MARCH 1979

FEDERAL RESERVE BULLETIN

Recent Developments in Mortgage and Housing Markets
Monetary Policy Report to Congress
Treasury and Federal Reserve Foreign Exchange Operations

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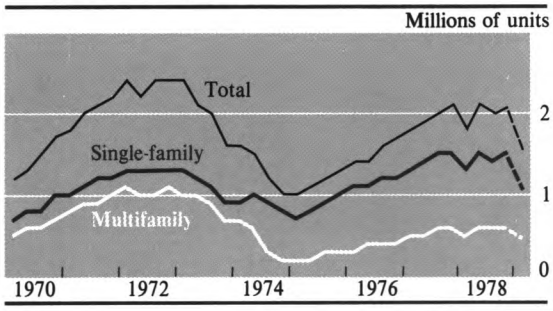
Recent Developments in Mortgage and Housing Markets

This article was prepared by David F. Seiders of the Mortgage and Consumer Finance Section of the Division of Research and Statistics.

Following nearly three years of strong growth, homebuilding stabilized at a high level during 1978 in an environment of sharply rising market interest rates. Construction was started on slightly more than 2 million private housing units for the year as a whole. Moreover, sales of single-family homes reached the highest rates on record, and average prices of homes sold continued to climb rapidly. Accompanying these developments, formation of residential mortgage debt rose to a record volume in 1978.

Housing starts and home sales have slackened somewhat in recent months, partly because of weather (chart 1). Tightening conditions in financial markets also have had a constraining effect, although housing markets have been less responsive to general monetary restraint than in the past. During previous periods with similar increases in market interest rates, residential mortgage lending contracted markedly and housing activity was sharply curtailed. While the mortgage and housing markets still are likely to be more responsive to changes in general credit conditions than are other major sectors of the economy, the effect now appears to be related more to the interest rate sensitivity of borrowers and less to shifts in the availability of funds at depositary institutions.

1. Private housing starts



Census Bureau seasonally adjusted monthly data at annual rates converted to quarterly averages by the Federal Reserve. "Multifamily" includes structures with two or more units. Latest data, January–February average.

Although nominal interest rates have risen sharply since late 1977, demands for mortgage credit have remained substantial. Demographic developments have bolstered demands for housing services. Moreover, homes have become even more attractive investments in the recent inflationary environment, and accrued capital gains have provided homeowners with resources for trading up to better housing and with collateral to support mortgage borrowing for nonhousing purposes. At the same time, new types of mortgage instruments have made home purchase more feasible for some first-time buyers. Federal subsidy programs have buoyed the demand for multifamily dwellings and mortgage funds.

On the supply side, more mortgage funds have been raised through the securities markets than before. Various types of mortgage-backed passthrough securities have enhanced the appeal of mortgage assets to diversified private institutions and have facilitated interregional flows of funds for housing. Greater amounts of capital have also been funneled into residential mortgages through tax-exempt securities.

At the nonbank thrift institutions, net deposit flows have become less sensitive to changes in market interest rates, and thus the predominant source of residential mortgage credit has been less volatile than in the past. Regulatory changes during the 1970s permitted some lengthening of the maturity structure of deposits and established substantial penalties for early withdrawal

from longer-term accounts. The most striking innovation in federal regulations occurred in June 1978, when depositary institutions were permitted to issue six-month savings certificates, the so-called money market certificates (MMCs), with ceiling rates tied to Treasury bill yields. This instrument has significantly improved the ability of thrift institutions to compete for funds in periods of rising interest rates. After the introduction of the certificates, deposit growth at savings and loans surged during the third quarter of last year, even in the face of further increases in short- and intermediate-term market interest rates, and a downswing in mortgage commitment and lending activity at the associations was reversed.

Thrift institutions have not been completely insulated from the effects of high yields on market instruments. With a further rise in market rates since the third quarter of 1978, the growth of deposits at savings and loan associations has slowed, and mortgage commitments outstanding as well as net mortgage acquisitions have declined moderately from highs registered in November.

Net inflows to fixed-ceiling accounts at the thrift institutions have fallen sharply in recent months, while net sales of MMCs have remained large. In order to help reduce cost pressures on the institutions and to moderate further the flow of funds into the thrift institutions in the current inflationary environment, the federal regulatory agencies have made some adjustments to the rules governing issuance of MMCs, effective March 15.

In addition to the deposit slowdown, other financial factors have tended to restrain the expansion in mortgage and housing activity in the past few months. Legal ceilings on home mortgage rates have limited the ability of households to compete for funds in a number of states. Moreover, the overall debt levels and repayment obligations of the household sector have reached record proportions relative to income. As a result, some households may be less willing to take on more mortgage debt in view of the uncertain economic outlook.

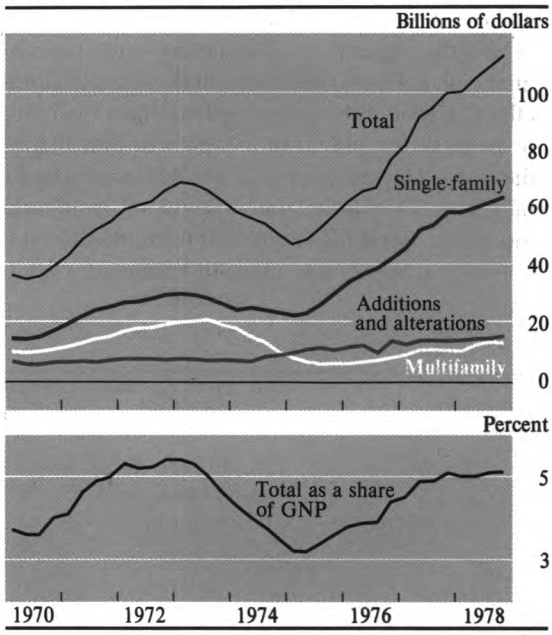
In the short-term construction loan market, sharp increases in interest rates have discouraged some building, particularly of unsubsidized multifamily projects. High short-term interest rates have also affected the profits and activity of institutions that specialize in originating mortgages for sale. Since last fall, the cost of carrying loan inventories has been above coupon rates on long-term mortgages held in inventory.

A potential physical imbalance has also emerged, as stocks of unsold new homes have approached their 1973–74 peaks. In the multifamily sector, on the other hand, overbuilding does not appear to be a current or potential problem in most areas.

Position in Aggregate Activity

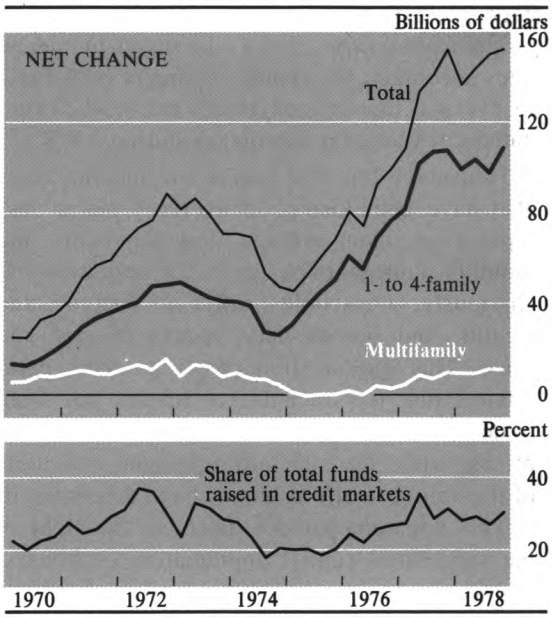
Residential investment expenditures increased significantly last year in current-dollar terms and remained virtually flat in constant dollars. During 1978 these investment expenditures accounted for about 5 percent of the gross national product, close to the peak shares in the 1972–73 period (chart 2).

2. Residential investment expenditures



Commerce Department data on the current-dollar value of gross residential investment expenditures, at seasonally adjusted annual rates. "Total" includes mobile homes, nonhousekeeping units, and brokers' commissions, not shown separately. "Share of GNP" based on current-dollar values for both total residential and gross national product.

3. Residential mortgage debt



Quarterly mortgage debt by type of structure estimated—and converted to seasonally adjusted annual rates—by the Federal Reserve as required to supplement reports of federal agencies and private sources. "Total funds raised in credit markets" refers to all funds raised in U.S. credit markets—excluding equities—by all nonfinancial sectors, both private and foreign.

The real value of new construction put in place, including additions and alterations to existing housing as well as new dwellings, held up well during 1978, while investment in mobile homes remained near the low levels registered in the three previous years. Sales commissions associated with transactions in new and existing homes accounted for a record share of total residential investment expenditures in 1978.

