

Federal Reserve Notes

FEDERAL RESERVE BANK OF SAN FRANCISCO • JULY 1975

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MAYER REPRESENTS WEST ON ADVISORY COUNCIL

James B. Mayer has been appointed as the Twelfth Federal Reserve District's representative on the Federal Advisory Council, President John J. Balles announced. Mayer is Chairman of the Board and Chief Executive Officer of the Valley National Bank of Arizona.

The 12-member Advisory Council, which consists of one representative from each of the Federal Reserve Districts, meets four times a year in Washington, D.C., with the Federal Reserve System's Board of Governors. The Council confers with the Board on economic and banking matters and makes recommendations regarding System operations and policies.

Valley National is the largest bank in Arizona with reported total resources of more than \$3 billion at year-end 1974. It is headquartered in Phoenix and serves Arizona through more than 150 offices.


A director of Valley National Bank since 1956, Mayer was elected chairman of the board in 1972, and named chairman and chief executive officer the following year. He assumed responsibilities of the chairman's office after completing a 25-year career with Producers Cotton Oil Company, which operates an extensive agri-business enterprise in California and Arizona.

Mayer is a California native and graduate of Fresno State University. After earning an AB degree in Economics in 1937 he served as Deputy Mayor of the City of Fresno.



J. B. Mayer

A nationally recognized cotton industry leader, he is a past director of the National Cotton Council, Western Cotton Shippers Association, Cotton Council International, and the National Cottonseed Products Association, of which he is past-president.


He is a former director of the California State Chamber of Commerce and a past-president of the Fresno Junior Chamber of Commerce and the Fresno County and City Chamber of Commerce. He has served on the advisory boards to the business schools of both Fresno State University and Arizona State University, as well as the President's Advisory Board at Fresno. In 1972 and 1973 he was on the Advisory Board of the Federal National Mortgage Association. His numerous civic, educational and business-related activities in California and Arizona include service currently as director of the Central Arizona Project, Phoenix's Valley Forward Association, and the Roosevelt Council of the Boy Scouts of America. Among other affiliations, he is a member of the Association of Reserve City Bankers. 

BICENTENNIAL BONDS ARE NOW ON SALE

Newly designed Bicentennial Savings Bonds are now on sale throughout the West to commemorate the nation's 200th birthday.

According to Senior Vice President Gerald R. Kelly, only the appearance of the Series E bonds has been changed to celebrate the founding of the Republic. The rates, terms and conditions of the bonds are not affected.

Savings bonds account for nearly one-fourth of the publicly held portion of the national debt, and are familiar to hundreds of millions of Americans dating back to the famed bond drives of World War II. Series E bonds are obligations of the Federal government and are sold at 75 percent of maturity value. A \$25 bond, for example, costs \$18.75. The bonds pay 6 percent when held five years to maturity.

