FEDERAL RESERVE BANK OF NEW YORK

ANNUAL REPORT
1983

FEDERAL RESERVE BANK OF NEW YORK

April 16, 1984

To the Depository Institutions in the
Second Federal Reserve District

I am pleased to present our sixty-ninth Annual Report, reviewing major economic and financial developments, at home and abroad, in 1983.

Anthony M. Solomon

Anthony M. Solomon
President

Federal Reserve Bank

of New York

SIXTY-NINTH ANNUAL REPORT

For the Year

Ended

December 31, 1983

Second Federal Reserve District

Contents:

RECOVERY AT HOME

In contrast to the first three years of this decade, 1983 was a year of generally good economic news in the United States. Real output rose strongly, the unemployment rate fell dramatically, inflation was quite low, interest rates were fairly stable, and the monetary aggregates came in pretty much as desired by the Federal Reserve. Still, even with all the good news, the financial markets remained nervous about the large budget deficits projected for upcoming years (Chart 1). The markets also worried about the implications of the record foreign trade deficit and the strong dollar for interest rates and the future performance of the economy.

The Federal Reserve shared these concerns, in particular whether the potential budget deficits projected beyond 1983 would cause interest rates to rise over the longer run, choking off the investment needed to maintain the economic expansion with low inflation. In general, monetary policy in 1983 continued the flexible, more judgmental approach begun in 1982 when it became apparent that financial innovation and deregulation were distorting the behavior and significance of the monetary aggregates. Nonetheless, even though it became necessary to view the monetary aggregates in the broader context of what was happening in the economy, the Federal Reserve during 1983 reaffirmed its intention to keep monetary growth in line with low rates of inflation.

The Domestic Economy

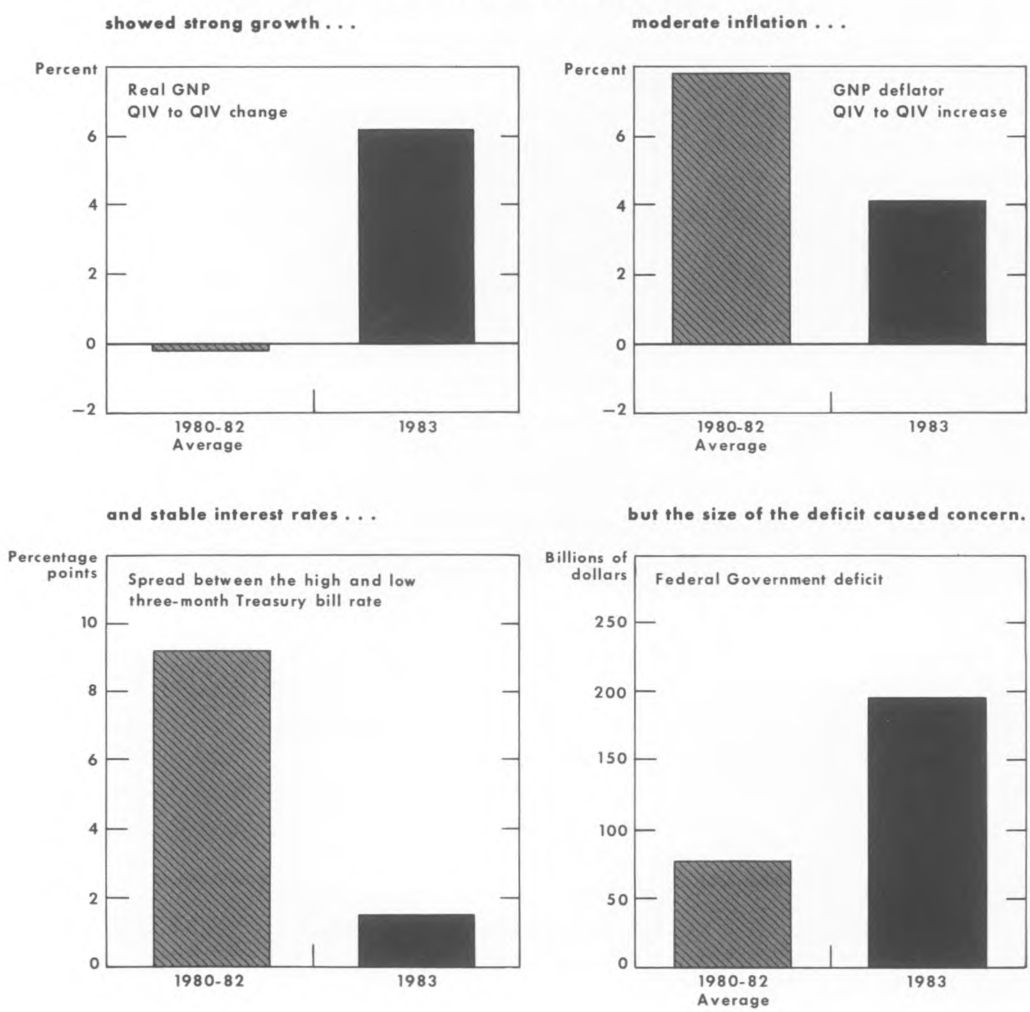
In 1983, the economic recovery exceeded most expectations. Even so, real GNP for the year as a whole looked typical compared with the first years of previous recoveries. Consumption spending, inventory accumulation, residential construction, and business investment all added to the rebound. Only net exports represented a drag on the economy, due largely to the strong dollar and the weaker economies of our major trading partners.

With the benefit of hindsight, some of the factors behind the stronger than expected recovery can be seen clearly. First, the depressing influence on the economy of the high levels of interest rates was overemphasized, and the stimulative effects of the large decline in rates after mid-1982 were not given enough attention. The decline in rates helped strengthen credit-sensitive sectors such as autos and housing. It also was a factor behind the large increase in the stock market that boosted consumer wealth and contributed to the overall advance in consumption expenditures. In addition, the drop in energy prices also stimulated consumer spending but not by nearly so much as the wealth effects from the stock markets. Finally, the growing budget deficit during a period of considerable unused capacity provided additional stimulus as the economy emerged from recession.

While aggregate demand exceeded expectations, the decline in the unemployment rate associated with the advance in the economy was even more surprising. In the first years of previous recoveries, the unemployment rate typically had declined slowly. This time around the drop was 2½ percentage points. Because the growth of the labor force was weaker than expected as the economy recovered in 1983, the increases in production and employment brought the unemployment rate down to 8.2 percent by the year-end from 10.7 percent at the recession trough.

Despite the greater than anticipated economic growth and the decline in unemployment, inflation did not accelerate significantly in 1983. There were, however, some signs of pickup in the second half of the year from the very low rates prevailing around the trough of the recession. Over the year, the GNP deflator rose 4 percent, the lowest rate on a fourth-quarter to fourth-quarter basis since 1967. Other measures of inflation showed similar or even more pronounced improvement. In part, the slowdown in inflation was due to special factors such as the strong dollar, the decline in world oil prices, and competitive forces associated with the deregulation of some industries. But the real test of policy is not whether inflation can be reduced when there is a considerable amount of unused capacity in the economy and when productivity increases are typical of the early stage of a business recovery. Rather, the real test will be to hold down inflation as the economy climbs toward higher levels of utilization.

Chart 1. Compared with the first three years of this decade, 1983



The Financial Markets

The financial markets also remained concerned about the long-term outlook for inflation as the expansion continued against the backdrop of unprecedented projected budget deficits. But for these markets 1983 was a surprise in that a strong recovery took place without private and government credit demands putting upward pressure on interest rates. Once again, one can give at least a partial explanation of what happened in 1983 with the benefit of hindsight.

First, aftertax corporate profits and hence internal cash flows were much improved. These gains resulted from productivity increases that had begun during the 1982 recession, a substantial slowdown in the growth of compensation, and the effects of more liberal depreciation rules and other changes in the tax codes. Thus, businesses were not so dependent on borrowed funds as they might have been under more normal circumstances. Second, high U.S. interest rates and economic and political uncertainty around the world meant that foreign capital flowed into the United States, and this relieved some of the upward pressure on interest rates that might have occurred otherwise.

But neither of these factors can be relied on to be permanent. As the economic expansion continues, productivity gains may slow, wage demands could stiffen as the number of unemployed falls, and the prices of raw materials are likely to rise. Hence, profit growth will not be as strong. Firms will need to turn to the financial markets and banks for financing as internally generated cash flows slow. Moreover, recent surveys and normal cyclical patterns suggest that spending on plant and equipment may continue at a rapid pace. Thus, upward pressure on rates could develop if the Federal Government also has a large presence in the financial markets.

And the capital inflows from abroad, attracted by high U.S. interest rates, have been a double-edged sword. They have contributed to the strong dollar and thus have helped enlarge our trade deficit. At the same time, the savings these capital flows represent have helped directly and indirectly to finance the budget deficit without large increases in interest rates. But these deficits obviously pose problems both in terms of their damage to domestic industries and in terms of the longer run implications of the mounting foreign debt that is the counterpart of these deficits. In any case, the willingness of foreigners to finance the United States cannot be counted on indefinitely. The risk is that the dollar could decline precipitously as foreign investors lose confidence in our ability to manage our affairs and control inflation in the long run. As capital leaves the United States and the dollar falls, and the Federal Government and private borrowers compete for the relatively small amount of domestic savings, upward pressures on interest rates would be inevitable.

