Volcker Appointed New Fed Chairman

President Carter appointed Paul A. Volcker to replace G. William Miller as Chairman of the Federal Reserve Board of Governors on July 25. Senate confirmation hearings for Volcker are scheduled for late July, immediately following the confirmation hearings for Miller as new Secretary of the Treasury.

Volcker has been President of the Federal Reserve Bank of New York for the past four years. He is no stranger to Washington, however. He worked at the U.S. Treasury between 1962 and 1965, first as Director of Financial Analysis and later as a Deputy Under Secretary. After a tour of duty with Chase Manhattan Bank, he rejoined the Treasury as Under Secretary for Monetary Affairs in 1969. He held that post until (Continued on page 2)

Miller Hits Inflation in Final Fed Speech

Federal Reserve Chairman G. William Miller spent a day in San Francisco on July 19 — and during that day he gave a speech at the Commonwealth Club, presided over a substantial increase in the Federal Reserve discount rate, and accepted appointment as the new Secretary of the Treasury.

The discount-rate increase, from 9 1/2 percent to a record-breaking 10 percent, reflected the inflationary pressures discussed by Miller in his talk. The Board of Governors, in approving the action, described it as a step to strengthen the dollar on the foreign-exchange markets and to dampen the growth of the monetary aggregates, which recently have been increasing at a rapid pace. The Board also noted the need to bring the discount rate into line with short-term market rates. The discount rate is the interest rate which member banks pay whenever they borrow from their District Federal Reserve Banks.

In his Commonwealth Club speech, Miller said that the failure to pay for the Vietnam War planted the seeds of inflation. But he added, "Inflation was nourished by inadequate policies — policies that, in retrospect, did not arrest the underlying inflationary pressures. As a result, our present inflation involves not only cyclical forces, but also structural anomalies. Large Federal deficits, excessive government regulation, declines in productivity, legis-
FED PROMOTES MARTIN, FLYNN

The Federal Reserve Bank of San Francisco made a number of appointments, effective August 1, to complete a reorganization of its computer and operations functions. The new appointments followed last month’s promotion of Kenneth A. Grant to Senior Vice President, Computer Services, and Vice President H. Peter Franzel’s assumption of added responsibilities for Bank Operations at the Bank’s San Francisco office.

In the computer area, Hector Martin was promoted to Vice President, Computer Services, with responsibility for District Computer Operations and Branch Data Systems. In addition, S. Lee Flynn was promoted to Director, Computer Systems, with responsibility for all San Francisco Data Applications Systems. Both Mr. Martin and Ms. Flynn will continue to report to Mr. Grant.

Martin, a graduate of the University of Havana, joined the Bank as Director of Computer Operations in 1975. For the preceding 11 years, he worked with Crocker National Bank in the field of computer operations.

Flynn, a graduate of the University of Oklahoma, joined the Bank as a Project Analyst in 1975, and after several promotions, became Systems Officer in early 1979. Her previous experience was with Levi Strauss and Co.

Also in the computer area, Patrick Tong was promoted to Computer Operations Officer, and Charles Bowman was promoted to Computer Systems Officer. Tong will be responsible for San Francisco Computer Operations, and Bowman will be responsible for Systems Support and Development for San Francisco Bank Operations.

In the operations function, Carl Powell was appointed Operations Support Officer. Mr. Powell was formerly with the Federal Reserve Bank of Kansas City. James Warren was promoted to Electronic Payments Officer, with responsibility for ACH/Communications activities for the San Francisco office.

Separately, the Bank announced the retirements of two veteran operations officers. Vice President Claude Woessner (System Fiscal Resource Sharing Project) will retire on August 1, and Assistant Vice President E. E. Bernstein (Payments Services) will retire on October 1.

FED ANNOUNCES IBA PROPOSALS

The Federal Reserve Board of Governors made several proposals this month to implement the International Banking Act of 1978 (IBA), through revisions of the Board’s Regulation D (Reserves of Member Banks) and its Regulation Q (Interest on Deposits). The Board said that the proposals were intended “to facilitate the conduct of monetary policy, and to promote vigorous and fair competition between branches and agencies and member banks, by treating branches and agencies like member banks to the fullest extent possible.”

In general terms, the Board’s proposals would:

• Apply all the provisions of Reg D and Reg Q to the branches and agencies of foreign banks operating in the United States, where the parent banks have worldwide assets of $1 billion or more.
• Permit discount-window borrowing privileges to any such branch or agency which maintains a required reserve balance with a Reserve Bank.
• Make Federal Reserve services — such as check collection, currency and coin supply, securities safekeeping, and wire-transfer services — available to branches and agencies which maintain such reserve accounts.

VOLCKER NAMED

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1974, during which time he became a leading figure in dealing with a recurring series of world financial crises, including the historic shift in 1973 to a regime of floating exchange rates.

