liberalizing terms and expanding portfolios. Such efforts undoubtedly have had some effect in moderating the increase in instalment debt. Those voluntary efforts, however, had not prevented a gradual reduction in the down payments and lengthening of maturities advertised by credit grantors until they were

approaching those which were offered before the war.

During the three years that elapsed after V-J Day, the American public had gone into debt more rapidly than at any other period in our entire history. As shown in the chart on the following page, consumer credit was cut in half over the two years of 1942 and 1943, and then nearly tripled in 1948.

The 1942-43 decline in this type of credit accounted for more than eighty-five percent of the decline in total consumer credit, while the post-war rise in instalment credit accounted for sixty percent of the total rise. While other forms of consumer credit fell a little, instalment credit continued upward. All major segments of consumer credit are above their prewar highs. Non-instalment forms show the greatest gains as compared with the 1941 totals. Charge accounts had nearly doubled; single payment loans were up about seventy percent, and service credit was estimated to be about fifty-five percent higher. In contrast, instalment credit had increased only fifteen percent over prewar levels.

In statistical compilations, instalment credit is divided into instalment sale credit and instalment loan credit, primarily because of the sources from which the data are obtained. Instalment sale credit is originated by retailers in connection with the sale of goods, although
CHART II

COMPOSITION OF CONSUMER CREDIT OUTSTANDING, UNITED STATES, 1930-1948

Cumulative Totals, End of Month Figures

Billions of dollars

Instalment Credit (Sale and loan)
Charge Accounts
Single payment loans
Service Credit

much of the paper is later sold to sales finance companies or banks. A large part of such paper finances the purchase of consumers' durable goods. Instalment loan credit is originated by financial institutions through the making of direct loans to consumers. The purpose of these loans is not easily determined, but some breakdowns available permit identification of a large portion. Directly and indirectly, loan credit is widely used in the purchase of consumers' durable goods, although in some lesser degree than sale credit.

As indicated by the chart on the following page, instalment sale credit before the war frequently was nearly double instalment loan credit and had a somewhat wider range of fluctuation. In the earlier part of the war period, sale credit fell more rapidly, and at the beginning of 1943 it dropped below loan credit. Loan credit leveled out sooner and began to rise again before sale credit. About the middle of 1946, the movements became parallel, and more recently the spread between the two types has narrowed.

Reports on instalment buying terms throughout the country indicated a relation in the down payment and maturity requirements in instalment credit for practically all categories of durable goods. Competition has been the primary factor influencing the granting of more liberal
CHART III 37

CONSUMER CREDIT STATISTICS, TOTAL CONSUMER CREDIT BY MAJOR PARTS, UNITED STATES, 1930-1948

End of Month Figures, Noncumulative

Billions of dollars

<table>
<thead>
<tr>
<th>Year</th>
<th>A. Total Instalment Credit</th>
<th>B. Instalment Sale Credit</th>
<th>C. Instalment Loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>1930</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1932</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1934</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1936</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1938</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1940</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1942</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1944</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1946</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1948</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

contracts; when one important retail outlet in a community relaxed terms, other stores soon felt that it was necessary to follow.

From the statistical facts observed, there was no doubt that the record volume of consumer spending from current incomes, use of accumulated savings, and increased borrowing, accompanied by limits on output of goods and services, have contributed to the upward spiral of prices.

Regulation of instalment credit needed to be reinstated in 1948 as a supplementary tool for dealing with the problem of inflationary credit. By itself, it could not do the job. To be adequately effective, it had to be buttressed by the basic bank credit controls which the Board of Governors had advocated repeatedly in its annual reports to Congress.38

Regulation W, Reinstated in 1948 and in 1950

On August 19, 1948, the Board of Governors of the Federal Reserve System issued Regulation W on consumer instalment credit under Public Law 905 which the President signed on August 16, 1948. The regulation was to become effective September 20, 1948, and was in much the same form as the regulation which was terminated on November 1, 1947. It was to cover twelve kinds of consumers' durable goods, providing the cost was more than $50.00. It also covered

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instalment loans for most other consumer purposes. Installment credits up to $5,000.00 were also subject to the regulation.

The goods for which down payments were prescribed were as follows:

<table>
<thead>
<tr>
<th>Article</th>
<th>Down Payment (Percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Automobiles</td>
<td>33 1/3</td>
</tr>
<tr>
<td>2. Cooking stoves</td>
<td>20</td>
</tr>
<tr>
<td>3. Dishwashers</td>
<td>20</td>
</tr>
<tr>
<td>4. Ironers</td>
<td>20</td>
</tr>
<tr>
<td>5. Refrigerators</td>
<td>20</td>
</tr>
<tr>
<td>6. Washing machines</td>
<td>20</td>
</tr>
<tr>
<td>7. Combination items incorporating any item in 2-6</td>
<td>20</td>
</tr>
<tr>
<td>8. Air conditioners, room units</td>
<td>20</td>
</tr>
<tr>
<td>9. Radio and television sets, phonographs</td>
<td>20</td>
</tr>
<tr>
<td>10. Sewing machines</td>
<td>20</td>
</tr>
<tr>
<td>11. Suction cleaners</td>
<td>20</td>
</tr>
<tr>
<td>12. Furniture and soft surface floor coverings</td>
<td>20</td>
</tr>
</tbody>
</table>

Maturities on all instalment credits subject to the regulation, whether to finance the purchase of these articles or not, must come within the following requirements:

<table>
<thead>
<tr>
<th>Credit</th>
<th>Maximum Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Not exceeding $1,000.00</td>
<td>15 months</td>
</tr>
<tr>
<td>2. Above $1,000.00, except that monthly payments on amounts over $1,000.00 must not be less than $70.00.</td>
<td>18 months</td>
</tr>
</tbody>
</table>

The requirements of the new regulation were somewhat less restrictive than those of last November, but considerably tighter than terms now generally in effect. The
administration of Regulation W was to be carried out in the same manner as previously by the twelve Federal Reserve Banks and their twenty-four branches located throughout the country.\(^{39}\)

Regulation W was in force until June 30, 1949, and at this date once more went out of the picture, but not for long. Because of the uncertainty of world conditions existing in the early fifties, Regulation W was again established to help curb inflation in the economy. Regulation of consumer credit under authority of the Defense Production Act of 1950 became effective September 18, 1950, and is still in effect at the present time although some of its terms have been relaxed recently.

