

tivity, and substantial gains in the stock price averages. At such times the Federal Reserve may increase margin requirements in order to slow the rate of stock market credit expansion. But the governing purpose is not to affect stock price movements, either for individual stocks, groups of stocks, or the market in general. Regulation of stock market credit, not stock prices, is the goal.

We understand that the Department of Agriculture is currently studying the advisability of applying margin requirements to trading in those commodity futures markets under the general supervision of the Commodity Exchange Authority. The Board would like to reserve judgment on this matter pending completion of the Department's study.

Section 208 of the bill would give the Board, upon a presidential determination that a national emergency exists, authority to impose selective controls on the use of consumer credit. This could be done either directly, by limiting the terms on which credit is made available to individual borrowers, or indirectly, by limiting the use of funds by creditors to finance consumer credit operations. There is clearly no need to activate such controls at present, in our view, but it is possible to visualize a combination of economic circumstances in which this authority could prove a useful supplement to our general instruments of monetary and credit control.

We do question, however, whether an authorization for standby selective credit controls properly belongs in an act intended to provide greater protection for consumers in their use of credit. Standby credit controls would only remotely—and fortuitously—protect the consumer in this individual use of credit. The object of such controls, activated only in a national emergency, would be to limit the consumer's recourse to credit for purposes of national economic stabilization. The Board cannot conceive of the use of these controls to protect the consumer against himself by denying him overly liberal credit terms or excessive use of credit relative to his means.

The use of selective credit controls is a controversial matter. There are always bound to be differences of opinion as to when such control should be invoked, how broad their coverage should be, how they should be administered, and when they should be suspended. Furthermore, there is some question as to the desirability of singling out this one area for standby authority, rather than considering the whole array of special actions that might prove necessary or desirable in a national emergency. We therefore respectfully suggest to the committee that it would be preferable to consider the question of selective consumer credit controls in a broader context and to delete this provision from the pending bill.

In summary, let me express the hopes that your committee will act favorably on S. 5, with an amendment eliminating the revolving credit exemption. The Board of Governors believes there is a need for this legislation, and while we have no special qualifications for the function of writing regulations to implement it, we will do our best to carry out this responsibility if the Congress assigns it to us. If, however, you determine that there is a need for additional measures, such as regulation of advertising or trading in commodity futures, to protect con-