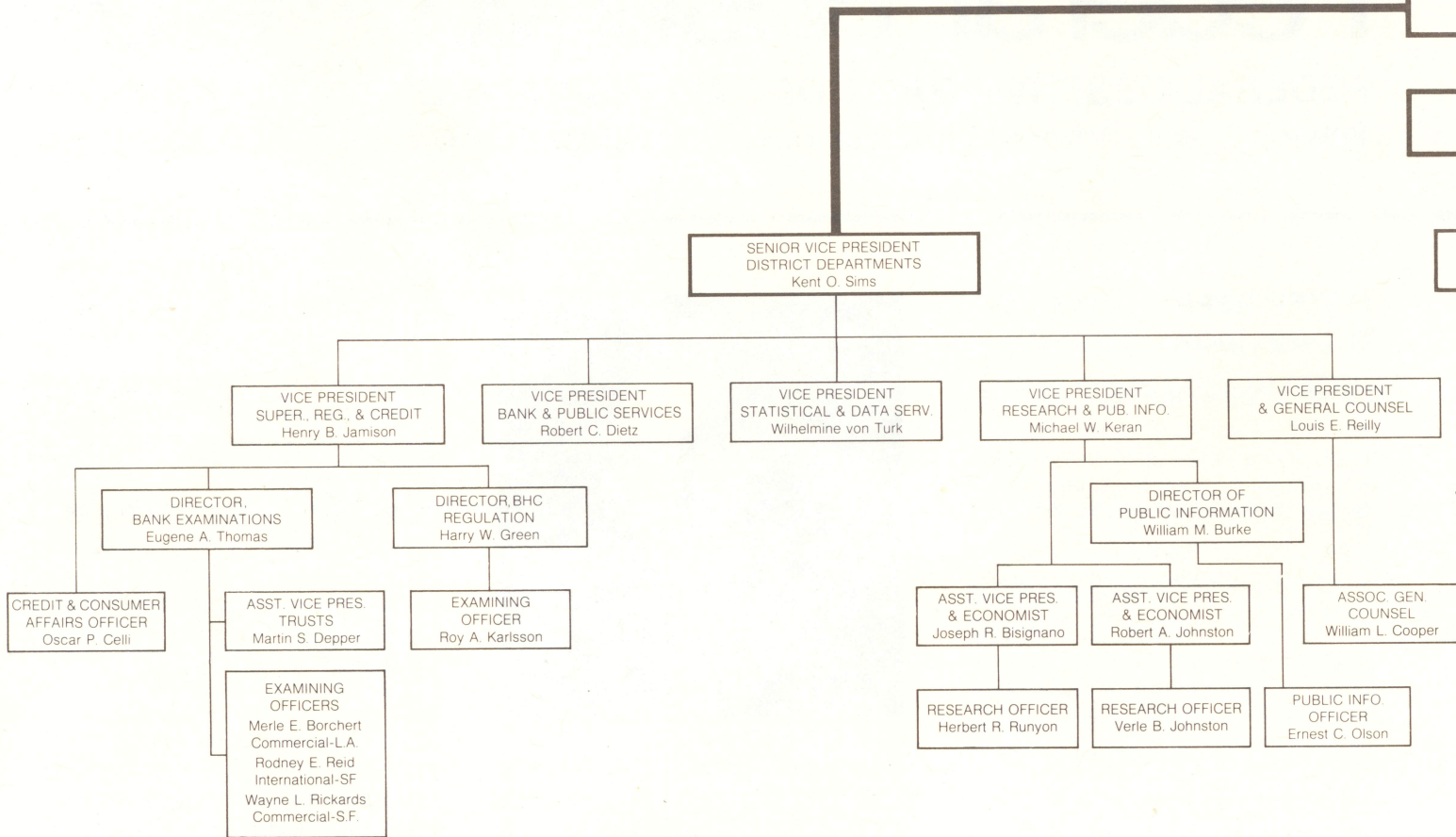
Savings bonds sales recently set a postwar record paced by the best fourth quarter sales since 1945. More than 13½ million savings bonds were issued in the Twelfth District alone in 1974, through the San Francisco Fed as well as the West's 6,000 banking offices and other agents. This represented an increase of \$20 million—from \$640 million in 1973 to \$660 million last year. The San Francisco Fed also reissued and replaced about \$90 million in savings bonds. 

PEOPLE TO CONTACT

The completion of a major bank reorganization creates a new structure (as of August 1) as shown in charts on pages 2 and 3. In coming months we will provide further details.