The action was part of the Government’s program in the emergency situation which followed the outbreak of hostilities in Korea. The unprecedented increase in consumer spending after June, 1950, made it urgent to reduce demand to meet the supply on hand. After South Korea was invaded in June, 1950, buying by consumers and business expanded sharply in anticipation of future shortages and price advances.

The Government’s problem was twofold: first, to bring a halt to the scare buying which had been pushing up prices during the summer, and second, in the longer run, 

\(^{39}\) Ibid., p. 1066.
to prevent price advances, which otherwise would result from shortages of civilian goods as operations under the defense program gathered momentum.

Consumer credit regulation is an essential part of the Government's anti-inflation program designed to limit civilian purchasing power in accordance with available supply through taxes and credit restraints, rather than by rationing such supplies at governmentally fixed prices.

Instalment credit has become an integral part of the economic and financial structure of the economy. The terms of consumer credit as well as the trends and fluctuations in the outstanding volume of such credit, affect the operations of retailers and financing agencies, the total consumer debt and the general flow of money through the economy. 40

The table on the following page points out the significance of the need for reinstatement of consumer instalment credit in 1950. Easing of credit terms by dealers when there was no regulation during the remaining half of 1949 caused total instalment credit to increase from $10,890 million in 1949 to $13,459 in 1950. The "scare" buying in the summer of 1950 and fear of price increases by consumers brought about the need for Regulation W. Down payments and maturity restrictions on the purchase of consumers' durable goods kept the total amount of consumer

### Table IV

**Total Installment Credit Outstanding**  
**United States, 1941-1951**

*(Estimated outstanding. In millions of dollars.)*

<table>
<thead>
<tr>
<th>End of Year or Month</th>
<th>Total Installment Credit</th>
<th>Automobile</th>
<th>Other</th>
<th>Loans*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1941</td>
<td>5,887</td>
<td>1,942</td>
<td>1,802</td>
<td>2,143</td>
</tr>
<tr>
<td>1942</td>
<td>3,048</td>
<td>482</td>
<td>1,135</td>
<td>1,431</td>
</tr>
<tr>
<td>1943</td>
<td>2,001</td>
<td>175</td>
<td>707</td>
<td>1,119</td>
</tr>
<tr>
<td>1944</td>
<td>2,061</td>
<td>200</td>
<td>691</td>
<td>1,170</td>
</tr>
<tr>
<td>1945</td>
<td>2,364</td>
<td>227</td>
<td>715</td>
<td>1,422</td>
</tr>
<tr>
<td>1946</td>
<td>4,000</td>
<td>544</td>
<td>1,104</td>
<td>2,352</td>
</tr>
<tr>
<td>1947</td>
<td>6,434</td>
<td>1,151</td>
<td>1,935</td>
<td>3,348</td>
</tr>
<tr>
<td>1948</td>
<td>8,600</td>
<td>1,961</td>
<td>2,567</td>
<td>4,072</td>
</tr>
<tr>
<td>1949</td>
<td>10,890</td>
<td>3,144</td>
<td>3,096</td>
<td>4,650</td>
</tr>
<tr>
<td>1950</td>
<td>13,459</td>
<td>4,126</td>
<td>3,778</td>
<td>5,555</td>
</tr>
<tr>
<td>1950 Sept.</td>
<td>13,344</td>
<td>4,213</td>
<td>3,645</td>
<td>5,486</td>
</tr>
<tr>
<td>Dec.</td>
<td>13,459</td>
<td>4,126</td>
<td>3,778</td>
<td>5,555</td>
</tr>
<tr>
<td>1951 June</td>
<td>12,955</td>
<td>4,041</td>
<td>3,193</td>
<td>5,721</td>
</tr>
<tr>
<td>Sept.</td>
<td>13,163</td>
<td>4,175</td>
<td>3,148</td>
<td>5,840</td>
</tr>
</tbody>
</table>

*Includes repair and modernization loans insured by Federal Housing Administration.*

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instalment credit outstanding in 1950 to approximately the same level as in 1951.
CHAPTER VI

LOCAL SURVEY MADE OF REGULATION OF CONSUMER INSTALMENT SELLING - CRITICISMS AND OPINIONS

Introduction

To the writer the most interesting part of this study was in the local survey of merchants, for the gathering of criticisms and opinions on Regulation W. Approximately fifty business establishments in Tucson, Arizona, were contacted and asked the twelve questions listed on the questionnaire shown in the Appendix.

In the majority of interviews, the owner or credit manager was consulted as they were most familiar with the regulation and its implications affecting the business. In general, the office workers and salespersons were uninformed about the purpose of government regulation of instalment selling. The majority of merchants were generous, and the writer wishes to express his appreciation for the time taken in these interviews.

The business concerns contacted and interviewed were banks, finance companies, furniture dealers, appliance dealers, used car dealers, and new car dealers. On the basis of the information gathered from these merchants in
Tucson, the writer will endeavor to analyse and evaluate their opinions and criticisms on regulation of consumer instalment selling by the Federal Reserve Board since its adoption in 1941 to the present time.

**What the Banks and Finance Companies Have to Say about Regulation W**

A majority of executives claim that regulation of consumer instalment selling did have a direct and impressive effect upon their business since its adoption in 1941, and during the initial reinstatement periods of 1948 and 1950. However, in general they claim little effect at the present time. The larger banks and finance companies feel that there is no need for Regulation W because their own company policies are as strict and even at times more strict than the regulation itself, regarding the down payment and maturity date requirements. By sound financing and efficient management, these executives believe that they know the limit in extending consumer credit, and need no advice from the Federal Reserve Board.

The attitude taken by many of these officials is that there is no real emergency requiring the saving of critical material at the present time. They contend that there is an ample supply of consumers' durable goods on hand at the dealer's stores. There are also healthy inventories in the warehouses of wholesalers and manufacturers. Critical
materials cannot be saved by imposing selling restrictions on the consumer. The only effective way to do this is by direct allocation of materials to industry itself or by placing quotas on what is to be produced.

The banks and finance companies agree almost unanimously that this regulation of consumer instalment selling is one means of curbing inflation and reducing purchasing power in our economy, which applies mostly to the automobile industry. This reduction of purchasing power would apply to the lower income group in the buying of more expensive durables, especially automobiles. The law is discriminatory in this respect because it cuts out of the market many thousands of marginal buyers and does not affect the higher income group of buyers.

