

FRB's Report Neutral About Credit Checks

**Odds Against President
Asking for Standby
Control Powers**

By STERLING F. GREEN
WASHINGTON (U)—Speculation sharpened today on whether President Eisenhower will ask Congress for standby powers to regulate consumer installment credit. The odds seemed to be against it, for interest has been lukewarm lately. But it was spotlighted by the issuance yesterday of a massive study prepared at Eisenhower's request by the staff of the Federal Reserve Board. The researchers found that easy-payment buying of autos and consumer goods tends to be unruly. "The major influence," they said, "has been to add fuel to booms; it has less often been an aggravating factor during recessions."

Words of Caution
The FRB staff found that the credit structure, though carrying a record 31½ billion dollars of installment debt, is less likely than in 1929 to collapse during a recession into defaults, foreclosures and repossession. It nevertheless cautioned:

"The possibility of an episode of drastic and spiraling liquidation should not be dismissed." The report is neutral on standby controls; it presents various conflicting views in its five volumes and 1,619 pages. The reserve board itself has taken no position though it presumably would administer any controls voted, as it does the margin buying of stock on the exchanges.

Eisenhower asked Congress 14 months ago to "consider" standby controls. That was just after the 1955 auto credit binge, when total installment debt outstanding soared by 5½ billion dollars.

Like Less Concerned
The rate of rise abated last year without damage, and the issue has taken a back seat. Businessmen who have visited Eisenhower recently said he shows far less concern. Neither has any strong movement for controls developed in Congress.

The FRB economists said that in five business upswings in the past 30 years, starting with the pre-1929 period and ending with the 1955 boom, "installment credit buying contributed to a rate of sales of consumer durable goods that could not be sustained."

In some cases business sagged when consumers turned to paying off old debt instead of incurring new debt. This may have occurred in 1953, the board said, when installment buying fell off in the spring and was followed by a general recession later in the year.

45 Per Cent in Debt
The study showed that 45 per cent of American families owe some installment debt. A surprising number are in the middle and upper income brackets — 56 per cent of all families in the \$4,000 to \$7,500 income groups, 48 per cent in the \$7,500 to \$10,000 group, and 32 per cent in the \$10,000-and-over group.

Three times as many families with incomes over \$10,000 now use installment credit as did so in 1952, the report found, even though 88 per cent of these debtors had liquid assets of \$500 or more and presumably could have paid cash in many cases.

Some families evidently use installment credit as a form of saving, it was indicated: they save their liquid assets and buy goods on installments. The report added:

"It has become respectable to be a debtor, and the desire to own a home 'free and clear' is no longer as strong as it was in the past."

Airlines Form Trade Group

SEATTLE (U)—A trade association of local-service airline carriers was announced here Wednesday with six companies as first members.

Nick Bez, Seattle, president of West Coast Airlines, was elected the first chairman as the two-day session concluded.

Joining in forming the association, Bez said, were representatives of Bonanza Air Lines, Las Vegas, Nev.; Central Airlines, Fort Worth, Tex.; Ozark Air Lines, St. Louis, Mo.; and Lake Central Airlines, Indianapolis. The Frontier Airlines application was approved but was not represented because of the death of the chairman of their board.

The association's immediate objectives, Bez said, will be to work out policies to give better service to the public and take up legislative matters of interest to carriers.

U.S. Couldn't Hide-Zhukov

LONDON (U)—Russia's defense minister says any major new war would leave no hiding place and that the United States would not "be able, as formerly, to sit it out over the ocean and avoid destruction and deadly blows."

Quoted by Moscow radio today Marshal Georgai Zhukov warned that Russia would use atomic and hydrogen bombs as its "main striking force" if such a conflict broke out.

"There is no place in the world where the aggressor could find shelter. The Soviet air force is able to strike shattering blows at any enemy no matter where he is or where he is hiding," he said.

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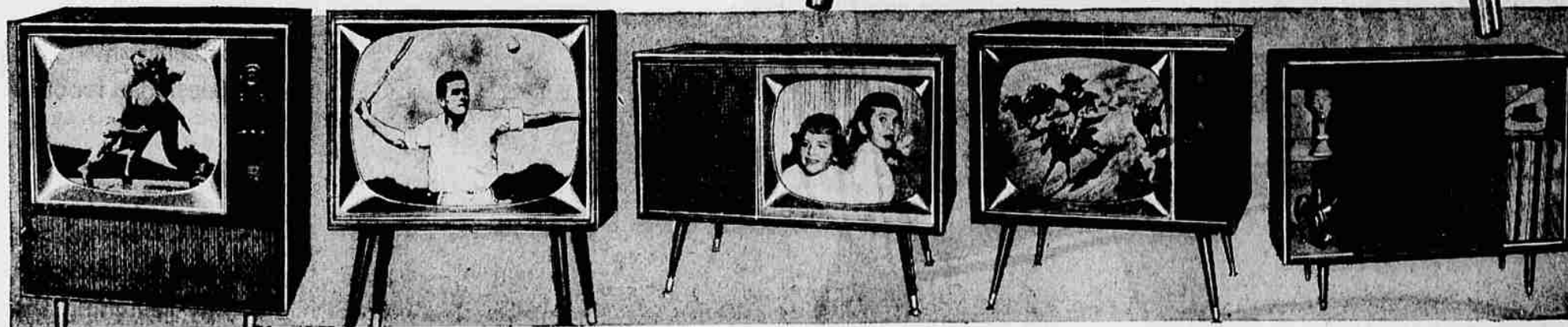
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