On the financial side, residential mortgages claimed almost one-third of total funds raised in U.S. credit markets in 1978, despite substantial increases in market interest rates and rising demands for credit by nonfinancial businesses (chart 3). In the face of increases in other types of credit demands and constraints posed by ceilings on mortgage interest rates, the strength of mortgage lending has been striking.

Formation of residential mortgage debt exceeded residential investment expenditures by a substantial amount in 1978. The margin of difference was, however, somewhat narrower than in the latter part of 1977, partly because of reductions in loan-to-value ratios on home mortgages as credit market conditions tightened. The excess of debt formation over residential investment, which first appeared in the early 1970s, has been associated entirely with the home mortgage component.

Single-Family Sector

Single-family homes accounted for about 70 percent of total private housing starts during 1978 and early 1979. In terms of mortgage debt formation, the single-family sector has been even more dominant: last year, home mortgages accounted for more than nine-tenths of the increase in residential mortgage debt outstanding. Some of the strength of this component has been associated with borrowing against equity in the stock of housing, largely in connection with transactions in existing homes at inflated prices.

Sales and Prices

In late 1978, total sales of new and existing homes reached the highest rates on record (chart 4). They then declined somewhat as mortgage market conditions stiffened and unusually severe weather limited sales activity in some areas. Prices of homes sold rose at an extremely rapid pace throughout 1978 and early 1979. Since the early 1970s, price increases for both new and existing homes have far exceeded increases in broad-based indexes of consumer or producer prices. Moreover, average prices of new homes sold have risen somewhat faster than those of existing homes, reflecting an ongoing rise in quality, in terms of size and amenities.

Sales, prices, and quality of homes have reflected the strengthening of underlying demands because of demographic forces and a variety of socioeconomic developments. The number of households has been increasing rapidly, owing both to the growth in population and to the trend toward smaller households. Moreover, the proportion of households with a head in the prime homebuying years—25 to 39—has been rising as a legacy of the postwar baby boom. The incidence of two-earner households in this group has also increased.

In addition to these factors, the strengthening

of demand for homes has apparently been associated with the rapid inflation of recent years. Since a house is a real asset providing services over a long period, it serves as a hedge against inflation. Housing also carries a number of income tax advantages that are not shared by other types of assets available to consumers, and the degree of favorable tax treatment for homeownership is tied to inflation—a phenomenon that is accentuated when inflation moves homeowners into higher marginal tax brackets. In 1978 the federal tax treatment of capital gains was liberalized, further enhancing the attractiveness of homes as investments.

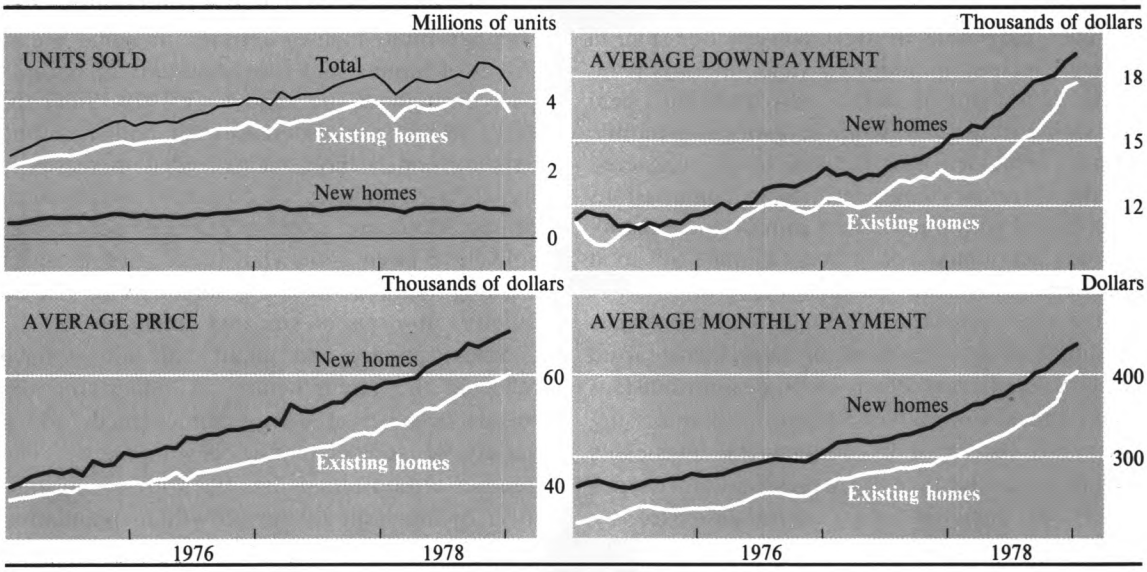
Affordability of Homes

Average downpayments on conventional home loans have increased substantially because of the rapid acceleration in home prices during the past several years and rising equity requirements by lenders in recent quarters (chart 4). Rising home prices have also been largely responsible for rapid increases in monthly payments on newly originated mortgages, although the rise in mortgage interest rates since late 1977 also has been a significant factor (chart 4). Increases in interest rates accounted for about 30 percent of the rise in average monthly payments on newly originated conventional mortgages during 1978.

Household financial assets and income flows also have been rising on average, but at less rapid rates than average downpayments and monthly mortgage payments in recent years. Obviously, households differ in income and wealth, and homes vary widely in size and price. That qualification apart, it seems paradoxical that the demand for houses has been quite strong (as reflected in home sales and prices) while the standard aggregate indicators of the ability to afford homes have deteriorated.

This apparent paradox fades in the light of the substantial capital appreciation of houses. Home occupancy appears much more affordable when accrued capital gains are viewed as current additions to household resources. Nevertheless, a house is an illiquid and indivisible asset, and a homeowner may not be able to make other

4. Sales of single-family housing



Merchant-builder sales of new homes as reported monthly by the Census Bureau, and existing home sales as reported by the National Association of Realtors, both at seasonally adjusted annual rates. Average prices of new and existing homes sold, also reported by these sources, seasonally adjusted by the Federal Reserve. Average downpayments and monthly payments on newly originated conventional home mortgages calculated by Federal Reserve from monthly data reported by the Federal Home Loan Bank Board, and converted to three-month moving averages.

adjustments in his balance sheet—by using financial asset balances or by borrowing—to convert accrued capital gains into current cash flow without jeopardizing liquidity or incurring large interest or transactions costs. Furthermore, potential capital appreciation does not help a would-be homebuyer to meet the large downpayment ordinarily required in today's market.

The capital gains aspect of houses suggests that the financial constraints on home purchase and occupancy are quite different for those who already own homes and for those who are just entering the market. Repurchasers recently have been accounting for nearly three-fourths of new homes sold and about three-fifths of existing homes that have changed hands. The windfall capital gains realized by sellers of existing homes often have been used to finance large downpayments on housing of equivalent or higher quality.

First-time buyers have not had such opportunities, and they have faced problems associated with inflation. The appreciation in home prices recently has exceeded the rate of increase in virtually all sources of income, and thus many potential buyers have had difficulty accumulating funds to meet downpayment requirements. In addition, increases in mortgage interest rates have exacerbated the cash-flow problem that younger, first-time buyers often encounter in the early years of the standard level-payment mortgage.

Some first-time buyers have obtained government-underwritten loans with relatively low downpayment requirements, and others have been able to secure high loan-to-value conventional mortgages by purchasing private mortgage insurance. In addition, graduated-payment mortgages, which provide for relatively low monthly payments in the early years of the contract and relatively high payments later, have helped alleviate the cash-flow problems for a number of borrowers. More than $1¼ billion of graduated-payment mortgages insured by the Federal Housing Administration (FHA) were originated in 1978. Late last year, the Federal Home Loan Bank Board adopted regulations that authorize federally chartered savings and loan associations to make conventional graduated-payment home loans.

Borrowing against Housing Equity

The capital gains associated with the rapid appreciation in home prices not only have provided homeowners with resources to help buy equivalent or better housing, but also have generated collateral for mortgage credit that may be used for other purposes. During 1978, the household sector raised an estimated $42 billion of mortgage funds against equity in the stock of existing homes. This represented about two-fifths of total net home mortgage borrowing—down somewhat from 1977, but still well above the share registered in earlier years.

Some of these funds have been raised apart from sell–buy transactions, primarily by homeowners' taking out junior mortgages or increasing the size of outstanding first mortgages through refinancing. The volume of junior mortgages, or "home equity" loans, has picked up substantially in some areas during the past few years, particularly where increases in prices of homes have been relatively rapid, as on the West Coast. Although interest rates charged on junior mortgages generally are significantly higher than those on first mortgages, junior mortgages are often more economical than refinancing, particularly when rates are appreciably higher on new than on outstanding first mortgages, and balances on the outstanding loans are large.