The banks and finance companies sympathize with the new and used auto dealers because they finance a large proportion of their contracts. The financial institutions and the automobile dealers would like to see the maturity date extended from the present eighteen months to twenty-four months with the one-third down requirement remaining the same. It was held that it would be sound financing to extend the maturity date to twenty-four months for new cars only, leaving the present requirement for late model used cars and twelve months or less for pre-war model used cars. Regulation W is to expire as law on June 30, 1952. Many bankers and finance company executives would like to see
it eliminated altogether, or its terms relaxed as outlined above. Congress will decide the fate of Regulation W in the very near future.

Comments from Local Furniture and Appliance Dealers

The furniture and appliance dealers in Tucson, Arizona, have been confronted with different problems than those of the banks, finance companies and automobile dealers in regard to Regulation W. On several of the questions presented, the writer observed an opposite viewpoint amongst the dealers themselves which resulted in approximately a fifty-fifty split. The personal characteristics of management, quality of merchandise sold and location of the store accounted mostly for the differences of opinion concerning government regulation of business. For example, those stores dealing in higher class merchandise did not have to cope with the regulation to any great extent because their consumers were mostly in the higher income group. Usually, the ones hurt the most were the loudest heard.

Regulation W had a terrific impact on many dealers when it was first introduced in 1941, and again when it was reinstated in 1950. The twenty-five percent down payment and fifteen months maturity was more than enough for most dealers. The dealers stated that sales dropped in great proportions for all, and some were so financially
embarrassed that it almost meant bankruptcy. However, relief was granted at a later date when the down payment and maturity dates were extended from twenty-five percent to fifteen percent, and from fifteen months to eighteen months respectively. These terms also aided consumers, especially those in the lower income groups and those with fixed incomes. At the present time the requirements of Regulation W are approved by at least half of the dealers despite the criticism pertaining to government regulations in the selling of consumers' durable goods.

Prior to the regulation's adoption, and during the period of no regulation between 1941 and now, several of the stores practiced mild cases of "cutthroat competition" which was definitely against the policy of the better stores. This was very poor business practice. In the long run, stores not using this practice would be stronger financially and would be able to meet any sudden downturn in the business cycle. The stores using unorthodox business practices would not be able to cope with a slight downturn in the business cycle and would soon find themselves in bankruptcy. This condition would exist by over-extension of accounts receivable in the sale of consumers' durable goods, resulting in a shortage of current capital.
It was interesting to note that a split decision had been reached on the question of savings in the bookkeeping and collection departments. Some dealers found that the stricter terms brought a better class of customers into their stores. These terms required less bookkeeping and collection expense, also less repossessions because of the greater equity in the items purchased. This applied to those stores doing most or all of their own financing, while those who sold their contracts to banks or finance companies took another point of view. These merchants claimed less headaches because they would sell their contracts to the banks and receive the cash immediately, therefore enjoying greater turnover of receivables with less bookkeeping and collection worries. Consumers would pay the banks and finance companies more promptly than the furniture or appliance dealers, because the terms used by these institutions would be more strict than those of the dealers in making collections.

About two-thirds of the furniture and appliance dealers claim that the country is not saving, and has not saved critical materials needed for the defense effort. Some of the furniture dealers stated that there was a slight savings in critical materials. The only effective way to save critical materials is by direct allocation to industry, or the quota method as expressed by the banks
and finance companies previously.

In the question regarding inflation, approximately two-thirds agreed that this has been quite effective especially when the regulation required larger down payment and shorter maturity. This in turn would naturally reduce purchasing power of the lower and fixed income class of buyers. These merchants also felt that Regulation W was discriminatory and not flexible because the greatest burden was placed on the mass of the lower income group who were, in most cases, in great need of furniture or appliances. Some of the dealers believed the regulation should have been more flexible and should have included other stores such as the luxury and jewelry trade, even though they were not selling consumer durable goods. "Why not make the law uniform for all business regardless of the type of merchandise sold?" was the usual inquiry.

To aid the limited income buyer, many dealers stressed the "lay-a-way" or "will call" plan. A certain dealer stated that this method worked if a little extra sales effort was used, or if the buyer wanted the merchandise at some future date and did not mind making payments necessary to meet the required down payment under Regulation W. However, many buyers were reluctant to accept the idea of paying for something which they could make no use of immediately. The effectiveness of this method was very limited, but did
work in some circumstances.

Most of the furniture and appliance dealers did approve of government regulation of instalment selling on consumer goods during the World War II years. They did not object to government regulation when the need was there, but do object to the regulation at the present time because they feel there is no real need for such regulation. No business likes to be under restrictions in selling its merchandise. The owners feel it is very undemocratic and unnecessary in a free competitive enterprise such as ours. Regulation W cannot be lifted too soon for the benefit of the furniture and appliance dealers in Tucson, Arizona.

Dealers in New and Used Automobiles Criticize Regulation W

About one-half of the automobile dealers in Tucson contend that Regulation W is playing a part in helping to curtail inflation. The other half believes the regulation is not doing the job it is supposed to do because it is not curtailing purchasing power in great enough proportions to curb inflation. They take the point of view that those buyers who cannot meet the terms of Regulation W will step down one notch in their choice of certain automobiles and purchase cheaper models which will fit into their budgets. This in turn does not stop purchasing
power because there is always a buyer to fill the gap left by another. Therefore, a sale would be made regardless of the terms of Regulation W, even though a buyer has to sacrifice a new model automobile for an older model. The writer's opinion is that this argument is true only to a certain extent because those in the lowest income group have no notch to which they can step down.

A few dealers commented that the regulation was unfair because it did not provide for, in the maturity date arrangement, the freight charges which were placed upon those buyers living great distances away from the manufacturing center. A new automobile purchased in the Illinois area is approximately $200.00 less than the same automobile purchased locally. Under the terms of Regulation W, both automobiles would be financed in the same manner as the law is uniform through the country. Some dealers claim this unfair and the regulation inflexible. The buyer in Arizona would have to pay approximately $11.00 more per month, over an eighteen months period, than the same buyer in the Detroit area. This would tend definitely to affect many marginal buyers and prevent them from purchasing a new automobile. To overcome this inflexibility, the dealers suggest a zone setup with the maturity dates extending a few months more in the outlying areas. This would not be discriminating against buyers away from the manufacturing center.
and would be more uniform throughout the country, which is only fair to all.

Many of the auto dealers criticize the regulation of instalment selling because it discriminates against the lower income class of consumers. The burden falls on those who are good paying customers who need a new automobile and desire one, but cannot meet the requirements of the regulation. Therefore, they have to purchase older model automobiles which are not desired, and probably creates ill will toward government regulation and the dealer. The higher income group would be free most of the time to purchase the automobile desired because the terms of Regulation W do not affect those buyers with the means of paying cash, or meeting the required monthly payments.