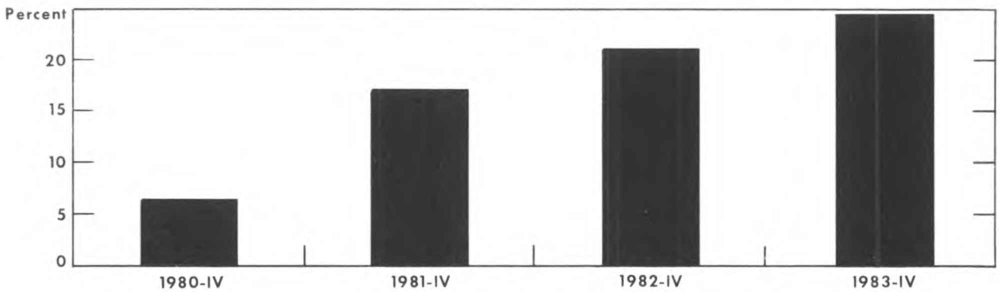
Under such circumstances, housing, investment, and other credit-sensitive sectors are bound to be hurt as would the prospects for keeping down inflation. The fear of such an outcome helps explain why interest rates are high not only in absolute terms but also when compared with recent inflation rates. Markets remain skeptical about this country's ability to maintain the recent progress on inflation. Too often in the past they have seen inflation and interest rates fall during a recession only to rise to new highs during the expansion phase of the new cycle. And this has occurred even with budget deficits less out of line with the size of the economy than currently. Until there are some clear signs that the enormous deficits now ahead of us will be reduced significantly, the markets are likely to remain unconvinced.

Monetary Policy

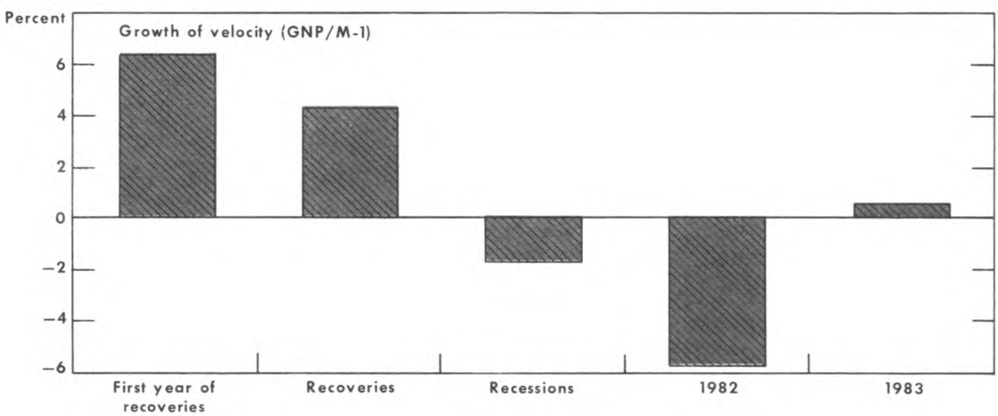
Large prospective budget deficits combined with the Federal Reserve's commitment to maintain anti-inflationary monetary policy sparked considerable discussion during 1983 about the long-run effects on the economy of a tight-monetary, easy-fiscal policy mix. Such a mix is, of course, uncomfortable because of the high rates that result. However, the ability of monetary policy to reduce the discomfort is very limited. An easier monetary policy under present circumstances would lead only to higher inflationary expectations and, with a lag, higher inflation and interest rates. In 1983 the economy did very well despite the tight-monetary, easy-fiscal policy mix. But over the long run such a mix would tend to skew the economy's output toward consumption and away from capital investment. Thus, it would slow the growth of productive capacity and increase inflationary pressures. It would also work against the export sector and cause many more export-oriented firms to relocate plants and jobs abroad in order to compete better in world markets.

While monetary policy in 1983 maintained its long-run strategy of containing inflation by keeping money growth under control, innovation and deregulation continued to make the interpretation of the monetary aggregates in general and M-1

Chart 2. **The growth of NOW accounts as a percentage of M-1 . . .**

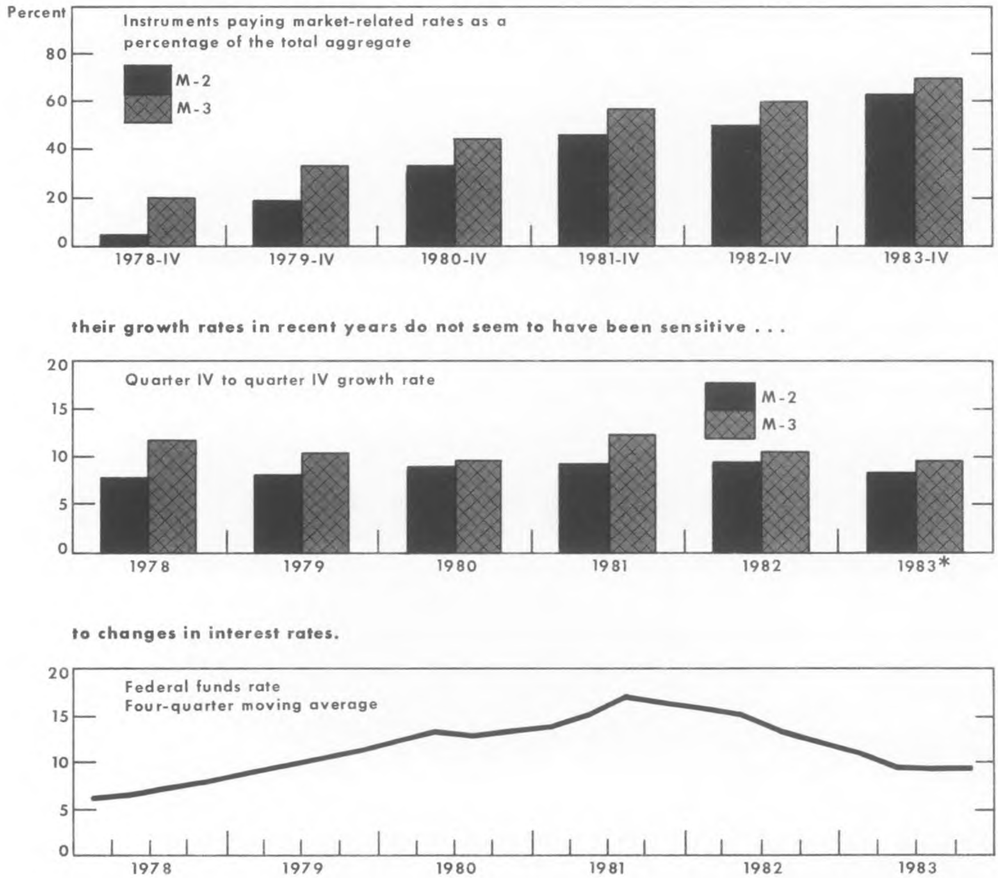


has been associated with weaker than average growth of velocity in recent years, raising the question of whether a significant portion of NOWs is used for nontransactions purposes.



in particular very difficult (Charts 2 and 3). Beginning in late 1982, the Congress authorized two new accounts, the money market deposit account (included in M-2) and the Super NOW account (a component of M-1). Because these new accounts offer both savings and transactions features and because they were likely to be attractive compared with both existing accounts and assets outside M-1 and M-2, the Federal Open Market Committee (FOMC) emphasized the need for judgment and flexibility in reacting to movements in the monetary aggregates during 1983.

Chart 3. With M-2 and M-3 becoming dominated by assets bearing market rates of interest . . .



*M-2 adjusted for money market deposit accounts in 1983.

Moreover, given the unusually large decline in M-1 velocity in 1982 (high M-1 growth caused by strength in NOW accounts combined with low nominal GNP growth), it was not certain as 1983 began how much weight should be given to M-1 in the policy process. In these circumstances, the FOMC set a broad and, by the standards of the past few years, high range for M-1 growth in 1983 of 4 to 8 percent. At the same time, because of the large volume of funds that were likely to flow into money market deposit accounts from outside M-2 over the first few months of 1983, the FOMC set a range of 7 to 10 percent for M-2 with the February-March average to be used as the base. It was not expected that M-3 or total credit would be much affected by the new accounts, and their respective ranges were set at 6½ to 9½ percent and 8½ to 11½ percent over the full year.