Although borrowing against housing equity by nonsellers has increased in recent years, the bulk of the mortgage funds raised by the household sector against inflated housing equity has been generated in connection with sales of existing homes. This practice has occurred as many sellers of existing homes have "monetized" accumulated equity through highly leveraged purchases of their next homes. According to survey data for 1977, repurchasers generally have raised funds in this way, and households in the latter stages of the life cycle—who have stopped trading up and need more financial

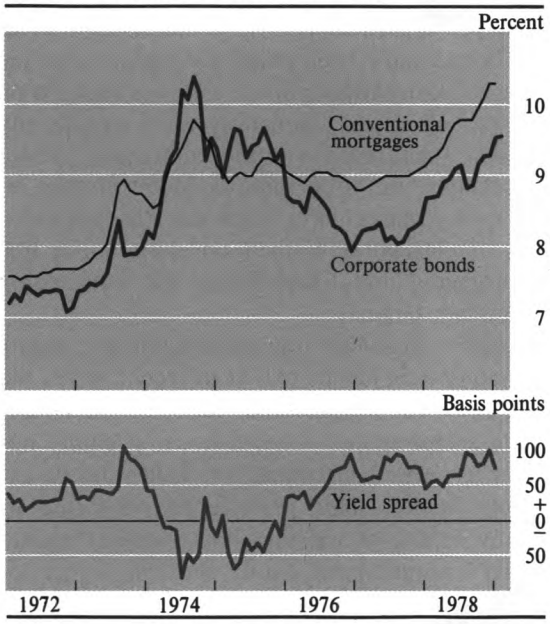
assets—have monetized relatively large amounts of equity.

The opportunity to monetize housing equity in connection with transactions in existing homes has probably encouraged some households to substitute relatively long-term, low-cost borrowing on first mortgages for consumer credit. However, aggregate statistics suggest that much of this mortgage borrowing has represented a net addition to the level of household sector debt. The volume of funds raised against housing equity, of course, is contingent upon the availability of mortgage credit, regardless of the trend in home prices and homeowner equity.

Sources of Home Mortgage Credit

The strong demands for home mortgage credit, whether or not associated with demands for housing services, have exerted considerable upward pressure on mortgage interest rates. As a result, such rates have risen to record levels despite developments that have tended to bolster the supply of mortgage funds. Even though bond rates have increased markedly since the fall of 1977, gross yields on long-term home loans have remained well above yields on corporate bonds (chart 5), and expected net yields on mortgages have risen further during this period as nonrate loan terms have tightened. Moreover, rapid appreciation in prices of homes has helped to sustain the quality of mortgage credit on single-family homes.

5. Yields on home mortgages and bonds



"Conventional mortgages" refers to monthly average contract interest rates on new commitments for conventional new-home mortgage loans in the primary market, based on HUD (FHA) field-office reports. "Corporate bonds" refers to monthly average implied yields on newly issued Aaa-rated utility bonds with five-year call protection, estimated by the Federal Reserve. "Yield spread" is mortgage yield less bond yield.

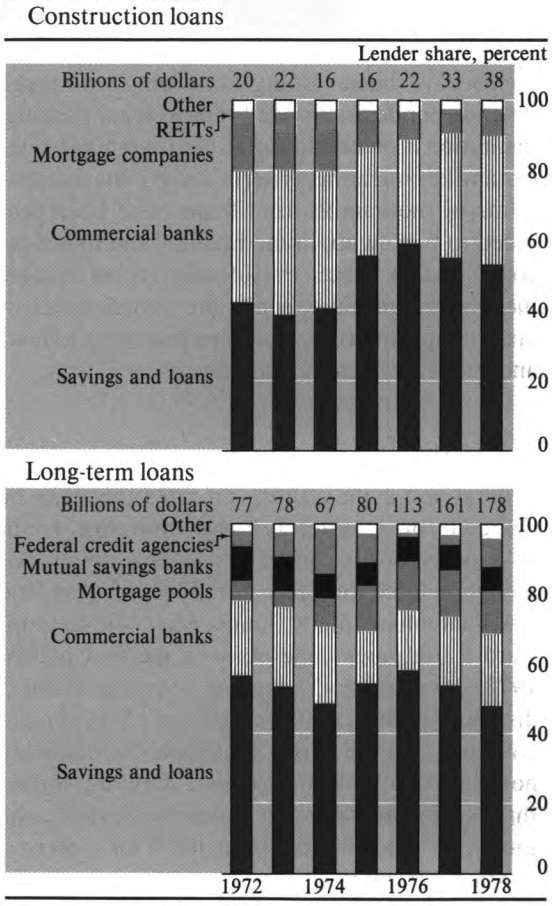
Because of favorable expected net yields, various private institutions have been willing to make commitments to acquire long-term home mortgages, either directly or indirectly through mortgage-backed securities. Such commitments have provided the backup needed by builders to secure short-term funds for the construction of homes.

Private financial institutions. Savings and loan associations supplied about half, and commercial banks more than a third, of all short-term mortgage credit for the construction of homes in 1978 (chart 6). In addition, banks extended a significant volume of construction loans not collateralized by real estate. Average effective rates on home construction loans at banks, whether or not secured by real estate, increased about 3 percentage points during the year.

In the markets for permanent financing, savings and loans accounted for nearly half of total net acquisitions of home mortgages in 1978 (chart 6), although their share declined significantly in the latter half of the year in lagged reaction to the earlier slowdown in deposit flows. The share of commercial banks in long-term lending for home mortgages has continued to rise from the low level in 1975 and was more than 20 percent in 1978. Reflecting the attractive yields available on mortgages, the proportion of total assets of commercial banks invested in home loans increased in 1978 despite heavier demands for bank loans by nonfinancial businesses.

Life insurance companies, which have had large and growing cash flows, sharply increased their commitments to acquire long-term home mortgages during 1978, and their holdings of

6. Home mortgages



Based on data for 11 major lender groups accounting for about 93 percent of total one- to four-family mortgage debt outstanding, as reported by HUD. "Construction loans" are in terms of originations; "long-term loans" are in terms of net acquisitions—originations plus purchases less sales.

such assets rose somewhat in the latter half of the year, for the first time in more than a decade. The relatively high yields on home mortgages have drawn a number of life insurance companies back into direct mortgage acquisitions—the so-called whole-loan market—and their investments generally have involved the purchase of blocks of conventional loans with servicing responsibilities retained by the originators.

Mortgage-backed securities and federally related agencies. Mortgage-backed passthrough securities, representing ownership interests in pools of mortgage loans, have become an important element of the long-term home mortgage financing system. New issues of federally guaranteed passthrough securities accounted for one-eighth of total net acquisitions of home mortgages in 1978. Issues of privately insured passthrough securities, first offered publicly in 1977, amounted to less than $1 billion last year. The privately insured securities ordinarily involve pools of seasoned mortgages, and issuance may not be attractive to financial institutions in periods of rising interest rates if capital losses have to be booked under such conditions.

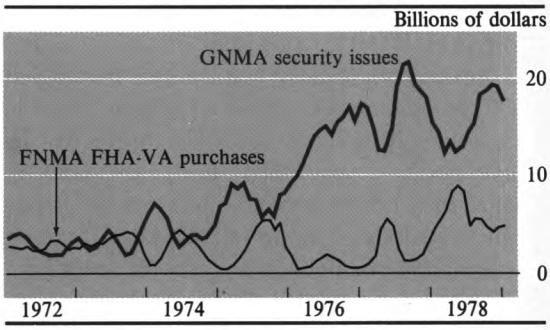
The federally related passthrough securities, generally issued against pools of newly originated mortgages, include those guaranteed by the Government National Mortgage Association (GNMA), the Federal Home Loan Mortgage Corporation (FHLMC), and the Farmers Home Administration (FmHA). In recent years such securities issued and insured by FmHA have been sold exclusively to the Federal Financing Bank (FFB), and thus funds raised by the Treasury for the FFB have been flowing into FmHA's rural home loan programs through this channel. In 1978 the amount of home loans in FmHA pools increased about $2 billion.

Securities issued and guaranteed by FHLMC represent interests in pools of conventional loans acquired by FHLMC, primarily from savings and loans, through its various purchase programs. Issues of FHLMC securities increased to a record $6 billion in 1978. With a number of security dealers making a secondary market in the instruments, investors other than the nonbank thrift institutions acquired about two-thirds of the amount issued last year.

GNMA-guaranteed passthrough securities (GNMAs), issued by private mortgage originators against pools of government-underwritten loans, are the predominant type of passthrough security in the market. Yields on these instruments move closely with rates on intermediate-term Treasury securities, and the participation by diversified private investors, including pension funds, has expanded markedly as the primary and secondary markets have developed. Issues of GNMAs amounted to $15 billion in 1978, down somewhat from the previous year and well below the record annual rate of $20 billion in the last half of 1977 (chart 7).