A totally negative response was made to the question of whether Regulation W aided business in meeting competition and in saving general overhead expense. All of the auto dealers claimed that the regulation added to their bookkeeping expense which increased overhead instead of reducing it. The auto dealers claimed that Regulation W was an unnecessary burden on the business, a general nuisance and usually did more harm than good.

The general feeling toward government regulation of business was negative on the part of most of the dealers, especially during the present time. Some claimed that
government interference with business was an unnecessary evil and could well be done without. However, all the dealers believed that such regulation during the World War II period was necessary, but cannot see its importance at the present time. Supply has caught up with the demand for new cars in the largest populated sections of the country, and the trend is toward a buyers' market. This is true for even the most popular types of automobiles. Production of new automobiles is steady and will increase with the release of more steel to the automobile industry by the government. With these factors in mind, the automobile dealers feel no need for Regulation W, or feel that a relaxation of its terms in the very near future is necessary to insure a healthy economy.

Summary

Regulation W brought about many individual problems to each of the local business concerns studied in this survey. The writer will summarize these various opinions and criticisms and present to the reader the conclusions reached by these merchants in the local area.

Regulation of consumer instalment selling was introduced by the Government in 1941, mainly for the purpose of reducing purchasing power of the people, a means of curbing inflation and saving of critical materials needed for the
defense effort. Regulation W was reinstated in 1948 and in 1950 for approximately these very same reasons, as stated many times by the Federal Reserve Board of Governors.

Tucson business men were unanimous in their belief that Regulation W reduced the general public's purchasing power. About two-thirds of them followed the thought through and stated that the regulation was effective as a means of curbing inflation in the economy. Approximately eighty-three percent of the business men in Tucson claimed that the regulation did not save critical materials. Half of the seventeen percent thought critical materials had been saved only to a very limited extent.

The general effect of Regulation W in reducing sales since its adoption in 1941 has been felt by over ninety percent of those interviewed. According to further testimony, about sixty percent state that they do not feel the regulation's impact at the present time. The feeling is that the public is used to the regulation today and is not hurt by its requirements, except those purchasing large amounts of consumer durable goods or those purchasing new or late model automobiles. Business men state that nearly full employment exists in the country, savings are adequate and available by consumers to make the necessary down payments and to meet the maturity requirements in purchasing lower cost, single unit consumer durable goods.
Almost two-thirds of those interviewed favored the regulation over the past decade and approximately one-third favor it at the present time. Many do not want government intervention and control over business at the present time. The writer feels that it is far better to cope with government regulation when the country is in an emergency situation, than have our country jeopardized by totalitarian powers.

Approximately four-fifths of the business establishments claim no aid from the regulation in meeting competition or effectively saving general overhead such as bookkeeping and collection expenses. The general remark stated by automobile dealers was that their overhead was increased instead of reduced and the regulation a nuisance, and an unnecessary burden on their business.

The writer believes that the majority of the questions asked in the interview were answered rather well by most of the bankers, dealers and merchants. Some understood the economic problem involved and felt that regulation was necessary in the best interest of the country's economy and welfare.
CHAPTER VII

CONCLUSION

Instalment credit has permitted the economic system to supply consumers with all types of expensive durable goods in a large volume, which otherwise might not have been possible. Many people have taken advantage of the opportunity to enjoy these goods in advance without the necessary outlay of capital, and then met the monthly payments from their regular income. Others may have used instalment credit without disturbing their invested capital or planned savings. This in turn, over long periods, extends purchasing power which results in increased production and employment. Over short periods of rising economic activity, increases in consumer purchasing power, through credit, may help sustain a high level of economic activity, although the terms on which credit is granted should be wisely limited. This new growth in purchasing power through credit does not contribute too much to monetary expansion, and this new purchasing power is in turn matched by an increase in the supply of goods at relatively stable prices.

Consumer instalment credit is one source of
purchasing power that can be regulated in our present economy because of its flexibility in covering the necessary items, and can be adjusted promptly as economic conditions change. Civilian demands have to be limited to allow for more production in the field of defense.

Regulation of instalment credit alone cannot stop inflation. It is only a part of a general anti-inflationary program in the present rearmament emergency. The present program is designed to help fill the various gaps through which excess purchasing power might otherwise seep into the economy. The local survey supported the belief that Regulation W was and still is effective in reducing purchasing power, and is therefore one means of curbing inflation. The local merchants stated that this regulation did check the volume of consumer instalment sales after its reinstatement in September, 1950, and that Regulation W did help to plug the inflationary gaps in the economy in the past decade. Other means considered necessary for curbing inflation are heavier taxation, restrictive central bank credit policies, and voluntary credit restraint (which is said to be working fairly well at the present time).

Invasion of Southern Korea settled the question as to what this country's international responsibilities are and what position it takes in combatting communism. To carry out our responsibilities in Korea and Europe is going
to require a garrison economy for the time being. With everyone's cooperation and endeavor to do his utmost, the present economic crisis can be conquered in the best interest of business, the people of this country, and those abroad who believe in freedom and democratic principles.
APPENDIX
APPENDIX A

PRESIDENT'S EXECUTIVE ORDER

There is set forth below the text of the Executive Order issued by the President on August 9, 1941, with respect to regulation of consumer credit.

EXECUTIVE ORDER NO. 8843

REGULATION OF CONSUMER CREDIT

Declaration of Necessity and Purpose

WHEREAS a large volume of credit is being devoted to financing and refinancing purchases of consumers' goods and services through extensions of credit that usually are made to individuals and to a large extent are on an installment payment basis; and

WHEREAS the conditions under which such credit is available have an important influence upon the volume and timing of demand, not only for the particular goods and services purchased on credit but also for goods and services in general; and

WHEREAS liberal terms for such credit tend to stimulate demand for consumers' durable goods the production of which requires materials, skills, and equipment needed for national defense; and
WHEREAS the extension of such credit in excessive volume tends to generate inflationary developments of increasing consequence as the limits of productive capacity are approached in more and more fields and to hinder the accumulation of savings available for financing the defense program; and

WHEREAS the public interest requires control of the use of installment credit for financing and refinancing purchases of consumers' durable goods the production of which absorbs resources needed for national defense, in order (a) to facilitate the transfer of productive resources to defense industries, (b) to assist in curbing unwarranted price advances and profiteering which tend to result when the supply of such goods is curtailed without corresponding curtailment of demand, (c) to assist in restraining general inflationary tendencies, to support or supplement taxation imposed to restrain such tendencies, and to promote the accumulation of savings available for financing the defense program, (d) to aid in creating a backlog of demand for consumers' durable goods, and (e) to restrain the development of a consumer debt structure that would repress effective demand for goods and services in the post-defense period; and