Born in 1927, Volcker earned a B.A. at Princeton in 1949 and an M.A. at Harvard in 1951. He spent the following year at the London School of Economics, and worked as an economist throughout the next decade at the New York Fed and Chase Manhattan Bank.
SOUTHERN CALIFORNIA LEADERS GIVE SEND-OFF TO ANTHONY DOLLAR

About 500 million Susan B. Anthony dollar coins began to circulate throughout the nation on July 2, and the introductory ceremonies were especially noteworthy in Southern California. One distinctive ceremony was the presentation of the coin to a number of women legislators by Mrs. Howard Ahmanson, Chairman of the Los Angeles Branch of the Federal Reserve Bank of San Francisco. Mrs. Ahmanson (center photo, left) is shown presenting the coin to Supervisor Yvonne B. Burke, of the Los Angeles County Board of Supervisors. Other legislators involved in the ceremony were Councilwomen Peggy Stevenson, Joy Picus and Pat Russell, of the Los Angeles City Council, and Mrs. Bee Lavary, Chief Protocol Officer for Los Angeles Mayor Tom Bradley. The left photo shows a coin presentation involving (left to right) Chuck Clark, Honorary Mayor of Newhall-Saugus-Valencia, and James D. McMahon, Director of the Los Angeles Branch of the Federal Reserve Bank of San Francisco, and President of Santa Clarita National Bank (Newhall). The right photo shows another presentation involving (left to right) Doug Best, Mayor of the City of Escondido, and Harvey J. Mitchell, Director of the Los Angeles Branch of the Federal Reserve Bank of San Francisco, and President of the First National Bank of San Diego County (Escondido).

FED SEES BANK ROLE FOR COMMERCIAL PAPER

The Federal Reserve’s legal staff ruled this month that commercial banks can offer corporations commercial-paper services similar to those offered by investment-banking firms. In a letter to Bankers Trust Company, Board General Counsel Neal L. Petersen said that such a service does not violate the ban in the Glass-Steagall Act on bank securities underwriting.

Petersen pointed out that commercial paper is the equivalent of a short-term loan. Thus, he concluded, “It is the business of commercial banking for a commercial bank to purchase and sell paper for the bank’s own account, provided that such sales are to purchasers to whom commercial banks normally sell loan participations as the lead organization.”

Petersen noted several qualifications, however. “To constitute commercial paper (and thus be exempt from the ban),” he said, “the paper must be sold to sophisticated purchasers and not to members of the general public.” He also said that the sale of paper should be limited to purchasers, such as institutional investors, to whom commercial banks normally sell participations in loans.

The securities industry has objected to the Bankers Trust activity, charging that the bank is violating the Glass-Steagall Act by dealing in the paper when necessary to facilitate a sale. According to industry sources, the Securities Industry Association may petition the Board of Governors to overrule its staff’s legal opinion.

CONSUMER CREDIT FILM AVAILABLE

A film illustrating the rights of individuals under Federal consumer-credit laws and regulations can now be borrowed by commercial banks and other groups. Entitled To Your Credit, the 15-minute, 16mm color film was produced by the Federal Reserve Bank of Philadelphia.

The film highlights the consumer protections afforded by the Truth in Lending, Equal Credit Opportunity, Fair Credit Billing, and Fair Credit Reporting Laws.

For further information, contact the Public Information Section at the Reserve Bank’s San Francisco office — (415) 544-2184 — or call the Bank and Public Relations Department at any of the Bank’s other offices.
MILLER SPEECH
(Continued from page 1)
and price increases. Third was the action taken last November 1 to halt the slide of the dollar. Fourth was the new direction in energy policies, designed to reduce our dependence on foreign oil.

Most importantly, Miller cited the pursuit of a monetary policy designed "to reduce progressively the rate of increase in money and credit, and to slow, deliberately, the rate of growth of the economy to a more sustainable level." Because of the cumulative effect of all the new directions, Miller claimed that there are no major imbalances in the structure of the economy today.

The Chairman argued, however, that victory over inflation will require the pursuit of long-term policy goals which he had discussed in a San Francisco speech a year ago. The first new direction is a commitment to fiscal prudence, with the aim of reducing the role of the Federal government in the economy. Other new directions involve the expansion of the export trade, and a program of tax reductions once a balanced Federal budget is reached. He said he wanted to see "reductions in payroll taxes to aid individuals while at the same time reducing costs that go into prices, and reductions for businesses which are tied directly to expenditures for new plant and equipment."

Miller argued in particular for a new program to make up for the sluggish productivity and other problems attributable to a prolonged period of under-investment. He urged specifically the adoption of a "1-5-10" formula. This formula stands for a "a new policy of liberalized depreciation under which all mandated investments for environment, safety and health would be written off in one year; all new investments for productive equipment would be written off in five years; and all capital in structures and permanent facilities would be written off in ten."

By following his proposed new directions, Miller claimed, "We can change our habits from consumption to investment; we can save for future growth; we can begin to put back what we have taken out. But we must have the patience and strength to wait for our policies to bear fruit."