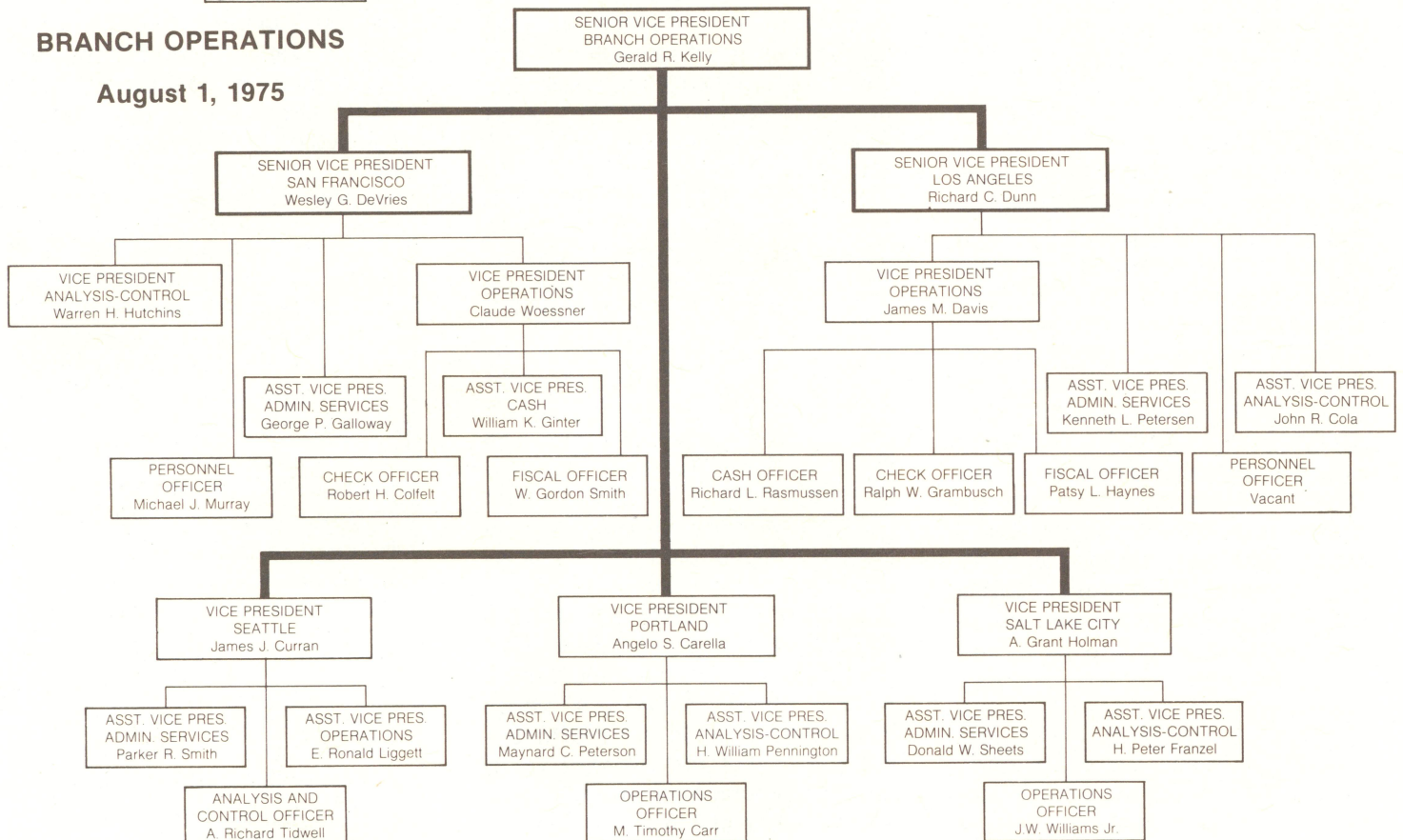
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