New issues of GNMAs typically contract when long-term market interest rates rise rap-

7. FNMA and GNMA-security activity



Monthly data from the Federal National Mortgage Association and the Government National Mortgage Association, converted to three-month moving averages by Federal Reserve. Issues of GNMA-guaranteed securities and FNMA purchases of FHA and VA loans include small amounts of multifamily mortgages.

idly. Especially at these times, many potential issuers of GNMAs, primarily mortgage companies, sell government-underwritten loans to the Federal National Mortgage Association (FNMA) under optional-delivery commitments secured in previous periods of lower interest rates (higher mortgage prices). Together, GNMA issues plus FNMA purchases have absorbed a predominant share of the volume of FHA-insured and VA-guaranteed home loans originated in the last few years. FNMA has been the primary investor in FHA-insured, graduated-payment loans, which were ineligible for pooling during this period.

FNMA, the only federal or federally related agency to increase significantly its holdings of home mortgages in 1978, added some $9 billion to its portfolio. The other major agencies operating in the secondary markets, GNMA and FHLMC, reduced somewhat their holdings of home mortgages.

Tax-exempt financing. Funds have been flowing into home mortgages through the municipal securities markets in recent years, and amounts have tended to increase as market interest rates have risen. About three-fourths of the states have housing finance agencies that use issues of tax-exempt bonds to provide long-term mortgage funds at below-market rates to low- and moderate-income borrowers. Most agencies supply funds to these borrowers indirectly via mortgage purchase or loan-to-lender programs, although a few have direct single-family loan programs.

Since mid-1978, some municipal governments have been issuing tax-exempt mortgage revenue bonds to provide funds to local financial institutions for relending at below-market rates to families meeting criteria set by the issuers. Some of these subsidized loans have been provided to borrowers in the middle- and upper-income groups. The President's recent budget message proposed to limit the beneficiaries of tax-exempt funds for mortgage financing to low- and moderate-income families.

Mortgage Interest Rate Ceilings

Federal and state ceilings on rates that may be charged for long-term home mortgage credit have posed some constraints on borrowing. Although the ceiling rate for FHA-insured and VA-guaranteed home loans was adjusted upward a full percentage point in the first half of 1978, by early 1979 lenders required about 5 discount points, on average, on 9½ percent contracts. To the extent that such discounts are not absorbed by home sellers, they are shifted through increased home prices to buyers, who must pay them indirectly at the loan closing.

State-imposed ceilings on interest rates for conventional home mortgages have also constrained lending in some areas. Some states recently eliminated or raised ceilings, and some have converted to floating-rate ceilings. Even so, in early March depositary institutions (excluding national banks) and other lenders in about a third of the states were subject to rate ceilings below national-average mortgage yields. In those states in which usury ceilings are binding and discount points are prohibited or limited, lenders may adjust nonrate terms in order to raise expected net yields. Such adjustments, however, can ration many borrowers out of the market.

While state usury limits undoubtedly have reduced home mortgage and building activity within some states, the impact on aggregate levels of activity apparently has been alleviated to some extent by the flow of mortgage credit across state lines. Lenders in low-rate states may buy loans at competitive yields in the secondary

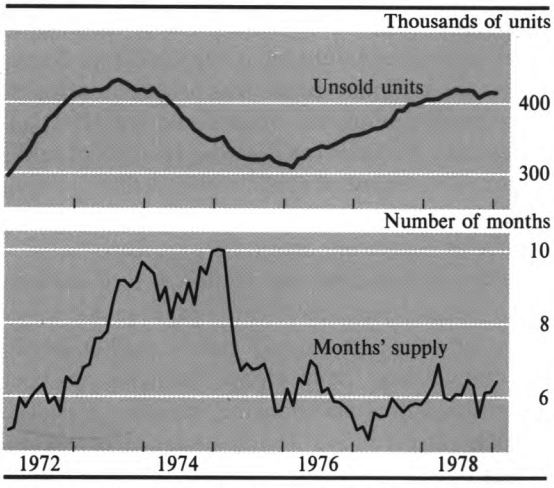
mortgage markets, which are immune from the direct effects of usury ceilings, and thus increase the supply of mortgage credit in areas without binding ceilings. Recent developments in the secondary markets for conventional whole loans and passthrough securities backed by pools of conventional mortgages have helped facilitate such adjustments.

Builder Inventories

In general, the prices of new homes sold have been rising more rapidly than building costs, even with the sharp increases in construction loan rates since late 1977, and this differential has provided considerable stimulus to homebuilding. In such an environment, inventories of unsold homes at merchant builders have risen considerably (chart 8). At the end of 1978 the inventory level was near the peak reached in 1973, before the major contraction in new housing activity.

The high inventory levels apparently have not yet significantly discouraged starts of single-family homes. Most newly completed units have sold quickly, and the inventory build-up has represented primarily units still under construction. Moreover, the inventory-to-sales ratio for new single-family homes has increased only a little in the past two years and has remained well below the highs reached in 1974 and early 1975. This ratio could increase if new home sales should falter, and the inventories could then present a greater deterrent to starts.

8. Home stocks at builders



Merchant-builder stocks of unsold single-family homes are seasonally adjusted end-of-month figures reported by the Census Bureau. "Months' supply" is the ratio of end-of-month stocks to seasonally adjusted sales during that month.

Multifamily Sector

Multifamily housing starts have picked up significantly from their trough in 1975. Even so, the number of units started in 1978 was less than half the unprecedented rates recorded in the peak years 1973 and 1974. Although rental markets have tightened, the expected profitability of rental properties has been insufficient to spur new construction of unsubsidized projects on a wide scale. In this environment, the recovery in multifamily starts has been associated in part with federal subsidy programs for rental projects. The condominium market also has shown some strength, apparently related in part to the investment aspects of homeownership.

Unsubsidized Multifamily Activity

The supply of new multifamily units has been trending upward since early 1976, but the number of completions still amounts to less than half the peak of 1973 (chart 9). A significant portion of newly completed multifamily units has been destined for condominium ownership rather than for rental occupancy, and the sales rate for new condominium units has been quite rapid. Indeed, the strength of this market in some areas of the country has stimulated conversions of rental projects to condominiums.

With increases in the total supply of rental units apparently small, the overall rental vacancy rate has fallen to the lowest level on record—5 percent in the second half of 1978 (chart 9). The substantial decline in the national vacancy rate since 1975 has resulted in large part from a reduction of 3 percentage points in the South, although vacancy rates also have declined elsewhere except the Northeast.

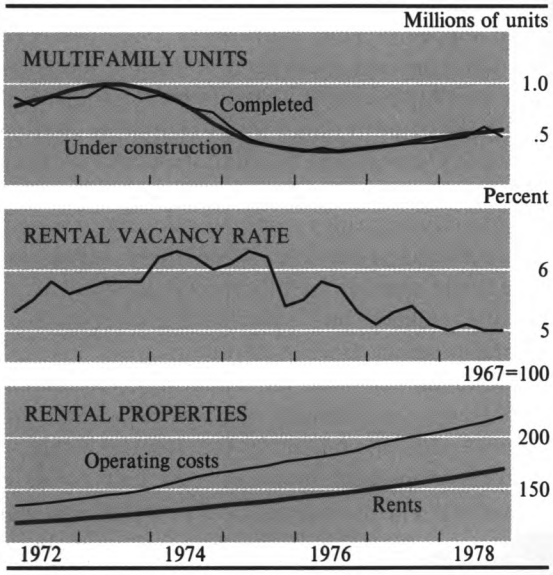
As vacancy rates have declined, new multifamily rental units coming onto the market typically have been leased quickly, and the rise in average rents has picked up despite rent controls in various parts of the country, particularly

the Northeast. At the same time, delinquency and foreclosure rates on long-term conventional multifamily mortgages have declined from the extremely high levels recorded several years ago.

Despite these developments, investors have had only limited interest in unsubsidized multifamily rental properties. Interest rates on multifamily construction loans have risen sharply, and those on long-term multifamily mortgage loans are also up substantially—by about 150 basis points since late 1977 to nearly 11 percent. Moreover, the costs of operating rental projects have continued to rise more rapidly than average rents (chart 9). The prospect for rent increases may also have been depressed by threats of rent controls in some areas, such as California, and by the demographic and economic forces that have been strengthening the demand for homeownership.

Some federal tax advantages have been available to investors in multifamily projects. For tax purposes, owners of new rental properties may depreciate the cost of the structure at an accelerated rate, involving deductions in the early years substantially above those available for other income-producing assets. Preferential treatment as a tax shelter for limited partnerships also gives real estate some edge over other types of investment in competing for private capital. Also available in recent years has been a front-end subsidy, associated with the treatment of interest and property tax payments as current business costs during the construction period, although this provision has been phased down under the Tax Reform Act of 1976.