In the first half of 1983, M-1 growth remained very rapid relative to GNP, reflecting continued strength in NOW accounts. This decline in velocity was a puzzle of sorts that analysts spent a great deal of time trying to explain during the course of the year. It now seems that the rapid growth of M-1 relative to GNP in the last half of 1982 and early 1983 in part stemmed from the fact that NOW accounts are more sensitive to changes in interest rates than the other components of M-1. As a result, consumers showed a greater willingness than they did previously to increase money holdings as interest rates declined. Moreover, since some consumers also use their NOW accounts for savings purposes, it appears that the high level of unemployment and the low level of consumer confidence in late 1982 and early 1983 may have added a precautionary motive to the buildup in NOW account balances.

In any case, at its mid-1983 review of the monetary targets the FOMC concluded that the earlier spurt in M-1 had in part reflected such special factors and thus would not prove to be inflationary. Accordingly, M-1 continued to be assigned considerably less weight in the policy process. Its monitoring range was raised to 5 to 9 percent and its base was moved to the second quarter of 1983 from the fourth quarter of 1982. As it turned out, M-1 seemed to return to a more normal relationship with GNP in the second half of the year, and its growth ended the year close to the midpoint of the newly established monitoring range. M-2, M-3, and total credit also ended the year generally in line with the objectives set by the FOMC for 1983.

Even though the M-2 and M-3 performance generally met the Federal Reserve's 1983 objectives, changes in the financial markets in recent years also have raised questions about the interpretation of these aggregates (Chart 3). In particular, with more and more of M-2 and M-3 bearing market-related rates, it is no longer clear that their growth would slow appreciably should the Federal Reserve restrict the supply of reserves and should interest rates rise, because the rates on M-2 and M-3 assets would move in step with market rates. Under such circumstances, M-2 and M-3 would slow only as the economy is affected by the change in interest rates.

Indeed, M-2 and M-3 may prove more sensitive to the shifting tides of investor sentiment than to GNP, given the enormously increased importance of money-market-rate instruments now included in these measures. Hence, although the Federal Reserve placed primary weight on M-2 and M-3 in 1983, it was necessary to view their behavior in the larger context of what was happening to real output, inflation, and the financial markets.

In one sense, this has been a particularly frustrating period for those who would prefer to see monetary policy develop along neat and simple lines. For quite some time, the monetary aggregate targets had seemed to provide a clear conceptual basis for monetary policy. However, since at least mid-1982 it has been difficult, if not impossible, to make sensible policy just by reference to targets for any one of these measures, or even to all of them taken together. System policymakers have had to interpret the meaning of these various measures in light of their changing character.

For the long run, the function of monetary policy—really the *only* long-run function it can perform—is to stabilize the value of money within a context of general financial stability. In the short run, it has powerful effects on other matters also of great public concern—on real growth and employment. Monetary policy neither can, as a practical matter, nor should entirely ignore these important short-run concerns. But it does remain true that pressures to focus on short-run concerns at the expense of long-run goals tends to be a constant problem in monetary policymaking. A basic function of the monetary targeting approach, both here and abroad, has been to keep the attention of the policymakers and the public focused on the essential long-run price stability role of monetary policy—to put a little distance between monetary policy and the constant pressures to tinker for the sake of short-run objectives.

When financial innovation and deregulation impinge on the economic meaning of the monetary measures, however, some of their value as a means of focusing on the longer run is lost—perhaps permanently, certainly temporarily. Ideally, the monetary targets should serve as a means of communicating Federal Reserve objectives to the public, of referring day-to-day decisions to longer run criteria, and as a means of accountability. When the monetary targets must be subject to frequent review, adjustment, and reevaluation, some of the pristine simplicity of the approach is bound to be lost. Major elements of judgment inevitably become involved in policymaking, and some of the sense of clear longer term direction may be compromised.

This is undoubtedly unfortunate. But the alternative is to ignore the problems of the monetary measures, to treat as sacrosanct numerical values whose meaning is necessarily surrounded by uncertainty. Such an approach would not make sense. And it is likely that this kind of ambiguous situation with regard to the aggregates will remain with us for some time to come.

Recent events have also forced the Federal Reserve to make some modification in the *tactics* of monetary policy. Before October 1979, the FOMC announced monetary targets as it does now, but it focused short-run tactics almost exclusively on interest rate objectives. Experience in the late 1970s with accelerating inflation showed that such an approach inhibits forceful action when it is needed. It proved just too difficult to raise interest rate targets fast enough to deal with the gathering inflationary momentum. Despite a series of increases, nominal interest rates fell behind the accelerating inflation.

Then, at the highly publicized Saturday meeting of October 1979, the Federal Reserve changed procedures. The approach adopted then put increased emphasis on the growth of bank reserves and less emphasis on interest rates in the conduct of day-to-day operations. With interest rates no longer targeted directly in the new approach, there was room for some automatic interest rate response to short-run deviations of money growth from targets. A major advantage of the new approach was that, with these semiautomatic interest rate responses, the interest rate levels which were really needed to bring down money growth and inflation could emerge. The disadvantage was that the automatic aspects generated a lot of interest rate volatility in response to erratic movements in M-1.

In 1983 the FOMC employed operating procedures that lie somewhere between the pre- and post-October 1979 approaches. On the one hand, precise interest rate targets were no longer set as was done before October 1979. But, on the other hand, the new focus on a "degree of reserve availability" (that is probably best measured by the volume of discount window borrowing or by excess reserves less such borrowing) did not provide for automatic responses to short-term money movements of the kind that were put in place after October 1979. Clearly, the Federal Reserve was more prepared to respond to significant and persisting deviations of money growth from target—provided they were seen to be significant for the economy at large—than it was before October 1979. But, at the same time, the new approach to controlling money growth was less mechanical than the approach used between October 1979 and late 1982.

In the present circumstances, the changing character of the monetary aggregates not only requires more flexibility in setting—and resetting if need be—the long-term targets. It also argues for a less mechanistic response to their shorter term movements. The current procedures should be fully compatible with the Federal Reserve's basic long-run commitment to provide a stable monetary environment that can contain inflation. The experience we as a nation have been through in recent years should help us in that regard. This experience has taught us a heightened awareness of the broad need to restrain money and credit growth. This need remains entirely valid despite the current problems with specific measures of money. Given broad appreciation of this, there is a good chance the FOMC can continue to run a policy that avoids excessive money growth without resorting to undue reactions to short-run money behavior. With past experience as a guide, it should be possible to deal more promptly and vigorously with sustained monetary excesses than was done before October 1979.

UNEVENNESS ABROAD

Internationally, 1983 was a year of uneven economic performance. Canada's recovery and inflation slowdown paralleled those of the United States; Japan had moderate growth and low inflation but, in Europe, expansion and inflation rates were more ragged. Several developing economies in Asia did very well. Yet, for many other developing countries, international debt problems remained a frustrating, painful, ongoing ordeal.

Economic growth in the United States was of particular worldwide importance last year. Along with a rising dollar, it stimulated a strong demand for imports and thus served as a major propellant for expansion elsewhere. U.S. import purchases provided more than half the increase in total world trade from the end of 1982 to the end of 1983 and by the fourth quarter were running at an annual rate $43 billion, or 18 percent, above the level in the last quarter of 1982.

U.S. exports, in contrast, remained on the weak side for most of the year, primarily due to the strength of the dollar and slow economic growth in the rest of the world. As a consequence, the United States recorded its largest merchandise trade deficit in history, over $60 billion, and a current account deficit of over $40 billion. By the fourth quarter of 1983, the excess of our payments abroad for goods and services over corresponding receipts was running about $60 billion at an annual rate and it was becoming increasingly apparent that this dependence on foreign capital inflows was not sustainable in the long run.

The United States Import Surge

The increase in U.S. imports was unevenly distributed across products and among countries of origin (Chart 4). A large part of the rise in imports during 1983 was in automotive products and capital goods. Asia had some of the biggest gains in exports to the United States, with Japan, South Korea, and Taiwan doing

Chart 4. The sharp 1983 growth of U.S. imports was . . .