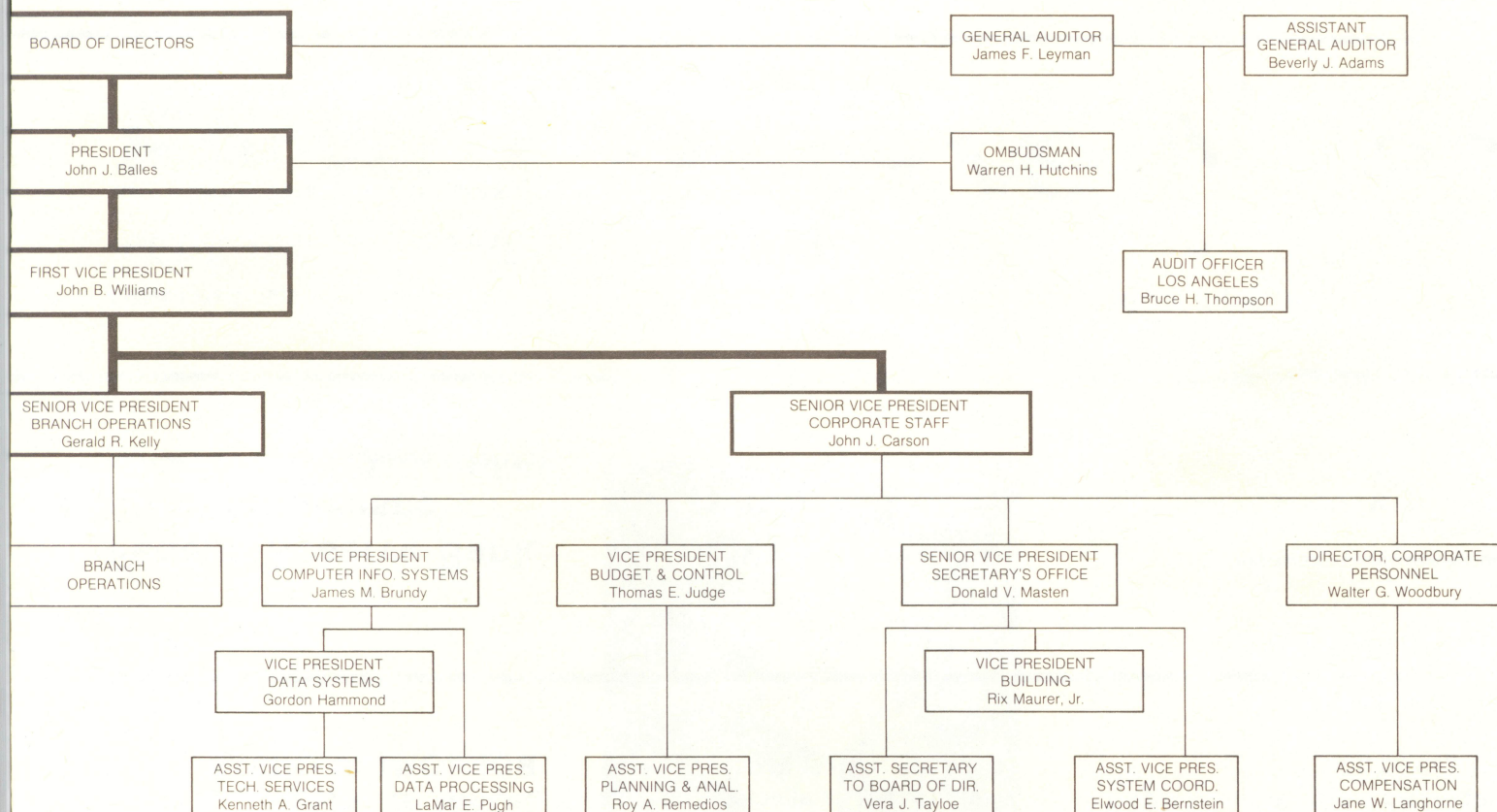
August 1, 1975