9. Rental market indicators



Multifamily units completed and under construction are Census Bureau seasonally adjusted data with completions at annual rates. "Rental vacancy rate," as reported by Census Bureau, is the percentage of all year-round rental units in all types of structures that are vacant and available for rent. "Operating costs" index calculated by the Federal Reserve as a weighted average of various consumer and wholesale price indexes related to apartment-owner costs; weights based on expense data for multifamily structures published by the Institute of Real Estate Management. "Rents" index is the rental rate component of the consumer price index.

Federally Subsidized Activity

Federally subsidized units have become a larger share of total multifamily construction as uncertainties have clouded the profitability of rental projects. In 1978 about one-fourth of the total units started were under the section 8 rental subsidy program of the Department of Housing and Urban Development (HUD), the cornerstone of federal housing assistance during the past few years. Remaining budget authority for the fiscal year 1979, as well as amounts in the proposed 1980 federal budget, suggests that this program will continue to provide substantial support to multifamily construction.

The section 8 program is directed toward lower-income families and to a certain extent generates effective demand for new rental units that otherwise would have been lacking. Moreover, the program guarantees private developers fair market rents, as determined by HUD offices, and provides for periodic reviews of rental rates. The review process is intended to preclude the squeeze on net income that might arise because of escalating operating expenses.

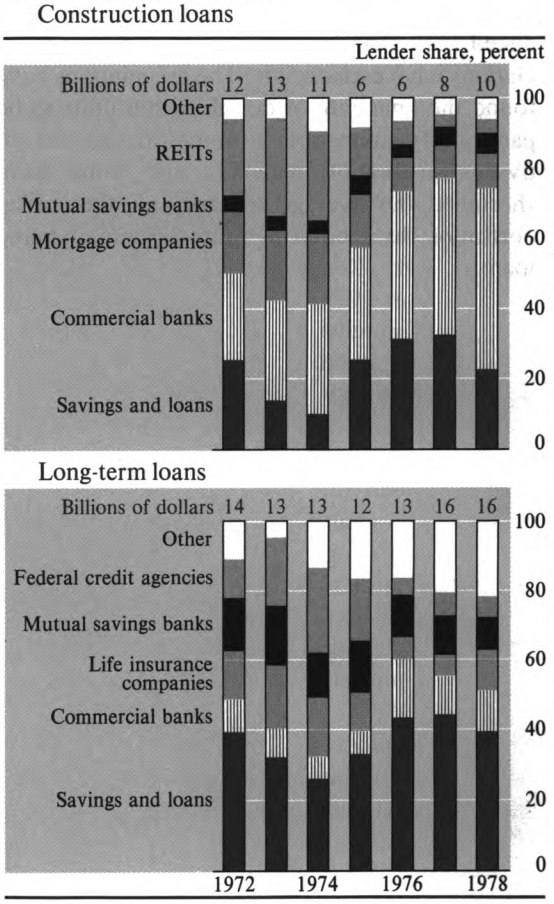
Private developers of section 8 projects may also secure permanent mortgage financing at interest rates significantly below market yields. In many cases, the mortgage financing has been provided by state housing finance agencies, which raise funds through issuance of tax-exempt bonds and pass their low borrowing rates through to the developers. Interest rate subsidies may also be obtained through a GNMA "tandem plan" for multifamily projects. Under tan-

dem plans, GNMA purchases low-rate, FHA-insured multifamily mortgages from private lenders at prices close to par and resells them at market prices. Tandem plans for multifamily projects have been available since early 1976, and in 1978 one specifically tied to section 8 projects was created.

Sources of Multifamily Mortgage Credit

Commercial banks accounted for more than half of the total volume of multifamily construction loans made last year, while the share for savings and loan associations fell to about a fourth (chart 10). The real estate investment trusts (REITs), which grew rapidly during the last housing boom and accounted for nearly one-third of the multifamily construction loans made in 1973, were only a minor source of supply in 1978. Indexes of share prices for the REIT industry have recovered somewhat from the extremely low levels reached in 1975, but access to funds through the money and capital markets has continued to be severely restricted for most mortgage-oriented trusts.

10. Multifamily mortgages



Based on data for 11 major lender groups accounting for about 95 percent of total mortgage debt outstanding on structures with five or more units, as reported by HUD. "Construction loans" are in terms of originations; "long-term loans" are in terms of net acquisitions—originations plus purchases less sales.

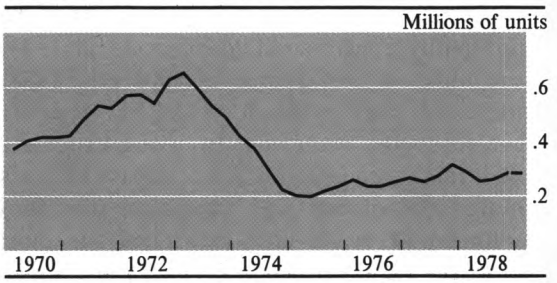
In the markets for permanent financing, savings and loans accounted for about two-fifths of total net acquisitions of multifamily mortgages in 1978, down somewhat from the two previous years (chart 10). Life insurance companies increased their investments in long-term multifamily mortgages to some extent last year, and their commitments outstanding to acquire such loans rose about a third during 1978. State and local government credit agencies supplied a relatively large amount of long-term multifamily mortgage credit last year, reflecting to a considerable extent loans acquired in connection with rental projects subsidized under HUD's section 8 program.

GNMA purchased $1.3 billion of long-term, FHA-insured multifamily mortgages in 1978 under its tandem plans—the only type of loan it acquired during this period—and had nearly $5 billion of purchase commitments outstanding at the end of the year. Net acquisitions of multifamily mortgages by other federal or federally related agencies were negligible in 1978. Issues of federally guaranteed passthrough securities backed by pools of multifamily loans increased about $1.4 billion during the year.

Mobile Homes

Shipments by manufacturers of mobile homes to dealers and developers, which are excluded from the series on housing starts, have been increasing gradually from the trough in mid-1975 (chart 11). In 1978 mobile home shipments accounted for only an eighth of all types of housing units completed, compared with more than a fifth in the boom years 1972 and 1973. Sales of new mobile homes have roughly paralleled the modest growth of shipments during the past few years, and dealer inventories

11. Mobile home shipments



Private domestic shipments of new mobile homes as reported monthly by the Manufactured Housing Institute, seasonally adjusted and converted to annual rates by the Census Bureau and to quarterly averages by the Federal Reserve. Latest data, January–February average.

of unsold units have remained well below their 1974 highs.

Relative weakness in the mobile home market has been associated with a number of factors, both nonfinancial and financial. Zoning restrictions have been a persistent problem. In addition, in an inflationary environment, the investment appeal of site-built, single-family homes and condominium units in multifamily structures has been greater than that of mobile homes. Survey data for 1977 suggest that about half of mobile home owners perceived a decline in the value of their homes since purchase, compared with less than 5 percent of the owners of single-family homes conventionally built on lots.

In the wake of the serious loan delinquency and repossession experience in 1974 and 1975, many lenders withdrew from mobile home financing completely, and others became more selective in granting uninsured loans for the purchase of mobile homes. While delinquency and repossession rates declined significantly in 1978, interest rates on mobile home loans have held near the highs reached in 1975. Average contract maturities, which had lengthened considerably in the early 1970s, increased only a little further in 1978.

The sources of supply for mobile home credit have shifted significantly since 1975, as commercial banks and finance companies have reduced such lending and savings and loan associations have expanded it. The associations have found the financing of double-width units to be particularly compatible with their traditional activities in home financing, and some have shortened the average maturity of their asset portfolios by acquiring more mobile home loans. □

Monetary Policy Report to Congress

Report submitted to the Congress on February 20, 1979, pursuant to the Full Employment and Balanced Growth Act of 1978 [1]

Recent Economic and Financial Developments

Overview

The current economic expansion is about to enter its fifth year. It thus outranks in longevity every prior cyclical upswing of the postwar era with the exception of that in the 1960s. Yet it has maintained considerable vigor, with real gross national product rising more than 4 percent during the past year. The attendant increases in employment and industrial capacity utilization have reduced considerably the margin of unutilized productive resources in the economy.

The narrowing of the gap between actual and potential output implies that a tighter hold on the nation's aggregate demand for goods and services is necessary if inflationary forces are to be contained. The urgency of such restraint is reinforced by the fact that there has already been an acceleration in the rise of wages and prices. Aggregate measures of unit labor costs and prices advanced around 9 percent in 1978, appreciably more than in the preceding years of this economic expansion.