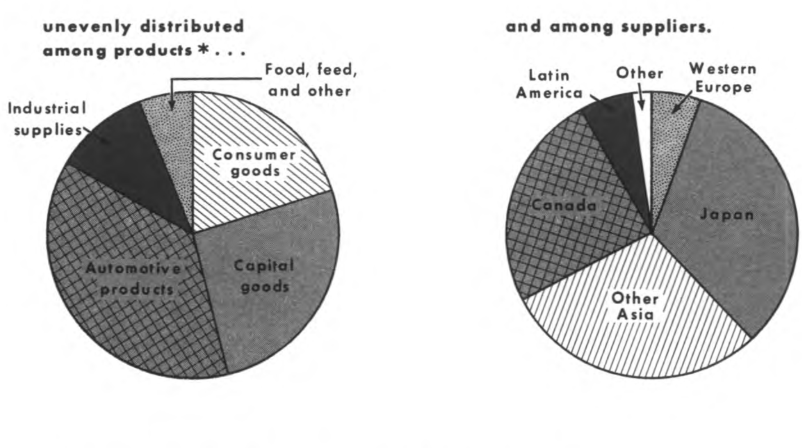
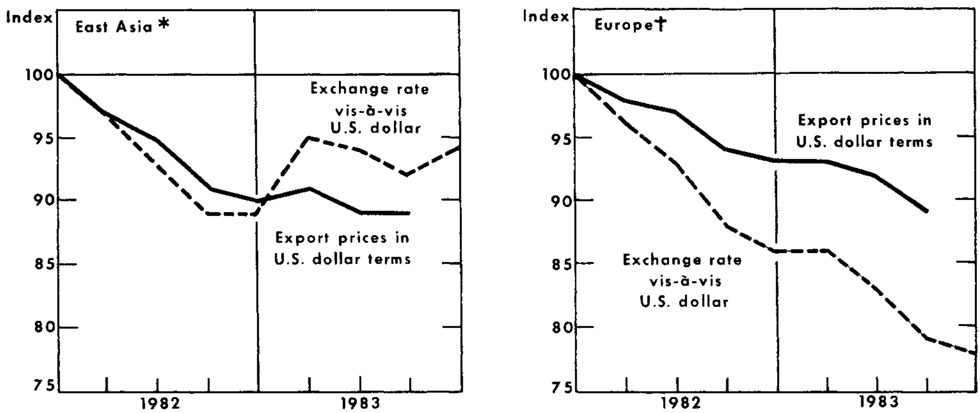


Chart shows distribution of the increase in U.S. imports from the last quarter of 1982 to the last quarter of 1983.

*Excluding petroleum, which actually declined.

Chart 5. East Asia maintained its competitiveness through price rather than exchange rate movements.



*Average for Japan, South Korea, and Taiwan weighted by trade with the United States.

†Average for France, Germany, Italy, and the United Kingdom weighted by trade with the United States.

particularly well. These Asian exporters, selling the products for which U.S. import demand was strong, were price competitive with those of European countries, their chief competitors. They maintained their relative price attractiveness by making significant cuts in the dollar prices they charged. These cuts compensated for the much sharper depreciation of European currencies against the dollar (Chart 5).

Europe's sales increases to the United States were considerably smaller than Asia's, although European sales of automotive products did reasonably well (table). Europe, however, had much more difficulty than Asia in selling capital goods, particularly business machines. One significant factor affecting European sales of capital goods may have been the rising capital goods price level in Germany, which provides about 30 percent of Europe's capital goods sales to the United States. Japan also continued to increase significantly the dollar value of its automobile sales by selling larger and more fully equipped cars. This offset the voluntary export restraints that limited the total number of automobiles sold.

Canada, with its close trade ties to the United States, showed a large increase in

GROWTH RATES OF SELECTED U.S. IMPORTS FROM ASIA AND WESTERN EUROPE
Percentage change from the fourth quarter of 1982 to the fourth quarter of 1983

	Japan	Other Asia	Western Europe
Total	**41**	**44**	**5***
Capital goods	52	68	11
Automotive products	43	64†	44
Other consumer goods	32	33	10

*Total growth is low because imports of petroleum and petroleum products declined over 40 percent.
†This represents primarily automobile parts which grew from a very small base ($60 million) in the last quarter of 1982.

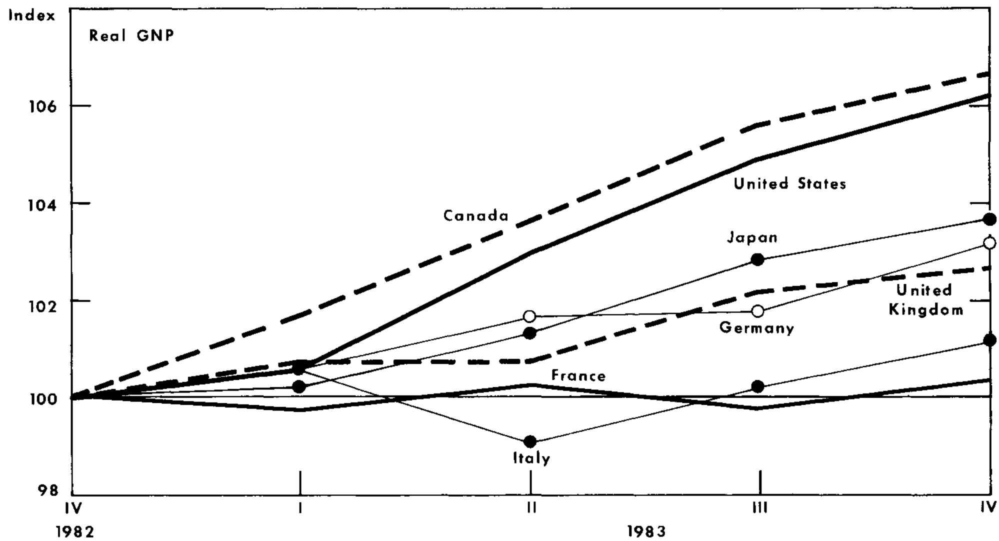
exports to this country—over 20 percent. Sales of automobiles, which are covered by a special trade agreement between Canada and the United States, accounted for almost three quarters of the rise. Latin America's trade gain in the United States was, in contrast, fairly small despite strong sales increases in some product areas such as steel. This relative weakness largely reflected declining world prices of petroleum, which accounts for almost half of Latin American exports. Similarly, U.S. imports—mostly oil—from members of the Organization of Petroleum Exporting Countries showed no increase at all.

Foreign Industrial Countries

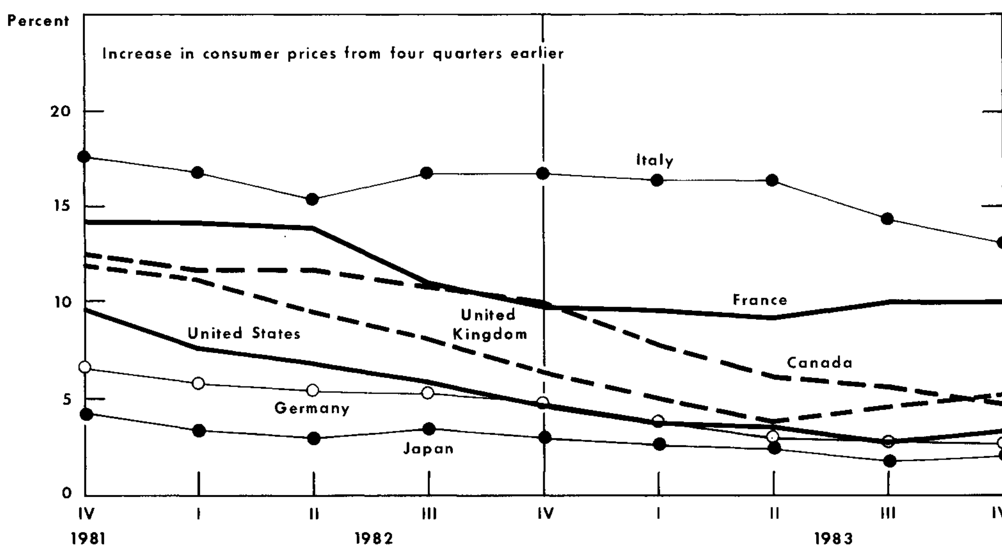
Exports to the United States played a significant role in generating expanded economic activity in many countries. The industrializing countries in Asia that had large export increases to the United States grew very rapidly. Taiwan's real GNP jumped an estimated 7 percent, with increased sales to the United States equal to about half the total rise in output. For South Korea, growth was almost 9 percent, and U.S. sales gains accounted for about one quarter of the total.

Among the industrialized countries, Japan and Canada had the largest increases in exports to the United States in 1983 and also had the fastest domestic growth rates (Chart 6). Canada's GNP grew about 7 percent over the course of 1983 and Japan, with more constrained domestic demand, had GNP growth of about 4 percent. Increased U.S. sales accounted for more than one third of Japan's total

Chart 6. Industrial countries' growth rates differed greatly . . .



in part because inflation rates posed differing constraints on macroeconomic policies.



expansion. The Western European economies, less successful at taking advantage of strong U.S. demand, had smaller increases in output.

The relatively weak European export performance was indicative of broader economic problems. For many European countries, unemployment continued to rise even as inflation remained a pressing concern. Meanwhile, currency values were falling to new lows against the dollar while exports remained slack. As they entered 1983, the European countries faced thorny policy dilemmas: balancing pressures for expansion versus contraction, low versus high interest rates, and social welfare expenditures versus funds for private investment.

Except for Switzerland, unemployment was high throughout Europe. At the start of 1983, Europe as a whole had an unemployment rate of about 10 percent. Yet inflation was not coming down nearly so fast as in the United States and was generally regarded as unacceptably high (Chart 6). Even Germany's inflation, at 4½ percent, was considered too high in terms of its traditional domestic standards.

Most European countries also remained concerned over the size of their government sectors and over their large government budget deficits. Fiscal policies generally remained little changed and in some cases moved toward restraint. At the same time, capital outflows, in part induced by higher interest rates in the United States and sharply falling exchange rates relative to the dollar, were a factor behind the maintenance of fairly restrictive monetary policies.