WHEREAS in order to prevent evasion or avoidance of this order and such regulations as may be prescribed to
effectuate its purposes, means should also be available for regulating the use of other instalment credit and other forms of credit usually extended to consumers or on consumers' durable goods; and

WHEREAS it is appropriate that such credit be controlled and regulated through an existing governmental agency which has primary responsibilities with respect to the determination and administration of national credit policies:

NOW, THEREFORE, by virtue of the authority vested in me by section 5 (b) of the act of October 6, 1917, as amended, and by virtue of all other authority vested in me, and in order, in the national emergency declared by me on May 27, 1941, to promote the national defense and protect the national economy, it is hereby ordered as follows:

Administration

SECTION 1. (a) The Board of Governors of the Federal reserve System (hereinafter called the Board) is hereby designated as the agency through which transfers of credit between and payments by or to banking institutions (as defined herein pursuant to section 5(b) of the aforesaid Act) which constitute, or arise directly or indirectly out of, any extension of credit of a type set out in section 2(a) of this order shall be investigated, regulated and prohibited.
(b) The Board shall, whenever it deems such action to be necessary or appropriate, take any lawful steps herein authorized and such other lawful steps as are within its power to carry out the purposes of this order, and may, in administering this order, utilize the services of the Federal Reserve Banks and any other agencies, Federal or State, which are available and appropriate.

(c) In order to facilitate the coordination of the Board's functions under this order with other phases of the national economy, there shall be a committee consisting of the Secretary of the Treasury, the Federal Loan Administrator, and the Administrator of the Office of Price Administration and Civilian Supply, or such alternate as each shall designate, and such other members as the President shall subsequently appoint. The Board shall maintain liaison with the committee, and in formulating policies with respect to down-payments, maturities, terms of repayment, and other such questions of general policy shall consult with the committee and take into consideration any suggestions or recommendations it may make.

Regulations

SECTION 2. (a) Whenever the Board shall determine that such action is necessary or appropriate for carrying out the purposes of this order, the Board shall prescribe
regulations with respect to transfers and payments which constitute, or arise directly or indirectly out of, any extension of instalment credit for the purpose of purchasing or carrying any consumers' durable good except a residential building in its entirety; and the Board may in addition, to the extent deemed by it to be desirable and feasible in order to prevent evasion of such regulations as may be so prescribed or in order to control forms of credit the use of which might defeat the purposes of this order and such regulations, prescribe regulations with respect to transfers and payments which constitute, or arise directly or indirectly out of, (1) any other extension of instalment credit, or (2) any other extension of credit for the purpose of purchasing or carrying any consumers' durable good, or (3) any other extension of credit in the form of a loan other than a loan made for business purposes to a person engaged in agriculture. Such regulations may be prescribed by the Board at such times and with such effective dates as the Board shall deem to be in accordance with the purposes of this order.

(b) Such regulations may from time to time, originally or by amendment, regulate or prohibit such transfers and payments or exempt them from regulation or prohibition and may classify them according to the nature of the transactions or goods or persons involved or upon such other
basis as may reasonably differentiate such transfers and payments for the purposes of regulations under this order, and may be made applicable to one or more of the classes so established; and, without limiting the generality of the foregoing, such regulations may require transactions or persons or classes thereof to be registered or licensed; may prescribe appropriate limitations, terms, and conditions for such registrations or licenses; may provide for suspension of any such registration or license for violation of any provision thereof or of any regulation, rule, or order prescribed hereunder, may prescribe appropriate requirements as to the keeping of records and as to the form, contents, or substantive provisions of contracts, liens, or any relevant documents; may prohibit solicitations by banking institutions which would encourage evasion or avoidance of the requirements of any regulation, license, or registration under this order; and may from time to time make appropriate provisions with respect to—

(1) The maximum amount of credit which may be extended on, or in connection with any purchase of, any consumer's durable good;

(2) The maximum maturity, minimum periodic payments, and maximum periods between payments, which may be stipulated in connection with extensions of credit;

(3) The methods of determining purchase prices or
market values or other bases for computing permissible extensions of credit or required down-payments; and

(4) Special or different terms, conditions, or exemptions with respect to new or used goods, minimum original cash payments, temporary credits which are merely incidental to cash purchases, payment or deposits usable to liquidate credits, and other adjustments or special situations.

(c) On and after the effective date of any regulation prescribed by the Board with respect to any extension of credit of a type set out in section 2(a), and notwithstanding the provisions of any other proclamation, order, regulation, or license under the aforesaid Act, all transfers and payments which are in violation of such regulation shall be and hereby are prohibited to the extent specified in such regulation.

(d) Neither this order nor any regulation issued thereunder shall affect the right of any person to enforce any contract, except that after the effective date of any such regulation every contract which is made in connection with any extension of credit and which violates, or the performance of which would violate, any provision of such regulation (other than a provision designated therein as being for administrative purposes), and every lien, pledge, seller's interest in a conditional sale, or other
property interest, subject to the provisions of such contract or created in connection therewith, shall be unenforceable by the person who extends such credit or by any person who acquires any right of such person in such contract; provided that such disability shall not apply to any person who extends such credit, or acquires such right for value, in good faith and without knowing or having reason to know the facts by reason of which the making or performance of such contract was or would be such a violation.

Reports

SECTION 3. Reports concerning the kinds, amounts, and characteristics of any extensions of credit subject to this order, concerning transfers and payments which arise out of any such extensions of credit, or concerning circumstances related to such extensions of credit or such transfers or payments or to the regulation thereof, shall be filed on such forms, under oath or otherwise, at such times and from time to time, and by such persons, as the Board may prescribe by rule, regulation, or order as necessary or appropriate for enabling the Board to perform its functions under this order. The Board may require any person to furnish, under oath or otherwise, complete information relative to any transaction within the
scope of this order, including the production of any books of account, contracts, letters, or other papers, in connection therewith in the custody or control of such person.

Definitions

SECTION 4. For the purposes of this order, unless the context otherwise requires, the following terms shall have the following meanings, provided that the Board may in its regulations give such terms more restricted meanings:

(a) "Person" has the meaning set forth in section 5 (b) of the act of October 6, 1917, as amended.

(b) "Transfers and payments" means "transfers of credit between and payments by or to banking institutions."