Apart from the hardship that this large and generally unanticipated surge in inflation created for many families and business enterprises, the behavior of prices deepened concerns around the world regarding the stability of the U.S. economy and the soundness of the dollar. The value of the dollar on foreign exchange markets declined through most of 1978, exacerbating domestic inflationary pressures in the process. To prevent a serious disruption of the international financial system, a broad program of corrective actions was initiated last November. The dollar has since strengthened but remains vulnerable to shifts in sentiment among exchange-market participants.

The longer-range strength of the U.S. economy and of the dollar depends greatly on our success in retarding inflation. This was recognized during the past year in actions taken to reduce the size of the federal budget deficit, in the establishment of voluntary wage–price standards, and in efforts to curtail the inflationary impact of federal regulation. In the monetary sphere, too, there was movement toward moderation of growth in aggregate demand and restraint of inflation as the Federal Reserve acted to prevent excessive growth of money and credit.

Aggregate Economic Activity

The current economic upswing, which began in the spring of 1975, ranks among the most durable in this nation's history. In the period since World War II, only the expansion in the 1960s was longer, and it was marked by massive increases in military outlays associated with the Vietnam War.

The past four years have seen sizable gains in production and employment. Between the first quarter of 1975 and the fourth quarter of 1978, real gross national product rose more than 20 percent. By last month, industrial production had increased about 35 percent and nonfarm payroll employment more than 14 percent from their levels at the cyclical trough in March 1975.

The momentum of expansion, furthermore, has been well maintained. Real GNP increased 4.3 percent from the fourth quarter of 1977 to

1. The charts for this report are available from Publications Services, Division of Support Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

the fourth quarter of 1978—a bit slower than the average pace over the earlier part of the expansion, but still well above the trend growth of potential output in the economy. The persistent strength of aggregate demand was demonstrated by the surge in activity during the final quarter of last year, when GNP grew at an annual rate in excess of 6 percent. Available indicators suggest that the economy has remained generally strong in the opening months of 1979.

Residential construction, which provided a good deal of impetus to the early recovery, stayed on a high plateau last year in the face of rising interest rates and a continued rapid escalation in building costs. Household demands for shelter have been bolstered by demographic trends as well as by an inflation-hedging motive. The sustained advance in economic activity also has been fostered in good part by strength in consumer spending. A marked turnaround in the willingness of consumers to spend—reflected in a sharp drop in the personal saving rate—provided much of the impetus to overall expansion in the early stages of the economic recovery, and consumption expenditures have remained unusually robust throughout the upswing.

In the business sector, spending on new plant and equipment has continued to rise, but there have not as yet been the large increases seen in some earlier cycles. Business fixed investment actually declined during the initial quarters of the economic expansion as firms concentrated on the repair of strained financial positions in an environment of low capacity utilization. Capital spending policies have continued to be characterized by considerable caution, and it was not until mid-1978 that the previous peak level of real outlays was reattained. Firms also have exercised caution in managing their inventory positions, and stocks generally have remained lean relative to sales.

Government purchases of goods and services rose briskly at both the federal and state and local levels during the second half of 1978 but have been a moderating influence on overall activity during most of the cyclical upswing. The overall budgetary position of the government sector, including transfer payments and revenues, has remained stimulative throughout the expansion, albeit in diminishing degree. An improving net export position contributed to the expansion of GNP during the early recovery phase, but deterioration in the trade balance was a decidedly negative factor from 1976 to early 1978. The U.S. trade deficit did narrow over the course of 1978, however, owing in part to the strengthening of economic expansion in other major industrial countries.

Personal Consumption Expenditures

Consumer outlays grew 3.8 percent over 1978 after averaging 5½ percent, at an annual rate, earlier in the economic recovery and expansion. The slower growth of spending reflected relatively smaller recent gains in real disposable income; increases in real personal income were eroded by larger tax burdens related to higher contributions for social security and the interaction of inflation and a progressive tax system.

The proportion of consumption in gross national product has held at a high level over the course of this upswing. In prior cycles this share typically fell as the expansion matured. In particular, household spending for durable goods has hovered at around 10 percent of GNP throughout the past three years, while during other economic expansions it accounted, on average, for about 7½ percent. This exceptional strength in consumption and the associated rapid increase in installment credit and low saving rates can be attributed, in part, to the higher relative number of younger households. But it also appears to be in some degree a reaction of households to persistently high inflation rates. For example, opinion surveys suggest that many consumers have been buying durable goods in anticipation of price increases.

Business Fixed Investment

Real business fixed investment rose 8¼ percent over 1978. This was nearly the same pace of advance as in the two previous years and almost twice the rate of expansion in aggregate activity. Recently, nonresidential construction activity has become an important source of business investment growth. In 1978, real spending for

such structures increased 12¾ percent as outlays for commercial and industrial buildings showed particularly impressive gains. On the other hand, investment in producers' durable equipment grew about 6½ percent in real terms during 1978 compared with increases of more than 10 percent in each of the previous two years. Demands for motor vehicles, which were exceptionally strong earlier in the expansion, began to tail off in 1978, while machinery outlays continued to advance at about the same moderate pace experienced since early 1976.

Inventory Investment

Investment in business inventories was characterized by caution in 1978, as it generally was in the three previous years. As a result, aggregate inventory-sales ratios remained at or below historical averages. This caution, which can be traced back to the severe inventory cycle of 1974–75, appears to have been responsible for the avoidance of the types of overhangs that preceded several prior cyclical downturns. Incipient buildups of stocks have been met with prompt increases in sales promotion or curtailments of orders and production. Most recently, overhangs that developed at general merchandise retail outlets in the fall apparently were corrected by the sharp rise in sales during the holiday season and a slowing of production of durable home goods.

Residential Construction

The rate of private housing starts advanced briskly during the 1975–77 period and in 1978 they were sustained at the high annual rate of 2 million units. Spending for residential construction in real terms increased at an average annual rate of 21 percent from the 1975 trough before leveling off in 1978. In addition to constraints on production capacity, the recent developments in housing activity reflect the tightening in financial markets. Interest rates on both construction loans and long-term mortgages rose appreciably in 1978 and by year-end they had reached usury ceilings in a number of states and record postwar highs in many other areas. Even so, the variable-ceiling, six-month time accounts introduced in June of last year buoyed deposit growth at key mortgage lenders and helped maintain the high rate of housing construction.

Within the housing sector, the rise in single-family starts led activity early in the recovery. More recently, multifamily starts—supported by an increase in federally subsidized rental units—have increased while single-family starts have remained above their 1972–73 peak levels. Indeed, in the fourth quarter of 1978, total housing starts averaged an annual rate of 2.1 million units, the same as a year earlier.

International Trade

After providing some initial stimulus to economic growth during the early recovery period in 1975, the U.S. balance of trade began deteriorating. In large part this reflected the relatively stronger rate of economic expansion in the United States compared with our major trading partners. The deficit in net exports narrowed during 1978, however, as activity abroad picked up in contrast to the moderation in the U.S. expansion. In addition, the more favorable trade balance reflected a 20 percent rise in agricultural exports last year, associated with unusually poor harvests of wheat and soybeans in the Southern Hemisphere.

Government

Growth of purchases by the federal government has been uneven in this expansion. In real terms, such purchases increased little during 1975 and 1976, rose substantially in 1977, and then—despite a surge in the second half of the year—declined slightly in 1978. Total expenditures, however, have risen consistently, reflecting increased grants to state and local governments and transfers to individuals for social security, food stamps, and retirement benefits. Revenues have increased even more than outlays over the past several years, so that the federal budget deficit has declined from $66.4 billion in fiscal year 1976 to a projected $37 billion for the current fiscal year that ends next September.

State and local government purchases also have grown irregularly over the past four years.

In real terms, outlays by this sector for goods and services expanded at a 2¼ percent annual rate during the second half of 1978, matching the average pace over the expansion as a whole. This is well below the trend rate of increase experienced during the 1960s and early 1970s. The slowing of growth reflects changing requirements for services, associated with demographic developments, and a degree of fiscal conservatism prompted partly by the financial difficulties encountered by some communities in recent years. In 1978, however, a tendency toward tax relief—occasioned in part by voter preferences expressed in California's Proposition 13 and like measures elsewhere—outweighed the impact of spending economies on budgets. As a result, although the aggregate operating surplus of state and local governments totaled $6 billion for the year, this was only half the size of the 1977 surplus.

Labor Markets

Labor demand has been strong throughout the current economic expansion. During the three years following the cyclical trough in early 1975, nonfarm payroll employment advanced at an average annual rate of 3.7 percent—compared with a 2.8 percent median rate of gain during the five previous postwar expansions. During the past year—at a stage when in earlier cycles employment levels had begun to level off or even to fall—payroll employment has continued to advance at a 4.2 percent annual rate. Over the almost four years of expansion, employment has increased by 12 million, and today the ratio of employment to total civilian population aged 16 and over stands at the highest level on record.