The strength of the dollar remained a constraint on European policies throughout the year. The dollar, originally buoyed by rising interest rates in the United States in 1981 and the first part of 1982, continued to rise in 1983 despite a widening U.S. current account deficit. Interest rate differentials continued to favor dollar-denominated assets, and the good performance of the U.S. economy made dollar investments doubly attractive. Political and quasi-political considerations, including the debt crisis, stimulated further ''safe haven'' flows to the United States. The foreign exchange market became gripped by a bandwagon mentality, as psychological factors all worked one way and the dollar kept reaching new highs against European currencies. The yen-dollar relationship, in contrast, changed little over the course of the year.

Individual European countries differed in the seriousness of their economic problems and in their degree of policy restraint. Germany and the United Kingdom, starting with lower inflation and declining government deficits relative to GNP, followed slightly more expansionary policies than in the previous year. However, the aggregate growth of output in both countries was slowed by their foreign trade sectors. Germany's exports to other European countries, accounting for about two thirds of German sales abroad, were sluggish until the end of the year. For the United Kingdom, exports were also weak while higher imports satisfied about one third of the total increase in British domestic demand. As a result, real output grew only about 3 percent in Germany and 2½ percent in the United Kingdom from the end of 1982 to the end of 1983.

France and Italy faced the most serious inflation problems among the major European countries. For France, this was compounded by balance-of-payments difficulties. These two countries, therefore, followed relatively restrictive macroeconomic policies. Balance-of-payments positions in both Italy and France improved substantially in 1983. While both countries made some progress on the inflation front during the year, their inflation rates remained above the European average by the year-end, allowing for no policy relaxation. Real GNP changed little in France and rose only modestly in Italy over the course of 1983.

As the year ended, there were signs of an increase in confidence in most European countries. Domestic orders (especially those for investment goods), as well as export orders, picked up in Germany. For the United Kingdom, survey reports suggested that business investment was about to begin expanding once more. In Italy, production declines bottomed out around midyear and moderate economic growth resumed. France also experienced economic growth at the year-end, as consumer spending recovered and external demand continued strong.

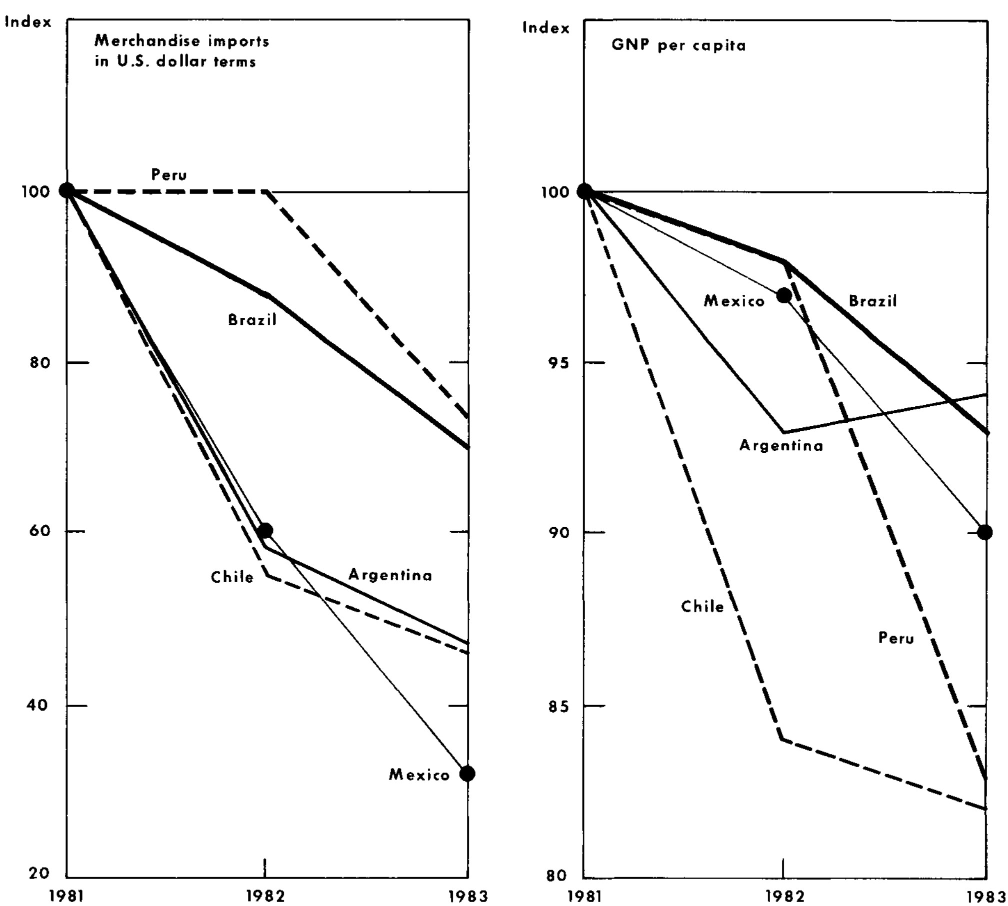
The High-Debt Countries

For many heavily debt-burdened, less developed, countries 1983 was a period of massive austerity with little sign of economic revival as the year ended. These countries continued to suffer declines in economic activity as ongoing foreign debt problems, coupled with related collapses in domestic economic confidence, forced painful economic retrenchment. At the beginning of 1983, almost thirty countries were embroiled in financial difficulties so severe that they required large-scale debt rescheduling along with major domestic economic adjustment. More countries found themselves in that predicament as the year progressed. Among the major borrowers in the group were Argentina, Brazil, Chile, Mexico, Nigeria, the Philippines, Poland, and Venezuela. For these borrowers and their creditors, 1983 was a year-long struggle to try to restore financial and economic viability.

Countries with large debt payments problems generally adopted very stringent economic and budgetary policies during the past two years. Their prime concern was to reduce their current account deficits in the least jarring manner possible to

Chart 7. The debt crisis . . .

forced the high-debt countries to slash imports dramatically . . . **and their per capita income fell sharply.**



meet foreign financing constraints. They also needed to adjust their fiscal policies to their sharply curtailed access to foreign funds and to lower tax revenues. Tax receipts fell both because of declines in economic activity and because of lower tariff receipts as imports were slashed. At the same time, these countries also had to deal with soaring inflation rates, often reaching new records, as large devaluations added to already exceedingly strong price pressures.

The austerity measures undertaken reduced real per capita income in virtually every heavily indebted country. For Argentina, Brazil, Chile, Mexico, and Peru, the declines ranged from more than 5 to nearly 20 percent since 1981 (Chart 7). The construction and industrial sectors were almost always the hardest hit, the very sectors on which most of these countries had pinned their hopes for rapid economic growth and increased employment. Instead, these countries experienced rising unemployment, generally well above 20 percent, while underemployment, always a grave problem, worsened considerably.

The measures undertaken did achieve dramatic reductions in import purchases. Latin America, accounting for most of the debt problems, imported less than $70 billion in 1983, down from $90 billion in 1982 and over $100 billion in both 1980 and 1981. Individual countries showed even more impressive cuts (Chart 7). Mexico's imports in 1983 were only about one third of the 1981 level. In Venezuela, 1983 imports fell 50 percent from the 1982 figure. In Argentina, imports were down 22 percent in 1983 after dropping 42 percent the year before. Chilean imports, having fallen 45 percent in 1982, were down another 10 percent in 1983. Brazil's 23 percent cut in imports last year, after a 12 percent drop in 1982, left its import volume below even the 1974 level.

These massive import reductions fed on each other as many of the high-debt countries had provided important export markets for each other. Import cuts in one country became export declines in another, leading to further cumulative import cuts. This trade dependence was very clear in Latin America. Between 1981 and 1982 total Latin American export receipts declined by nearly $10 billion. Almost half of the fall was in trade with other Latin American countries which were cutting their own imports. Most of the remaining decline was in shipments to debt-troubled Eastern European economies. These trade feedback effects continued in 1983, as imports fell even further in Latin America. At the same time, imports of investment goods and key production materials were among those that were cut sharply, making it more difficult for the debt-burdened countries to increase or even to maintain production capabilities.

While most high-debt countries reduced their imports dramatically, overall economic restructuring plans were more difficult to implement. Measures recommended by the International Monetary Fund (IMF) under its conditional loan programs often clashed with traditional domestic policies, such as complete indexation for inflation, large government subsidies, or rigid public-sector wages. Working out generally acceptable programs was often difficult, and the time it took to reach agreement between the IMF and the borrowing countries varied considerably from country to country.

The speed with which countries could deal with their financial problems in part depended on the amount of adjustment required and on factors underlying their basic payments imbalances. Mexico and Brazil were examples of these differences. Both countries had been running significant current account deficits, averaging 5 percent of GNP from 1979 to 1981. Both then cut their imports sharply, back to their nominal levels of 1978. With these measures Mexico, which had substantially increased its oil exports over the intervening period, managed to achieve a current account surplus by 1983. In contrast, Brazil's current account deficit remained over $6 billion in 1983, mainly because its oil import payments doubled after the second oil price shock.

