PRESTON MARTIN
ON MONETARY POLICY

In a speech before community leaders of the San Francisco Bay Area, Preston Martin, vice chairman of the Federal Reserve System's Board of Governors, stressed "the budgetary and economic opportunities" before the Congress and the Administration.

Dividing his talk into a review of the nation’s economic progress and a reaffirmation of the Fed’s monetary policy, Martin began by naming some preliminary signs of long-term sustained economic growth. He noted "the scattered cooperative efforts by management and labor to reduce costs and increase productivity" in the private sector. The combination, he concluded, had slowed the upward trend in unit labor costs which are a fundamental determinant of the underlying rate of inflation.

From the government sector, "we have seen an initial step toward fiscal policies that can create a more positive economic environment." Martin cited last year’s tax bill to reduce the budget deficit that "still provides incentives for private sector investment." Nevertheless, he felt much more needs to be done to reduce the federal share of total funds raised in credit markets lest the government crowd out some private sector investment that would be part of a recovery.

He added that the pressure of financing government debts will also bear on monetary policy, for which the situation "presents a dual-edged problem." A high deficit accommodated by monetary policy would reignite inflationary fires, but without an accommodating growth in the money

NEW MEMBERS ON CONSUMER ADVISORY COUNCIL

On November 24, the Federal Reserve Board named thirteen new members to its Consumer Advisory Council to replace members whose terms are expiring. The Board also designated a new Council Chairman and Vice Chairman.

Ms. Susan Pierson De Witt was named Chairman to succeed Mrs. Charlotte H. Scott, a professor at the Colgate Darden Graduate School of Business Administration at the University of Virginia, Charlottesville. Ms. De Witt is Assistant Attorney General and Chief of the Consumer Protection Division for the State of Illinois.

Mr. William J. O’Connor, Jr., a partner in a law firm in Buffalo, New York succeeds Dr. Margaret Reilly-Petrone as Vice Chairman. Dr. Reilly-Petrone is Professor of Economics at Montclair State College, Upper Montclair, New Jersey.

Among the thirteen new members named to three-year terms is Kenneth V. Larkin, Executive Vice President of the Bank of America. Mr. Larkin has been with Bank of America for 37 years. From 1967 to the present, he has served as director of marketing and been in charge of installment credit and credit card activities within the bank. He is currently senior consultant to the bank on global retail banking. He is on the board of directors of VISA U.S.A., VISA International, Finance America Corporation, the California Bankers Association, and the Student Loan Marketing Association.

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supply, deficit financing could put severe strains on the financial market.

In outlining the prospects for a sustained recovery, Martin did not neglect the "economic setbacks" that have resulted from the "disinflationary process" of the past few years. "We have experienced the unfortunate transition costs of reversing a momentum of wage and price advances that have built up and become ingrained in our economy since the late 1960s." He reviewed the high unemployment rate and poor balance sheets of the private sector but also mentioned the decline in interest rates over the last several months. He said the downward trend in interest rates represents changes in inflationary expectations and supports an economic recovery.

In the second half of his speech, the vice chairman turned to the current objectives of the Federal Reserve's monetary policy and reassured his audience that the Federal Reserve "remains committed to maintaining discipline in monetary and credit growth—a discipline that will contribute to price stability and to soundness in the financial system."

"The emphasis on the monetary aggregates in conducting monetary policy and communicating that policy has worked well over the last several years." However, changes are now occurring in financial markets that greatly distort the established, historical relationships between measures of money, interest rates, prices and economic activity. Some of these changes, according to Martin, include the maturing of about $35 billion in All-Savers Certificates in October and the introduction of the two new money market deposit accounts by the Depository Institutions Deregulation Committee.
Three new directors have been appointed to the boards of directors of two branch offices of the San Francisco Federal Reserve Bank. The Head Office Board of the Twelfth Federal Reserve District also reappointed three branch directors for three-year terms and redesignated the four branch chairmen and the Twelfth District member of the Federal Advisory Council for 1983.