BRANCH OPERATIONS

August 1, 1975





PACIFIC BASIN CONFERENCE FOSTERS INTERNATIONAL COOPERATION

Economists and central bankers from 14 nations converged on San Francisco in late May to attend a first-of-its-kind economic conference hosted by the Federal Reserve Bank of San Francisco. Participants discussed topics of special interest to Pacific Basin nations and considered ways of promoting future research cooperation. In particular, they reviewed the current state of the art in macro-econometric model-building as it relates to the making of economic policy.

Monetary authorities from Australia, Canada, the Republic of China, Hong Kong, Indonesia, Japan, Korea, Malaysia, New Zealand, the Philippines, Singapore, Thailand and the United States attended the conference.

In the keynote address to the delegates, Dr. Lawrence R. Klein, Benjamin Franklin Professor of Economics at the University of Pennsylvania's Wharton School, called for interna-



L. R. Klein

tional cooperation in developing and linking econometric models.

"I am not recommending naive enslavement of central bankers to their econometric models for policy formation," Klein said. "But I am recommending that they use such

information regularly, together with many diverse sources of information and with proper allowance for expected margins of error."

According to Klein, economists should construct models on a wide range of topics. High on his list is modeling for the demand and supply of essential food products and basic resources. Rubber, tin, rice, grains, cotton, ores, dairy products, sugar, tropical fruit, mineral fuel, and wool are among the key commodities produced in the Pacific Basin area.

"These products are supplied in massive amounts by Pacific Basin countries," Klein said. "Commodity modeling is important because these products enjoy a world-wide market and their prices are determined by a balancing of world supply against world demand. In order to have good estimates of the export earnings of primary producing countries, it is (continued on page 4)

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(continued from page 3)

necessary to estimate the world price and equations of the supply process. This can be done by first building world commodity models and then fitting them into a country-linked system."

Klein said that sophisticated and comprehensive model-building would take on increasing importance to political entities as more and more nations become oriented to the emerging reality of global marketing,


BANKS URGED TO TIGHTEN SECURITY

In the face of mounting crimes perpetrated against banks, the Federal Reserve System has urged financial institutions to strengthen their security programs.


Six common weaknesses in bank security were cited by the Fed:

- * Surveillance cameras are not always installed where needed or properly maintained to provide useful pictures;
- * "Bait money" frequently is not provided for each teller and identification such as denomination and serial number is not adequate to be used as evidence in a trial;
- * Alarm systems are not adequately tested and serviced and often fail;

selling and market forces. The consumer too will be affected. The price of South American coffee or sugar can have a very real effect on the consumption decisions of Americans.

Klein called the model-building process an enormously challenging task but not a hopeless one. "We have already made a solid beginning. Now it is up to economists from throughout this great trading area and around the world to press forward to what is still uncharted economic territory." 

- * Teller cash is not always kept at a minimum, as a means of reducing possible bank losses;
- * Bank property is often exposed to view and not sufficiently guarded;
- * Appropriate security training is not always provided for tellers—something that could provide valuable assistance to law-enforcement agencies in apprehending and convicting criminals.

According to the Federal Bureau of Investigation, crimes against federally insured and regulated financial institutions have increased sharply. There were a record 2,817 robberies, 359 burglaries, and 309 larcenies in fiscal year 1974. The total of such offenses rose from 3,172 in 1973 to a new high of 3,485 in 1974. 

BORROWING COSTS DOWN IN WEST

Business borrowing costs at major West Coast banks continued to decline through May, according to the latest quarterly interest-rate survey conducted by the San Francisco Fed. The next (August) survey may show different results, however, in view of the early July rise in the prime rate.

During the May 1-15 survey period, the average rate on regular short-term business loans was 8.33 percent—166 basis points below last February's figure and 382 basis points below last summer's record high 12.15 percent. This decline, like the comparable decline on revolving-credit loans to 7.84 percent, reflected the generally lower level of money-market rates and the six reductions in the prime business-loan rate which occurred during the latest survey period.

The decline in interest rates was nearly the same for both the largest and smallest loan categories. On regular short-term loans of \$1 million and over, the average rate fell 166 basis points to 8.18 percent in May, while on loans under \$10,000, the average fell 151 basis points to 9.72 percent. 