Mexico, among the first of the major borrowers to announce debt-servicing difficulties during the current crisis, was the first country to show significant improvement. Mexico had a relatively less difficult time than other countries in cutting imports because its foreign purchases had grown exceedingly rapidly during the last oil boom. This, along with an earlier resolution of domestic economic policy debates, allowed Mexico to proceed with debt restructuring more rapidly. The country gained significantly from the process. The rescheduling agreements reduced Mexico's near-term debt service burden, including short-term debt due, by over $25 billion in 1983. The turnaround in Mexico's current account reduced new financing needs. New economic policy measures gave significant incentives to Mexico's manufacturing industries. And confidence began to build again in the Mexican economy, as evidenced by a sharp recovery in Mexico's stock market. For other countries, achieving such a degree of adjustment is taking longer as they have had to deal with more protracted economic policy debates and larger current account imbalances.

The international debt crisis posed difficult problems for lenders as well as borrowers. At the beginnning of the year, international banks had $330 billion in loans to non-OPEC developing countries. Some large banks had overall loan exposures in high-debt countries much greater than their capital base. About half of these loans were either short-term or longer term loans scheduled to come due within the year. A number of countries found they were unable to meet the original payments schedules and, by the end of 1983, banks had requests to reschedule close to $100 billion of their loans. In addition, borrowers were seeking substantial amounts of new loans to meet their continuing financing needs.

The rescheduling negotiations were very arduous, partly because of the large number of creditor banks involved, often in the hundreds for major borrowing countries. The diverse interests of the banks compounded problems. Banks of different sizes and nationalities had different viewpoints and commitments to the international credit market. It was, consequently, extremely difficult to portion out the task of refinance among these creditors. Different regulatory treatment of bank loans in various countries also contributed to coordination difficulties.

Banks were in general accord on one aspect of the rescheduling negotiations, however: the requirement that borrowing countries adopt IMF programs. Banks viewed these programs as commitments by the debtor countries to follow policies necessary to resolve underlying financial difficulties. Consequently, conditional IMF loans became an integral part of the adjustment process since banks usually linked to them the disbursal of their own new loans.

An expansion of IMF funding therefore became crucial in 1983. Without a quota increase, the role of the IMF would have had to change as its resources were extended to the limit. Hence, the protracted U.S. Congressional debate on IMF funding prior to its passage last fall added a major degree of uncertainty to the rescheduling process.

Governments and central banks from creditor countries took an active part in encouraging debt rescheduling negotiations. Emergency financing was provided through Bank for International Settlements swap loans, increased Export-Import Bank credit guarantees, U.S. Commodity Credit Corporation loans, and other arrangements. Official loans were also rescheduled (in what are commonly referred to as "Paris Club" agreements).

Aside from this encouragement and the rescheduling of official debt, however, a firm stance was taken that banks must bear the ultimate responsibility for the loans they had extended. Although some observers called for official assumption of problem country loans or establishment of a multilateral institution to undertake that task, this was not done. In the United States, the Congress passed legislation mandating that there be increased bank provisioning for possible loss against the loans outstanding to several countries with the most serious debt problems. Bank regulatory requirements for foreign loan reporting were also increased. Restrictions on bank accounting of reschedulings and other fees were introduced. The

Securities and Exchange Commission required fuller disclosure of banks' problem loans in published financial statements.

As 1984 began, with many of the more difficult reschedulings negotiated, the deepest worries about the international debt crisis appeared to have subsided. The problems were not resolved and probably cannot be in any comprehensive way for a long time. But progress was being made. Clearly, all the participants still faced monumental challenges. The commercial bank lenders cannot shrink from the problem. Along with other financial institutions in the developed countries, their governments, and the IMF, the banks will have to work out some appropriate forms of channeling capital to the developing countries. Short-term variable-rate bank loans are not the means for transferring savings from rich nations to poor nations. The industrial countries have to provide growing markets for the products of the debtors since expanding exports are obviously essential for the needed restructuring of the debtor countries' economies. And the high-debt countries must follow more viable policies. In particular, they must maintain competitive exchange rates, prices, and interest rates so that they can avoid the past mistakes that have encouraged capital flight and wasted scarce resources on inefficient production for protected markets.

Financial Statements

STATEMENT OF EARNINGS AND EXPENSES FOR THE CALENDAR YEARS 1983 AND 1982 (in dollars)

	1983	1982
Total current earnings	5,141,341,063	5,092,376,638
Net expenses	196,785,846	178,434,858★
Current net earnings	4,944,555,217	4,913,941,780★
Additions to current net earnings:		
Profit on sales of United States Government securities and Federal agency obligations (net)	6,693,696	27,142,214
All other	20,850	17,408
Total additions	6,714,546	27,159,622
Deductions from current net earnings:		
Loss on foreign exchange (net)	111,336,562	37,253,441
All other	116,615	656,034★
Total deductions	111,453,177	37,909,475★
Net deductions	104,738,631	10,749,853★
Assessments by the Board of Governors:		
Board expenditures	17,513,200	15,383,800
Federal Reserve currency costs	41,636,586	22,400,628★
Total assessments	59,149,786	37,784,428★
Net earnings available for distribution	**4,780,666,800**	**4,865,407,499**
Distribution of net earnings:		
Dividends paid	20,884,084	19,582,450
Transferred to surplus	25,823,850	12,929,400
Payments to United States Treasury (interest on Federal Reserve notes)	4,733,958,866	4,832,895,649
Net earnings distributed	**4,780,666,800**	**4,865,407,499**
SURPLUS ACCOUNT		
Surplus—beginning of year	331,612,700	318,683,300
Transferred from net earnings	25,823,850	12,929,400
Surplus—end of year	**357,436,550**	**331,612,700**

★Restated to reflect changes in Federal Reserve System accounting procedures.

STATEMENT OF CONDITION

In dollars

Assets	DEC. 31, 1983	DEC. 31, 1982
Gold certificate account	3,058,029,344	3,211,909,363
Special Drawing Rights certificate account	1,335,000,000	1,335,000,000
Coin	24,192,328	31,564,944
Total	4,417,221,672	4,578,474,307
Advances	124,125,000	90,470,000
Acceptances held under repurchase agreements	418,160,108	1,479,978,181
United States Government securities:		
★Bought outright	49,294,020,471	42,656,356,801
Held under repurchase agreements	1,384,200,000	3,704,305,000
Federal agency obligations:		
Bought outright	2,830,462,845	2,811,153,205
Held under repurchase agreements	207,700,000	587,795,000
Total loans and securities	54,258,668,424	51,330,058,187
Other assets:		
Cash items in process of collection	1,361,852,987	1,629,966,743
Bank premises	25,117,643	24,757,834
Due from Federal Deposit Insurance Corporation for indebtedness assumed	142,666,667	285,333,333
† All other	2,086,313,647	2,509,328,674
Total other assets	3,615,950,944	4,449,386,584
Interdistrict settlement account	447,748,455	871,255,883
Total Assets	**62,739,589,495**	**61,229,174,961**

★Includes securities loaned—fully secured ..... 743,870,000 | 280,200,000

† Includes assets denominated in foreign currencies revalued monthly at market rates .....

STATEMENT OF CONDITION

In dollars

Liabilities	DEC. 31, 1983	DEC. 31, 1982
Federal Reserve notes (net)	49,474,467,588	44,812,432,506
Reserves and other deposits:		
Depository institutions	6,227,619,079	8,882,084,540
United States Treasury—general account	3,660,842,946	5,033,451,366
Foreign—official accounts	77,415,895	170,570,230
Other	513,168,084	586,685,060
Total deposits	10,479,046,004	14,672,791,196
Other liabilities:		
Deferred availability cash items	1,215,482,355	484,833,832
All other	855,720,448	595,892,027★
Total other liabilities	2,071,202,803	1,080,725,859
Total Liabilities	**62,024,716,395**	**60,565,949,561**
Capital Accounts		
Capital paid in	357,436,550	331,612,700
Surplus	357,436,550	331,612,700
Total Capital Accounts	**714,873,100**	**663,225,400**
Total Liabilities and Capital Accounts	**62,739,589,495**	**61,229,174,961**

★Includes exchange translation account balances reflecting the monthly revaluation of outstanding foreign exchange commitments.

Changes in Directors and Senior Officers

CHANGES IN DIRECTORS. In November 1983, the Board of Governors of the Federal Reserve System redesignated John Brademas *Chairman* of the board of directors and *Federal Reserve Agent* for the year 1984. Dr. Brademas, President of New York University, New York, N.Y., has been serving as a Class C director and as *Chairman* and *Federal Reserve Agent* since January 1983. Also in November, the Board of Governors reappointed Gertrude G. Michelson *Deputy Chairman* for the year 1984. Mrs. Michelson, Senior Vice President of R.H. Macy & Co., Inc., New York, N.Y., has been serving as a Class C director since February 1978 and as *Deputy Chairman* since January 1983. At the same time, the Board of Governors reappointed Clifton R. Wharton, Jr., a Class C director for the three-year term beginning January 1, 1984. Dr. Wharton, Chancellor of the State University of New York System, Albany, N.Y., has been serving as a Class C director since January 1983.