John A. Dahlstrom, chairman of the Board of Tracy-Collins Bank and Trust Company in Salt Lake City, and Fred C. Humphreys, president and chief executive officer of The Idaho First National Bank in Boise, were named to the Salt Lake City branch board. W.W. Philip, chairman, president, and chief executive officer of Puget Sound Bancorp in Tacoma, was named to the board of directors of the Seattle Branch.

John A. Dahlstrom will replace Fred H. Stringham for a three-year term beginning January 1, 1983. Dahlstrom now serves as director on several boards including those of Parsons, Behle, and Latimer—a Utah law firm at which he was formerly a partner, Hotel Utah Company, Eyring Research Institute, and the University of Utah Research Institute, and as chairman of that university’s Institutional Council. He has been a member of the American Bankers and Utah Bankers Associations since 1970 and is affiliated with Salt Lake County, Utah State, and American Bar Associations. In addition, he serves as vice chairman and member of the Executive Committee for the Salt Lake Area Chamber of Commerce and is a member of the Bar of the U.S. Supreme Court.

Fred C. Humphreys was appointed to serve the unexpired portion of a term ending December 31, 1984, replacing Spencer F. Eccles who recently was elected to the Head Office board of directors. Humphreys serves on the boards of directors of the Idaho Association of Commerce and Industry, Associated Taxpayers of Idaho, and Intermountain Gas Company, among others. He is a member of the Foundation Planning Committee for Saint Alphonsus Hospital and was recently reelected to the board of trustees of its Regional Medical Center. Humphreys has had strong ties with banking trade associations, having served as president of the Idaho Bankers Association, and as state vice president and member of the Government Relations and Governing Councils of the American Bankers Association.

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DIRECTORS NAMED
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Bankers Association. In the past, he also has been active in state and local civic affairs, including service as chairman of the Governor’s Idaho Investment Panel, chairman of the Idaho State Board of Health, member of the Governor’s Management Review Commission and member of the Small Business Advisory Council.

Bill Philip will begin a three-year term replacing Donald L. Mellish on January 1. Philip was elected president and chief executive officer of Puget Sound National Bank in 1971, and chairman of the board and president in 1979. Since 1981, he has been chairman and president of Puget Sound Bancorp and chairman of the board and president of Telecheck Northwest and Check Services Northwest. He serves as a member of the board of trustees of the University of Puget Sound, president of the board of directors of Lakewood Water District, treasurer for the board of directors of Tacoma General Hospital, and member of the Pierce County Economic Development Board’s Executive Committee.

In addition to naming three new directors, the board of directors of the Twelfth District’s Head Office also reappointed William L. Tooley, managing partner of Tooley & Company, Investment Builders, and Bram Goldsmith, chairman and chief executive officer of City National Bank of Beverly Hills, to three-year terms as directors of the Los Angeles Branch and Herman C. Bradley, Jr., president and chief executive officer of Tri-County Banking Company, as director of the Portland branch.

The San Francisco directors also redesignated the incumbent branch chairmen to their offices. Bruce M. Schwaegler, president of Bullock’s department store, and John C. Hampton, president of Willamina Lumber Company, will remain chairman of the Los Angeles branch and the Portland branch, respectively, through 1983. Wendell J. Ashton, publisher of Deseret News, will again be chairman of the Salt Lake City branch and John W. Ellis, president and chief executive officer of Puget Sound Power & Light Company, chairman of the Seattle Branch.

Finally, the Head Office directors redesignated Joseph J. Pinola, Chairman and Chief Executive Officer of First Interstate Bancorporation, in Los Angeles, as the Twelfth District Member of the Federal Advisory Council for 1983.

FED CUTS DISCOUNT RATE TO 8.5 PERCENT

On December 13, the Federal Reserve Board reduced the discount rate from 9 to 8.5 percent.

The new rate represents the sixth consecutive half-point cut since July when the rate stood at 12 percent. The discount rate applies to overnight loans to member banks and other financial institutions.

The Board’s statement read: “The further half-point reduction in the discount rate was taken in light of current business conditions, strong competitive pressures on prices and further moderation of cost increases, a slowing of private credit demands and present indications of some tapering off in growth of the broader monetary aggregates.”