(c) "Banking institution" means any person engaged as principal, agent, broker, or otherwise, in the business of making or holding extensions of credit and includes, without limitation, any bank, any loan company, and finance company, or any other persons engaged in the business of making or holding extensions of credit whether as a vendor of consumers' durable goods or otherwise.

(d) "Consumers' durable good" includes any good, whether new or used, which is durable or semi-durable and is used or usable for personal, family or household purposes, and any service connected with the acquisition of any such good or of any interest therein.
(e) "Extension of credit" means any loan or mortgage; any instalment purchase contract; any conditional sales contract, or any sale or contract of sale under which part or all of the price is payable subsequent to the making of such sale or contract; any rental-purchase contract, or any contract for the bailment or leasing of property under which the bailee or lessee either has the option of becoming the owner thereof or obligates himself to pay as compensation a sum substantially equivalent to or in excess of the value thereof; any contract creating any lien or similar claim or property to be discharged by the payment of money; any purchase, discount, or other acquisition of, or any extension of credit upon the security of, any obligation or claim arising out of any of the foregoing; and any transaction or series of transactions having a similar purpose or effect.

(f) An extension of credit is an extension of "installment credit" if the obligor undertakes to repay the credit in two or more scheduled payments or undertakes to make two or more scheduled payments or deposits usable to liquidate the credit, or if the extension of credit has a similar purpose or effect, or if it is for the purpose of financing a business enterprise which makes such extensions of credit.

(g) An extension of credit is "for the purpose of
purchasing or carrying any consumers' durable good" if it is directly or indirectly for the purpose of financing or refinancing the purchase of any consumers' durable good or is directly or indirectly secured by any consumers' durable good, or if the extension of credit has a similar purpose or effect, or if it is for the purpose of financing a business enterprise which makes such extensions of credit.

Penalties

SECTION 5. Whoever willfully violates or knowingly participates in the violation of this order or of any regulation prescribed hereunder, shall be subject to the penalties applicable with respect to violations of section 5(b) of the said act of October 6, 1917, as amended.

(Signed) Franklin D. Roosevelt.

The White House, August 9, 1941.
APPENDIX B

SUPPLEMENT TO REGULATION W
EFFECTIVE SEPTEMBER 1, 1941

Part 1. Listed Articles, Maximum Maturities, and Maximum Credit Values.—For the purposes of the regulation the following maximum maturities and maximum credit values shall apply to the following list of articles:

<table>
<thead>
<tr>
<th>Articles of Consumers' Durable Goods (Whether new or used)</th>
<th>Maximum Value in per cent of Basis Price</th>
<th>Maximum Maturity in Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group A</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Automobiles (passenger cars designed for the purpose of transporting less than 10 passengers, including taxicabs)</td>
<td>(See Part 3 of this Supplement.)</td>
<td>18</td>
</tr>
<tr>
<td>Group B</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Aircraft (including gliders)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Power driven boats, and motors designed for use therein, other than boats or motors designed specifically for commercial use</td>
<td></td>
<td>18 66-2/3</td>
</tr>
<tr>
<td>3. Outboard boat motors</td>
<td></td>
<td>18 66-2/3</td>
</tr>
<tr>
<td>4. Motorcycles (two or three-wheel motor vehicles, including motor bicycles)</td>
<td></td>
<td>18 66-2/3</td>
</tr>
<tr>
<td>Group C</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Mechanical refrigerators of less than 12 cubic feet rated capacity</td>
<td></td>
<td>18 80</td>
</tr>
<tr>
<td>2. Washing machines designed for household use</td>
<td></td>
<td>18 80</td>
</tr>
<tr>
<td>3. Ironers designed for household use</td>
<td></td>
<td>18 80</td>
</tr>
<tr>
<td>4. Suction cleaners designed for household use</td>
<td></td>
<td>18 80</td>
</tr>
<tr>
<td>5. Cooking stoves and ranges with less than 7 heating surfaces</td>
<td></td>
<td>18 80</td>
</tr>
</tbody>
</table>
### Articles of Consumers' Durable Goods (Whether new or used)

<table>
<thead>
<tr>
<th>Description</th>
<th>Maturity in Months</th>
<th>Maximum Credit Value in per cent of Basic Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>6. Heating stoves and space heaters designed for household use</td>
<td>18</td>
<td>80</td>
</tr>
<tr>
<td>7. Electric dishwashers designed for household use</td>
<td>18</td>
<td>80</td>
</tr>
<tr>
<td>8. Room-unit air conditioners</td>
<td>18</td>
<td>80</td>
</tr>
<tr>
<td>9. Sewing machines designed for household use</td>
<td>18</td>
<td>80</td>
</tr>
<tr>
<td>10. Radio receiving sets, phonographs, or combinations</td>
<td>18</td>
<td>80</td>
</tr>
<tr>
<td>11. Musical instruments composed principally of metals</td>
<td>18</td>
<td>80</td>
</tr>
</tbody>
</table>

**Group D**

<table>
<thead>
<tr>
<th>Description</th>
<th>Maturity in Months</th>
<th>Maximum Credit Value in per cent of Basic Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Household furnaces and heating units for furnaces (including oil burners, gas conversion burners, and stokers)</td>
<td>18</td>
<td>85</td>
</tr>
<tr>
<td>2. Water heaters designed for household use</td>
<td>18</td>
<td>85</td>
</tr>
<tr>
<td>3. Water pumps designed for household use</td>
<td>18</td>
<td>85</td>
</tr>
<tr>
<td>4. Plumbing and sanitary fixtures designed for household use</td>
<td>18</td>
<td>85</td>
</tr>
<tr>
<td>5. Home air conditioning systems</td>
<td>18</td>
<td>85</td>
</tr>
<tr>
<td>6. Attic ventilating fans</td>
<td>18</td>
<td>85</td>
</tr>
<tr>
<td>7. New household furniture (including ice refrigerators, bed springs, and mattresses, but excluding floor coverings, wall coverings, draperies and bed coverings)</td>
<td>18</td>
<td>90</td>
</tr>
<tr>
<td>8. Pianos and household electric organs</td>
<td>18</td>
<td>90</td>
</tr>
</tbody>
</table>

**Group E**

<table>
<thead>
<tr>
<th>Description</th>
<th>Maturity in Months</th>
<th>Maximum Credit Value in per cent of Basic Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Materials and services (other than materials listed in Group C or D) in connection with repairs, alterations, or improvements upon urban, suburban, or rural real property in connection with existing structures, provided the deferred balance does not exceed $1,000</td>
<td>18</td>
<td>No limitation</td>
</tr>
</tbody>
</table>
Part 2.--Basis Price of Listed Articles Other Than Automobiles.--The basis price of any listed article other than an automobile shall be the bona fide cash purchase price of the article and accessories purchased, including any sales taxes thereon and any bona fide delivery and installation charges, minus the amount of any allowance made by the seller for any article traded-in by the purchaser (including as such a trade-in anything which the seller buys or arranges to have bought from the purchaser at or about the time of the purchase of the listed article).