In December 1983, member banks in Group 2 elected T. Joseph Semrod a Class A director and reelected John R. Opel a Class B director, each for a three-year term beginning January 1, 1984. Mr. Semrod, Chairman of the Board of United Jersey Bank, Hackensack, N.J., succeeded Peter D. Kiernan, Chairman and President of Norstar Bancorp Inc., Albany, N.Y., who served as a Class A director from January 1, 1981 through December 31, 1983. Mr. Opel, Chairman of the Board of International Business Machines Corporation, Armonk, N.Y., has been serving as a Class B director since January 14, 1981.

Buffalo Branch. In October 1983, the board of directors of this Bank redesignated M. Jane Dickman *Chairman* of the Branch board for the year 1984. Miss Dickman, a partner in the accounting firm of Touche Ross & Co., Buffalo, N.Y., has been a director of the Branch since January 1977 and has been serving as *Chairman* of the Branch board since January 1983. At the same time, the Bank's board appointed Herbert Fort a director of the Buffalo Branch for a three-year term beginning January 1, 1984. Mr. Fort, President of The Bath National Bank, Bath, N.Y., succeeded Carl F. Ulmer, President of The Evans National Bank of Angola, Angola, N.Y., who had been a director of the Branch since January 1981. In January 1984, the Board of Governors of the Federal Reserve System appointed Laval S. Wilson a director of the Buffalo Branch for a term ending December 31, 1986. Dr. Wilson, Superintendent of the Rochester City School District, Rochester, N.Y., succeeded John Rollins Burwell, President of Rollins Container Corp., Rochester, N.Y., who served as a director of the Branch from January 1979 through December 31, 1983.

CHANGES IN SENIOR OFFICERS. The following changes in official staff at the level of Vice President and above have occurred since the publication of the previous *Annual Report:*

Robert C. Thoman, formerly Vice President, Check Processing Function (Utica Office), retired on June 1, 1983. Mr. Thoman joined the Bank's staff in 1950 and became an officer in 1960.

Neal M. Soss, Vice President, was assigned to the Foreign Relations Function upon his return, on October 17, 1983, from a leave of absence as Special Assistant to Chairman Volcker of the Board of Governors of the Federal Reserve System. Effective February 7, 1984, Mr. Soss resigned from the Bank. He had joined the Bank's staff as an officer in 1981.

Effective January 1, 1984:

Suzanne Cutler, Senior Vice President in charge of the Management Planning Group, was assigned responsibility for the Pricing and Promotion Function in addition to her continuing responsibility for the Personnel and the Planning and Control Functions.

Chester B. Feldberg, formerly Vice President, was appointed Senior Vice President with responsibility for the Loans and Credits Function.

Margaret L. Greene, formerly Vice President, was appointed Senior Vice President with responsibility for the Foreign Exchange Function.

Israel Sendrovic, formerly Vice President, was appointed Senior Vice President with responsibility for the Automation Group. Effective March 29, 1984, Mr. Sendrovic resigned from the Bank. He had joined the Bank's staff in 1970 and became an officer in 1975.

Robert M. Abplanalp, formerly Assistant Vice President, was appointed Vice President and assigned to the Planning and Control Function.

Jorge A. Brathwaite, Vice President, formerly assigned to the Government Bond and Safekeeping Function, was assigned to the Electronic Services Function.

Ralph A. Cann, III, Vice President, formerly assigned to the Service Function, was assigned to the Fiscal Services Function.

John M. Eighmy, formerly Assistant Vice President, was appointed Vice President and assigned to the Service Function.

Charles M. Lucas, formerly Assistant Vice President, was appointed Vice President and assigned to the Foreign Exchange Function.

Herbert W. Whiteman, Jr., Vice President, formerly assigned to the Pricing and Promotion Function, was assigned responsibility for the Security Control Group.

Jeffrey R. Shafer, Vice President, formerly assigned to the Research and Statistics Function, was granted a leave of absence on January 16, 1984 to serve as a consultant to the Organization for Economic Cooperation and Development, Paris, France.

Richard Vollkommer, formerly Vice President, Cash Processing Function, retired on March 1, 1984. Mr. Vollkommer had joined the Bank's staff in 1940 and became an officer in 1970.

Paul B. Henderson, Jr., formerly Senior Adviser for Strategic Developments, retired on April 1, 1984. Mr. Henderson had joined the Bank's staff as an officer in 1974.

Directors of the Federal Reserve Bank of New York

DIRECTORS	*Term expires Dec. 31*	*Class*	*Group*
ALFRED BRITTAIN III Chairman of the Board, Bankers Trust Company, New York, N.Y.	1985	A	1
T. JOSEPH SEMROD Chairman of the Board, United Jersey Bank, Hackensack, N.J.	1986	A	2
ROBERT A. ROUGH President, The National Bank of Sussex County, Branchville, N.J.	1984	A	3
WILLIAM S. COOK President and Chief Executive Officer, Union Pacific Corporation, New York, N.Y.	1985	B	1
JOHN R. OPEL Chairman of the Board, International Business Machines Corporation, Armonk, N.Y.	1986	B	2
EDWARD L. HENNESSY, JR. Chairman of the Board, Allied Corporation, Morristown, N.J.	1984	B	3
JOHN BRADEMAS, *Chairman and Federal Reserve Agent* President, New York University, New York, N.Y.	1985	C	
GERTRUDE G. MICHELSON, *Deputy Chairman* Senior Vice President, R.H. Macy & Co., Inc., New York, N.Y.	1984	C	
CLIFTON R. WHARTON, JR. Chancellor, State University of New York System, Albany, N.Y.	1986	C	

DIRECTORS—BUFFALO BRANCH

M. JANE DICKMAN, *Chairman* Partner, Touche Ross & Co., Buffalo, N.Y.	1985
EDWARD W. DUFFY Chairman of the Executive Committee, Marine Midland Banks, Inc., Buffalo, N.Y.	1984
GEORGE L. WESSEL President, Buffalo AFL-CIO Council, Buffalo, N.Y.	1984
FREDERICK G. RAY Chairman of the Board, Rochester Community Savings Bank, Rochester, N.Y.	1985
DONALD I. WICKHAM President, Tri-Way Farms, Inc., Stanley, N.Y.	1985
HERBERT FORT President, The Bath National Bank, Bath, N.Y.	1986
LAVAL S. WILSON Superintendent, Rochester City School District, Rochester, N.Y.	1986

MEMBER OF FEDERAL ADVISORY COUNCIL—1984

LEWIS T. PRESTON Chairman of the Board, Morgan Guaranty Trust Company of New York, New York, N.Y.	1984

Officers of the Federal Reserve Bank of New York

ANTHONY M. SOLOMON, *President*
THOMAS M. TIMLEN, *First Vice President*

SAM Y. CROSS, *Executive Vice President*
Foreign Group

PETER FOUSEK, *Executive Vice President and Director of Research*
Research and Statistics

RONALD B. GRAY, *Executive Vice President*
Bank Supervision

JAMES H. OLTMAN, *General Counsel*

PETER D. STERNLIGHT, *Executive Vice President*
Open Market Operations

AUDIT

JOHN E. FLANAGAN, *General Auditor*
ROBERT J. AMBROSE, *Assistant General Auditor*
LORETTA G. ANSBRO, *Audit Officer*
EDWARD J. CHURNEY, *Manager, Auditing Department*
H. ALLAN VIRGINIA, *Manager, Audit Analysis Department*

ADMINISTRATIVE SERVICES GROUP

EDWIN R. POWERS, *Vice President*
JEROME P. PERLONGO, *Manager (Night Officer)*

ACCOUNTING

CATHY E. MINEHAN, *Vice President*
LEON R. HOLMES, *Assistant Vice President*
DONALD R. ANDERSON, *Manager, Accounting Department*
KATHLEEN A. O'NEIL, *Manager, Accounting Department*
JOSEPH R. PRANCL, JR., *Operations Analysis Officer*

SERVICE

JOHN M. EIGHMY, *Vice President*
RONALD E. LONG, *Assistant Vice President*
MATTHEW C. DREXLER, *Manager, Building Planning Department*
JOSEPH C. MEEHAN, *Manager, Building Operating Department*
JASON M. STERN, *Manager, Records, Printing, and Postal Services Department*
RUTH ANN TYLER, *Manager, Service Department*