Employment in the goods-producing sector of the economy rose rather slowly early in this recovery, reflecting in part the sluggish behavior of business fixed investment. It was not until late 1978—as a result of large hiring increases in the hard goods industries—that factory employment reached its prerecession peak. Similarly, construction hiring showed only small increases for nearly three years after the trough. During 1978, however, employment in contract construction surged ahead to record levels.

In the private service-producing sector, employment dipped only briefly in early 1975 and has been on a steady uptrend since then—far exceeding the gains of previous expansions. The trade and service industries have continued to grow faster than other sectors, and by the end of 1978 they accounted for more than 4 of every 10 jobs in nonfarm establishments. In contrast to the private sector, government hiring has been modest. Federal government civilian employment has been fairly stable at around 2¾ million over the past four years, about the same level that has prevailed since the late 1960s. State and local government employment has risen, but growth has been slowed substantially in recent years as a consequence of reduced needs for education personnel and fiscal retrenchment by many units.

The reduction of demand for labor in education reflects the shift in the age structure of the population that has been affecting not only school enrollments but also the size of the work force. Growth of the teenage population (ages 16 to 19) in the late 1960s and early 1970s was exceedingly large, reflecting the attainment of working age by the postwar baby boom cohort. At the same time, labor force participation rates for teens rose sharply. In the mid-1970s, growth of the 16 to 19 age group slowed, and in 1978 the teenage population actually began to contract. Nonetheless, with participation rates still rising rapidly, the teenage labor force continued to grow at a rapid pace (up 3.2 percent in 1978 compared with 1.6 percent on average in the preceding four years).

An even more significant factor in the expansion of the work force has been the continued rise in the participation rates of adult women. The longer-run trend, which reflected low birth rates as well as changing attitudes and social trends, apparently was augmented in the 1970s by a desire of families to maintain their material living standards in the face of rapid inflation. As a result of these participation-rate patterns, the total civilian labor force grew 3 percent during 1978—about the same as in 1977, but

up considerably from the 2¼ percent annual rate during preceding years of the decade.

With the growth of employment outstripping even the large increase in the size of the labor force, the unemployment rate fell 1/2 percentage point over the course of 1978 to just under 6 percent. Labor market conditions improved significantly for most groups of skilled and experienced workers. For example, unemployment rates for workers 25 to 54 years old, skilled blue collar workers, and workers seeking full-time employment all were at or near the levels reached in 1972 when labor and product markets were beginning to tighten noticeably. While there was as yet no general shortage of skilled workers during 1978, many firms reportedly were finding it increasingly difficult to fill certain job vacancies at prevailing wage rates.

The improvement in employment conditions during the current expansion has not been uniform. Despite the gains made by many groups, unemployment rates for younger workers, minorities, and the unskilled were still very high at the end of 1978. For example, the unemployment rate for teenagers at the end of 1978 was 16¼ percent, more than four times the rate for workers 25 to 54 years old; for minority youth the rate was over 35 percent. Younger workers between 16 and 24 years of age accounted for about half of all joblessness in the fourth quarter of 1978.

The enlarged proportion of the labor force accounted for by teenagers and women means that the overall unemployment rate does not imply the same degree of labor force pressure that it would have in past years. These groups tend to have relatively high rates of joblessness for a number of reasons, including generally more limited training and work experience. As a rough adjustment for such structural influences, the average unemployment rate can be recomputed using the age–sex composition of the labor force in the mid-1950s. The result of such a calculation is an unemployment rate about one percentage point below its current level, which vividly illustrates that the level of labor utilization consistent with price stability may change considerably over time. To enhance the possibility of simultaneously achieving low unemployment and price stability, it may be necessary to augment monetary and fiscal policies with carefully focused programs to facilitate job placement and to provide skill training.

Productivity

The 3.5 million increase in payroll employment during 1978 was much larger than would have been expected on the basis of the historical relationships between output changes and labor demand. Although growth in real GNP decelerated from 5½ percent in 1977 to 4¼ percent in 1978, businesses added to their payrolls at almost the same rate. Output per hour of work rose only slightly over the four quarters of 1978.

Much of the slowdown in productivity growth last year occurred outside the manufacturing sector; output per hour in manufacturing increased 3½ percent during 1978. Normally, productivity growth slows as labor markets tighten and capacity constraints are approached, but the falloff in productivity gains in the past two years has been particularly sharp.

This poor performance of labor productivity continues a trend toward slower growth evident since the late 1960s. During the period from 1947 to 1967, productivity in the nonfarm business sector rose on average by 2⅔ percent per year, and accounted for almost 70 percent of the gain in output for this sector. Since 1967 the rise in output per hour has slowed, with average annual gains of only 1.2 percent recorded since 1973. As a result, less than 50 percent of output growth over the last five years can be attributed to gains in efficiency.

The deterioration of productivity performance in recent years is a complex phenomenon that is not completely understood. It appears, however, that a crucial factor has been the failure to maintain an adequate rate of capital formation. Indeed, the nation's stock of capital has shown little growth relative to the size of the labor force over the past decade; in contrast, the capital-labor ratio trended upward rapidly in the preceding 20 years. Other factors that may have contributed to reduced productivity growth

in recent years are the influence of environmental and safety regulations that divert resources to uses not measured in the national income and product accounts and the increase in the proportion of young and inexperienced workers in the labor force.

Investment

Since the early 1960s there has been a marked trend toward slower growth of the stock of business capital in the United States. Although real gross business fixed investment last year surpassed the 1973 record, still stronger investment activity will be needed if there is to be a sustained reversal of this trend. In part this merely reflects the arithmetic truth that unchanged absolute amounts of investment translate into declining percentage increases in a growing stock of plant and equipment. Also important, however, is the fact that it is *net* investment—that is, gross investment less the depreciation of existing capital goods—that adds to the capital stock, and real net investment has yet to reach its previous peak level. Because the fraction of the capital stock in the form of relatively short-lived equipment has been increasing in recent years, a higher level of gross investment is now needed simply to maintain the existing capital stock.

It also must be noted that even the figures for net investment probably overstate the contribution that capital outlays have been making recently to the expansion of productive capacity. A significant share of plant and equipment spending has been undertaken to meet government pollution, health, and safety regulations. During the past several years roughly 5 percent of total capital spending has been for the purpose of pollution abatement, and some estimates suggest that perhaps an additional 2 percent of investment has been for improvements in health and safety conditions. Although these outlays may well yield important benefits to society, they do not directly enhance productive capacity.

When an economy is near full employment, the commitment of additional resources to capital formation will require some near-term sacrifice of consumption by individuals or government. However, there is ample evidence that higher levels of investment effort can enhance long-range economic growth and raise living standards. The increase in U.S. capital spending last year raised the ratio of real gross business fixed investment to GNP to 10.2 percent—the first time since 1974 that it reached the 10 percent level, but still somewhat below the average of the late 1960s and early 1970s. Although international comparisons must be made with caution, owing to differences in accounting and other technical problems, it is clear that other major industrial nations have allocated greater shares of GNP to investment and, as a result, have enjoyed substantially faster increases in productivity and output. While this does not lead to the conclusion that the United States should attempt to achieve the same investment-GNP ratios as prevail elsewhere, it tends to confirm the proposition that this nation would benefit from higher proportions of capital spending to GNP than have been experienced in recent years.

International Trade and Payments

From the mid-1960s through the early 1970s, the U.S. merchandise trade balance moved gradually from surplus to deficit. Then, during the 1974–75 worldwide economic slowdown the United States suffered a disproportionately sharp contraction, so that—despite an enormous increase in our outlays for imported oil—the U.S. trade balance swung into surplus in 1975. The surplus proved temporary, however; the subsequent economic recovery was stronger here than abroad, and this played a major role in the steep increase of our trade deficit from 1976 through early 1978.

The trade deficit in 1978 was $34 billion, slightly larger than in 1977. But the deficit peaked at an annual rate of $45 billion in the first quarter of 1978, and developments in both exports and imports contributed to a narrowing of the imbalance to a rate of about $30 billion in each of the subsequent quarters.

The growth of exports accelerated in the second quarter. The step-up was partly attributable to temporary causes—for example, demand for U.S. agricultural commodities was

stimulated by poor harvests in the Southern Hemisphere. More important was a strengthening of economic activity abroad and the improved competitiveness of U.S. goods resulting from the substantial depreciation of the U.S. dollar that had begun in the fall of 1977. The real volume of nonagricultural exports increased 6 percent in 1978, and growth picked up strongly in the second half of the year. Prices of exports increased in line with the general pace of domestic inflation, and the total value of merchandise exports rose 17 percent from 1977.