Part 3.--Maximum Credit Value of Automobiles.--For the purposes of section 4 and section 5(a) of the regulation:

(a) The maximum credit value of a new automobile shall be 66 2/3 per cent of the bona fide cash purchase price of the automobile and accessories (including any sales taxes thereon and any bona fide delivery charges) but in no event to exceed 66 2/3 per cent of the sum of the following items:

(1) The advertised delivered price of the automobile (with standard equipment) at the factory;

(2) Transportation charges established by the manufacturer from factory to point of delivery;

(3) Any Federal, State, or local taxes not included in the foregoing; and
(4) Any bona fide charges for delivery or accessories not included in the foregoing items.

In case the automobile is sold for delivery at the factory, by a dealer in a given place to a resident of such place or its vicinity who actually intends to bring the automobile to such place or vicinity and use it there, an amount equal to the freight from the factory to such place may be included.

(b) For any used automobile the maximum credit value, until otherwise provided, shall be 66 2/3 per cent of the bona fide cash purchase price (including any sales taxes thereon).

Part 4.--Instalment Loan Credit Subject to Section 5(b) of the Regulation.--The maximum maturity of any extension of instalment loan credit of $1,000 or less subject to section 5(b) of the regulation shall be 18 months.
APPENDIX C

SUPPLEMENT TO REGULATION W
AS AMENDED TO JULY 31, 1951

Part 1. Listed Articles, Down Payments, Loan Values.
For the purposes of Regulation W, the following articles, whether new or used, are "listed articles," and the following required down payments and maximum loan values are prescribed (such down payments and loan values to be calculated as specified in Parts 4 and 5 of this Supplement); but such down payment and loan value requirements shall not apply in the case of a listed article having a cash price of less than $50, exclusive of any applicable sales tax:

Group A--33 1/3 per cent minimum down payment, 66 2/3 per cent maximum loan value:

1. Automobiles (passenger cars designed for the purpose of transporting less than 10 passengers, including taxicabs).

* The exclusion of sales taxes in this part of the Supplement does not affect the use of the term "Cash Price" elsewhere in the regulation. "Cash Price" as defined in section 8(j) (7) generally includes applicable sales taxes.
Group B—15 per cent minimum down payment, 85 per cent maximum loan value:

1. Cooking stoves and ranges, designed for household use.

2. Dishwashers, mechanical, designed for household use.

3. Ironers designed for household use.

4. Refrigerators and food freezers, mechanical, designed for household use.

5. Washing machines or clothes drying machines, designed for household use.

6. Combination units incorporating any listed article in the foregoing classifications of this Group B.

7. Air conditioners, room unit; dehumidifiers, mechanical.

8. Radio or television receiving sets, phonographs, or combinations.

9. Sewing machines designed for household use.

10. Suction cleaners designed for household use.

Group C—15 per cent minimum down payment, 85 per cent maximum loan value:

1. Furniture, household (including ice refrigerators, bed springs, mattresses, and lamps); and floor coverings, soft surface.
Group D--10 per cent minimum down payment, 90 per cent maximum loan value:

Residential repairs, alterations, or improvements.--Materials, articles, and services (other than articles listed elsewhere in the Supplement) in connection with repairs, alterations, or improvements upon urban, suburban, or rural real property in connection with existing structures. This does not relate to structures, or distinct parts thereof, which as so repaired, altered, or improved are designed exclusively for nonresidential use.

Part 2. Maturities.--The maximum maturities for listed articles and for unclassified instalment loans are:

Group A..............................18 months
Group B..............................18 months
Group C..............................18 months
Group D..............................36 months
Unclassified Instalment Loans......18 months

Part 3. Refinancing Pursuant to Statement of Changed Conditions.--The maximum maturity of any refinancing pursuant to a Statement of Changed Conditions as specified in section 5(b) is 21 months.

Part 4. Calculation of Down Payments for Automobiles. The maximum loan value of any automobile shall be the specified percentage of the cash price or of the "appraisal
guide value", whichever is lower, and the required down payment shall be the difference between the cash price and the maximum loan value as so calculated. Such required down payment may be obtained in the form of cash, trade-in, or both.

"Appraisal guide value," for any given period, means the estimated average retail value as stated in the edition and issue designated by the Board for that period of any regularly published automobile appraisal guide designated by the Board for this purpose, as to guide, edition, and issue, for use in the territory in which such automobile is sold, plus any applicable sales taxes. Information as to the guide or guides, and editions and issues thereof, designated for any given territory may be obtained from any Federal Reserve Bank or branch.

Part 5. Calculation of Down Payments for Articles in Groups B, C, and D.—In the case of any article listed in Group B, Group C, or Group D, the required down payment and the maximum loan value shall be the specified percentage of the cash price of the article. Such required down payment may be obtained in the form of cash, trade-in, or both.

If the cash price of an article listed in Group D cannot be determined at the time the required down payment must be obtained or at the time of the loan, (1) the
Registrant may substitute for the cash price in calculating such down payment a *bona fide* estimated cash price, or (2) the borrower may substitute for the cash price, and in calculating the maximum loan value the Registrant may rely in good faith on, a *bona fide* estimated cash price as so stated in the Statement of the Borrower.
APPENDIX D

AMENDMENTS TO REGULATION W

On September 1, 1941, when Regulation W first went into effect, the general maturity requirements were eighteen months, except on automobiles, on which the down payment requirements were between ten and twenty percent. By May 6, 1942, however, the maturity limit, again except for automobiles, was at twelve months, and down payments, except for instalment sales of furniture were generally at thirty-three and one-third percent. In the case of instalment cash loans, maturities for the most part were put on a twelve month basis on May 6, 1942.

The purpose of this requirement was both to produce a considerable liquidation of longer charge accounts and initially to curb new charge account sales. With minor exceptions, the regulatory standards of May, 1942, were in effect for three years.

Charge accounts and single payment loans, in which cyclical fluctuations are comparatively small, were eliminated from the scope of the regulation. The revision effects a substantial simplification of the regulation's provisions and will make it administratively more workable.