AUTOMATION GROUP

DATA PROCESSING

PETER J. FULLEN, *Vice President*
HOWARD F. CRUMB, *Assistant Vice President*
GEORGE LUKOWICZ, *Assistant Vice President*
RONALD J. CLARK, *Manager, Communications and Technical Services Department*
JAMES H. GAVER, *Manager, Analytical Computer Department*
PETER M. GORDON, *Manager, Computer Operations Support Department*
JOHN C. HEIDELBERGER, *Manager, Telecommunications Operations Department*
KENNETH M. LEFFLER, *Manager, General Purpose Computer Department*

SYSTEMS DEVELOPMENT

SUSAN C. YOUNG, *Vice President*
BARBARA R. BUTLER, *Assistant Vice President*
OM P. BAGARIA, *Manager, Funds Transfer Systems Staff*
VIERA A. CROUT, *Manager, Operations Systems Department*
PATRICIA Y. JUNG, *Manager, Data Systems Department*
HARRY Z. MELZER, *Manager, Common Systems Department*
MONIKA K. NOVIK, *Manager, Data Systems Department*

BANK SUPERVISION

RONALD B. GRAY, *Executive Vice President*
A. MARSHALL PUCKETT, *Vice President*
FREDERICK C. SCHADRACK, *Vice President*
STEPHEN G. THIEKE, *Vice President*
GEORGE R. JUNCKER, *Chief Compliance Examiner*

Officers *(Continued)*

LEON KOROBOW, *Assistant Vice President*
ROBERT A. O'SULLIVAN, *Chief Financial Examiner*
BENEDICT RAFANELLO, *Adviser*
WILLIAM L. RUTLEDGE, *Assistant Vice President*
JAMES P. BARRY, *Assistant Chief Examiner*
JOHN M. CASAZZA, *Assistant Chief Examiner*
EUGENE P. EMOND, *Manager, Supervision Support Department*
A. JOHN MAHER, *Assistant Chief Examiner*
THOMAS P. MCQUEENEY, *Assistant Chief Examiner*
GERALD P. MINEHAN, *Manager, Foreign Banking Applications Department*
DONALD E. SCHMID, *Manager, Bank Analysis Department*

ECONOMIC ADVISER

RICHARD G. DAVIS, *Senior Economic Adviser*

FOREIGN GROUP

SAM Y. CROSS, *Executive Vice President*

FOREIGN EXCHANGE

MARGARET L. GREENE, *Senior Vice President*
CHARLES M. LUCAS, *Vice President*
PETER S. HOLMES, *Foreign Exchange Trading Officer*
PATRICIA H. KUWAYAMA, *Manager, Foreign Exchange Department*

FOREIGN RELATIONS

IRWIN D. SANDBERG, *Senior Vice President*
JOHN HOPKINS HEIRES, *Adviser*
GEORGE W. RYAN, *Assistant Vice President*
GEORGE R. ARRINGTON, *Manager, Foreign Relations Department*
GEORGE H. BOSSY, *Manager, Foreign Relations Department*
FRANCIS J. REISCHACH, *Manager, Foreign Relations Department*

LEGAL

JAMES H. OLTMAN, *General Counsel*
ERNEST T. PATRIKIS, *Deputy General Counsel*
DON N. RINGSMUTH, *Assistant General Counsel*
DONALD L. BITTKER, *Assistant Counsel*
ROBERT N. DAVENPORT, JR., *Assistant Counsel*
JEFFREY F. INGBER, *Assistant Counsel and Assistant Secretary*
JOYCE E. MOTYLEWSKI, *Assistant Counsel*
BRADLEY K. SABEL, *Secretary and Assistant Counsel*
*MINDY R. SILVERMAN, *Assistant Counsel*
WALKER F. TODD, *Assistant Counsel*
RALEIGH M. TOZER, *Assistant Counsel*

LOANS AND CREDITS

CHESTER B. FELDBERG, *Senior Vice President*
ROBERT T. FALCONER, *Assistant Vice President*
GARY HABERMAN, *Manager, Credit and Discount Department*
FRANKLIN T. LOVE, *Manager, Credit and Discount Department*

MANAGEMENT PLANNING GROUP

SUZANNE CUTLER, *Senior Vice President*

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*TERRENCE J. CHECKI, *Assistant Vice President*
CARL W. TURNIPSEED, *Assistant Vice President*
ROBERT C. SCRIVANI, *Manager, Personnel Department*

PLANNING AND CONTROL

ROBERT M. ABPLANALP, *Vice President*
AARON S. DRILLICK, *Manager, Management Information Department*
NIRMAL V. MANERIKAR, *Manager, Management Information Department*

**On leave of absence.*

Officers *(Continued)*

PRICING AND PROMOTION

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BRUCE A. CASSELLA, *Bank Services Officer*
MARCOS T. JONES, *Manager, Pricing Administration Department*
BETSY BUTTRILL WHITE, *Manager, Pricing Administration Department*

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MARY R. CLARKIN, *Assistant Vice President*
EDWARD J. OZOG, *Assistant Vice President*
JOAN E. LOVETT, *Manager, Securities Department*
CHRISTOPHER J. MCCURDY, *Research Officer and Senior Economist*
ANN-MARIE MEULENDYKE, *Manager, Securities Department*

OFFICE OF THE PRESIDENT

BARBARA L. WALTER, *Assistant to the President*

OPERATIONS GROUP

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WILLIAM M. SCHULTZ, *Adviser*

CASH PROCESSING

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MARTIN P. CUSICK, *Manager, Paying and Receiving Department*
THOMAS J. LAWLER, *Manager, Currency Verification Department*
CHARLES E. ROCKEY, *Manager, Currency Services Department*
LILLIE S. WEBB, *Manager, Currency Verification Department*

**On leave of absence.*
†Retires May 1, 1984.

CHECK PROCESSING

JAMES O. ASTON, *Vice President*
†LOUIS J. BRENDEL, *Regional Manager (Jericho Office)*
HARRY A. CURTH, JR., *Regional Manager (Utica Office)*
FRED A. DENESEVICH, *Regional Manager (Cranford Office)*
ANTHONY N. SAGLIANO, *Regional Manager (Jericho Office)*
*JOHN F. SOBALA, *Assistant Vice President*
JANET L. WYNN, *Assistant Vice President*
STEVEN J. GAROFALO, *Operations Analysis Officer*
PAUL L. MCEVILY, *Manager, Check Services Department*
DONALD R. MOORE, *Manager, Check Processing Department*
THOMAS E. NEVIUS, *Manager, Check Adjustment Department*

ELECTRONIC SERVICES

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HENRY F. WIENER, *Assistant Vice President*
H. JOHN COSTALOS, *Manager, Securities Transfer Department*
ROBERT W. DABBS, *Manager, Funds Transfer Department*
ANDREW HEIKAUS, *Manager, Funds Transfer Department*

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FRANK C. EISEMAN, *Assistant Vice President*
JOSEPH J. GRIMSHAW, *Manager, Safekeeping Department*
ANGUS J. KENNEDY, *Manager, Government Bond Department*
JOHN J. STRICK, *Manager, Savings Bond Department*

PUBLIC INFORMATION

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RICHARD H. HOENIG, *Assistant Vice President*
MARGARET E. BRUSH, *Manager, Public Information Department*

Officers *(Continued)*

RESEARCH AND STATISTICS

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RICHARD J. GELSON, *Vice President*
*JEFFREY R. SHAFER, *Vice President*
M. AKBAR AKHTAR, *Assistant Director of Research*
EDWARD J. FRYDL, *Assistant Director of Research*
WILLIAM J. GASSER, *Assistant Director of Research*
JOHN WENNINGER, *Assistant Director of Research*
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†STEPHEN V. O. CLARKE, *Research Officer and Senior Economist*
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EDNA E. EHRLICH, *Research Officer and Senior Economist*
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GERALD HAYDEN, *Manager, Research Support Department*
SUSAN F. MOORE, *Manager, Statistics Department*
CARL J. PALASH, *Research Officer and Senior Economist*
DAVID L. ROBERTS, *Research Officer and Senior Economist*
LEONARD G. SAHLING, *Research Officer and Senior Economist*

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JEFFREY F. INGBER, *Assistant Counsel and Assistant Secretary*
THEODORE N. OPPENHEIMER, *Assistant Secretary*

SECURITY CONTROL GROUP

HERBERT W. WHITEMAN, JR., *Vice President*

ELECTRONIC SECURITY

RICHARD P. PASSADIN, *Security Officer*

PROTECTION

ROBERT V. MURRAY, *Assistant Vice President*

SECURITY CONTROL

JOHN CHOWANSKY, *Security Control Adviser*

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PETER D. LUCE, *Assistant Vice President*

ACCOUNTING; CASH; CREDIT, DISCOUNT, AND FISCAL AGENCY

GARY S. WEINTRAUB, *Cashier*

BANK SERVICES AND PUBLIC INFORMATION; PERSONNEL; PROTECTION

ROBERT J. McDONNELL, *Operations Officer*

BUILDING OPERATING; CHECK; SERVICE

DAVID P. SCHWARZMUELLER, *Operations Officer*

**On leave of absence.*
†Retires May 1, 1984.

THE SECOND FEDERAL RESERVE DISTRICT