This revision narrowed the scope of the regulation to
what the Board considered a minimum consistent with the exercise of a stabilizing influence in this area of the economy. In this form, the Board believed the regulation could be better understood and its merits and defects better appraised.

The principal changes made by the revision were as follows:

1. The list of consumers' durable goods to which down payment and maturity requirements applied were reduced from thirty-six categories to twelve, the remaining items included automobiles, major household appliances, radios, phonographs, sewing machines, furniture, and soft-surfaced floor coverings, but with an exemption for any article costing less than $50.00.

2. Restrictions on charge accounts and single payment loans to be eliminated.

3. A uniform maximum maturity of fifteen months was established for all new instalment credits, whether they were derived from sales or loans.

4. The provisions for refinancing were simplified and refinancing credits set at a maximum maturity of fifteen months.

5. Except for floor coverings which were transferred to the category calling for a twenty percent down payment, the items retained had the same down payment as had been previously prescribed: thirty-three and one-third percent
for all articles other than furniture which was in the twenty percent category.

6. Procedural rules were simplified. It was no longer necessary to furnish a statement of the transaction to the customer.

7. Minor changes reconciled the new provisions with such requirements that were retained and certain technical sections simplified.

Another important amendment to Regulation W was enacted October 16, 1950. Amendment No. 1 reduced the maximum maturity on instalment credits from twenty-one months to fifteen months for automobiles and from eighteen months to fifteen months for appliances and furniture. The minimum down payment on automobiles remains at one-third; the down payments on appliances were increased from fifteen percent to twenty-five percent, and on furniture from ten percent to fifteen percent. The maximum maturity on home improvements remained at thirty months, and the minimum down payment at ten percent. Down payments were required on all articles costing $50.00 or more, instead of $100.00 or more.

The present requirement on automobiles is still one-third down, but the maturity has been relaxed from fifteen to eighteen months. Furniture and appliances now require only fifteen percent down and eighteen months to pay.
APPENDIX E

QUESTIONS PRESENTED TO
BANKERS, MERCHANTS AND DEALERS IN A SURVEY OF
REGULATION W MADE IN TUCSON, ARIZONA, 1952

1. Has Regulation W influenced your business by decreasing sales since its adoption in 1941?
2. Is Regulation W having an effect upon your business at the present time?
3. Do you approve of Government regulation of consumer instalment credit during the present emergency?
4. Generally, have you favored Regulation W over the past ten years?
5. Did Regulation W aid your business in meeting competition?
6. Did Regulation W introduce a more favorable class of purchasers into your place of business?
7. Did Regulation W save your business collection expense?
8. Did Regulation W save your business bookkeeping expense?
9. Do you believe this regulation of consumer instalment credit has been an unnecessary burden on your business, caused you more expense, and has done more harm than good?
10. Do you believe regulation of consumer instalment selling is saving critical materials needed for the defense effort?

11. Do you believe regulation of consumer instalment selling is a means of curbing inflation?

12. Do you think regulation of consumer instalment credit reduces purchasing power of the general public?
ANSWERS TO QUESTIONNAIRE MADE IN SURVEY OF REGULATION W, TUCSON, ARIZONA, 1952

<table>
<thead>
<tr>
<th>Question Number and Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
</tr>
<tr>
<td>----</td>
</tr>
<tr>
<td><strong>1. Banks &amp; Finance Cos.</strong></td>
</tr>
<tr>
<td>Arizona Credit Co.</td>
</tr>
<tr>
<td>Bank of Douglas</td>
</tr>
<tr>
<td>Commerce Loan Co.</td>
</tr>
<tr>
<td>Household Finance Co.</td>
</tr>
<tr>
<td>Pacific Finance Co.</td>
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<tr>
<td>Personal Finance Co.</td>
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<tr>
<td>Seaboard Finance Co.</td>
</tr>
<tr>
<td>Southern Arizona Bank</td>
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<tr>
<td>Tucson Finance Co.</td>
</tr>
<tr>
<td>Valley National Bank</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>2. Furn. &amp; Appliance Dealers</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona Appliance Co.</td>
</tr>
<tr>
<td>Better Homes-Furn.</td>
</tr>
<tr>
<td>Don Means - Appliances</td>
</tr>
<tr>
<td>Firestone Stores</td>
</tr>
<tr>
<td>Gaver's Appliance Store</td>
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<tr>
<td>Grabe's Electrical Appliances</td>
</tr>
<tr>
<td>Hilson Furniture Co.</td>
</tr>
<tr>
<td>Jacome's</td>
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<tr>
<td>McKenzie Furniture Co.</td>
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<tr>
<td>Mitchell Furniture Co.</td>
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<tr>
<td>Power &amp; Home Equip. Co.</td>
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<tr>
<td>Reuben's Furniture Co.</td>
</tr>
<tr>
<td>Sears' Rosbuck &amp; Co.</td>
</tr>
<tr>
<td>Singer Sewing Mach. Co.</td>
</tr>
<tr>
<td>Sterling Furniture Co.</td>
</tr>
<tr>
<td>Tom Plaherty Furniture</td>
</tr>
<tr>
<td>Town &amp; Country</td>
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<tr>
<td>Ward's Store</td>
</tr>
<tr>
<td>Western Auto Supply</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Automobile Dealers (New)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Apache Motors</td>
</tr>
<tr>
<td>Beaudry Motors</td>
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<tr>
<td>Bowyer Motors</td>
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<td>Dawson Motors</td>
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<td>Dixon Motors</td>
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<tr>
<td>Hackett &amp; Whiting</td>
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<td>J. Erny - Studebaker</td>
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<td>Monte Mansfield Motors</td>
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<tr>
<td>Hollings Motors</td>
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<tr>
<td>Selby Motors</td>
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<tr>
<td>Young Buick</td>
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<table>
<thead>
<tr>
<th><strong>Automobile Dealers (Used)</strong></th>
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<tbody>
<tr>
<td>Central Auto Sales</td>
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<tr>
<td>Country Boys</td>
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<td>Curly Moffit</td>
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<tr>
<td>Len's Auto Sales</td>
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<td>Williams Auto Sales</td>
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<table>
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<tr>
<th>Question Number and Answer</th>
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<tbody>
<tr>
<td>Yes</td>
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EXPERIMENT IN PERCENT

<table>
<thead>
<tr>
<th>Year, Percent</th>
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<tbody>
<tr>
<td>Yes, Percent</td>
</tr>
<tr>
<td>No, Percent</td>
</tr>
<tr>
<td>Totals, Yes &amp; No</td>
</tr>
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</table>

100 Percent
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