The relatively moderate rise in the volume of imports in 1978, following two years of very large increases, resulted primarily from a slower increase in nonoil imports, but it was reinforced by some decline in petroleum imports. Although total U.S. petroleum consumption is estimated to have increased 3 percent, the higher demand was more than met by the increased Alaskan production and by a drawing down of inventories from unusually high levels. The total value of imports increased 16 percent in 1978 with the gain spread over most major commodity categories. Almost half of this increase was in volume terms as imports responded to the continuing strength in U.S. economic activity. Prices of nonoil imports were boosted by the decline in the international value of the dollar.

The current-account deficit in 1978, estimated at $17 billion, was slightly larger than in 1977. As in other recent years, net receipts from service transactions provided a substantial offset to the merchandise trade deficit. Earnings, fees, and royalties from foreign direct investments have shown a strong uptrend during the 1970s.

In the period between the onset of generalized floating of currencies in March 1973 and September 1977, the exchange value of the dollar went through several phases of appreciation and depreciation. The average value of the dollar increased sharply (nearly 15 percent) from October 1973 to January 1974, despite large sales of dollars by foreign central banks. Continued large sales of dollars by foreign central banks in 1974, later reinforced by the easing of domestic interest rates associated with the U.S. recession, contributed to a decline in the dollar that began in the first quarter of 1974 and did not end until the spring of 1975. Thereafter, the emergence of a large current-account surplus and a relative firming of U.S. interest rates led to a substantial appreciation of the dollar until the spring of 1976. The dollar subsequently held relatively steady until the fall of 1977.

The dollar began to depreciate markedly against most major foreign currencies in late September 1977 as forecasts for 1978 suggested that the U.S. trade deficit would be no smaller than in 1977. The decline continued through the end of 1977, despite large intervention purchases of dollars by foreign central banks. An announcement in January 1978 that the U.S. Treasury would join the Federal Reserve in exchange-market intervention in German marks, followed by an increase in the discount rate, improved market sentiment only temporarily, and by early April the dollar had declined about 10 percent on a weighted-average basis. Between early April and mid-May, a relative firming of U.S. interest rates contributed to a recovery, but the dollar declined fairly steadily thereafter in response to continuing concerns about the size of the U.S. trade deficit and increasing fears that U.S. price performance was deteriorating.

Although some depreciation of the dollar was justified by the need to restore external balance in the face of differential growth rates in the United States and major foreign economies and a relative worsening of U.S. inflation, by midsummer it was clear that the dollar's decline was becoming excessive in trading that was increasingly disorderly. Consequently, in August the Federal Reserve announced a 1/2 percentage point increase in the discount rate and reduced to zero the reserve requirements on borrowings by member banks in the Eurodollar market. The Treasury later announced that it would increase the size of its regular monthly gold auctions. These measures produced a brief rally and then a few weeks of stability for the dollar. However, the dollar's slide soon resumed. After the President announced his wage-price program on October 24, the decline steepened alarmingly, threatening to undercut the anti-inflation effort at home and to lead to further erosion of confidence abroad. By late October, the dollar had fallen 21 percent from its September 1977 level.

Under these circumstances, more forceful action was required. On November 1, the Federal Reserve increased the discount rate by 1 percentage point and imposed a supplementary reserve requirement of 2 percentage points on large time deposits. To increase the availability of foreign currencies for exchange-market intervention, enlarged swap lines were arranged with the central banks of Germany, Japan, and Switzerland. The U.S. Treasury simultaneously announced its intention to draw on its reserve position in the International Monetary Fund, to sell special drawing rights, and to issue foreign-currency-denominated securities. In addition, the Treasury announced a doubling in its rate of gold sales.

The aim of these measures was to correct the excessive depreciation of the dollar and thereby to counter upward pressures on the domestic price level. When viewed in its entirety, the policy initiative of the administration and the Federal Reserve System indicated that the United States recognized the need for an integrated approach in addressing domestic and international economic concerns. The announcement of these measures on November 1 produced a dramatic jump in the dollar's exchange value. On that day alone the dollar advanced by 5 percent on a weighted-average basis. Heavy cooperative central bank intervention over the following few weeks provided support for the dollar as market participants tested the authorities' resolve, but the need for such intervention abated in January. As of mid-February of this year, the dollar was more than 7 percent above its October low on a weighted-average basis.

Prices

Inflation typically has accelerated over the course of cyclical expansions in economic activity, and this upswing has proven no exception. However, the marked increase in the pace of price advance during the past year was in large measure a consequence of forces not directly related to an intensification of general demand pressures on available productive resources. Government-mandated increases in costs and special developments in the agricultural and international sectors contributed substantially to the pickup in inflation during 1978.

Inflation moderated during the first stages of the cyclical recovery in 1975 and 1976. The earlier extraordinary pressures (associated with the rise in oil prices, the sharp escalation in food prices, a worldwide boom in other commodities, and domestic price decontrol) subsided, and the considerable slack in labor and product markets restrained wages and prices. Inflation began to speed up again in 1977, however, and prices then surged in 1978. The consumer price index, the producer price index, and the fixed-weight price index for gross business product all registered increases of around 9 percent during 1978, about 2 percentage points more than in the preceding year.

The acceleration of inflation last year reflected importantly the pressure of rising labor costs. Wage rates in the private nonfarm sector increased 8¼ percent, compared with about 7½ percent in each of the preceding two years. A boost in the federal minimum wage contributed appreciably to the accelerated rise of wages; the impact was especially noticeable in the trade sector, which has the largest concentration of lower-wage workers and had average wage increases of more than 9 percent last year.

Hourly compensation, which includes, in addition to wages, the costs to employers of social insurance contributions and of privately negotiated fringe benefits, rose 9¾ percent—about 2 percentage points faster than in 1977. About one-quarter of the acceleration resulted from increased social security taxes and unemployment insurance contributions. In addition, private fringe benefits continued to rise faster than wages.

Given the weak performance of labor productivity, the larger compensation gains were translated into rapid increases in unit labor costs. Unit labor costs in the nonfarm business sector rose 9 percent during 1978 versus 6⅓ percent in 1977. As 1979 began, labor costs again were given an upward jolt by further increases in the minimum wage and social security taxes.

Apart from the broad pressures exerted by rising unit labor costs, the general level of prices was affected considerably in 1978 by develop-

ments in the farm and food sector. Retail food prices rose 12 percent over the year—the largest increase since 1974. The increases at the retail level reflected a rise of almost 20 percent in farm prices during 1978 following little change in the preceding year. Meat price increases were particularly rapid, as beef production continued to decline.

The decline in the foreign exchange value of the dollar also aggravated inflation. Aside from the direct impact of higher prices for imported merchandise, the price-restraining pressure of foreign competition was weakened for many domestic products. Large price increases for domestically produced automobiles and other durable goods reflected both of these effects. The inflationary pressures associated with the steep depreciation of the dollar that had begun in September 1977 appear to have accounted for about 1 percentage point of last year's rise in the consumer price index.

At the producer level, the inflation of prices of capital equipment accelerated considerably less than that for consumer finished goods. But crude materials prices, for both food and nonfood items, increased sharply, and prices for construction materials also rose rapidly. In the first month of this year the continuing strength of inflationary forces was demonstrated by a 1.3 percent jump in the producer price index; although consumer foods posted an especially large increase, all of the major groupings of finished goods and materials showed accelerated advances.

Financial Markets

Interest Rates. Interest rates generally declined during the early part of the current economic expansion. This departure from usual cyclical patterns probably was attributable in part to a diminution of inflation expectations associated with the observed slowing in the advance of prices and to the limited credit needs of businesses, which were pursuing cautious capital spending policies. Interest rates began to move upward in the spring of 1977, however, as the Federal Reserve acted to restrain accelerating growth in money and credit. Over the course of 1977, yields on short-term market instruments generally rose about 2 percentage points, while corporate and Treasury bond yields increased around 3/4 percentage point.

With inflation picking up, the margin of unutilized resources narrowing, and the dollar under downward pressure in foreign exchange markets, the Federal Reserve applied increasing restraint to the expansion of money and credit in 1978. This was reflected in further increases of 3 to 4 percentage points in most short-term rates over the course of the year. The combination of rising short-term rates and heightened inflation expectations resulted in increases of roughly 1 percentage point in bond yields. By year-end, a number of interest rates were near or above the peak levels of 1974.

Monetary Aggregates. The monetary aggregates have exhibited some unusual patterns of behavior during the past several years. This has been especially true with respect to the narrow money stock, M-1. During 1975 and 1976, growth in M-1 averaged just over 5 percent per year. Given the concurrent decline in interest rates, the sizable increases in M-1 velocity—that is, the ratio of GNP to M-1—were much larger than would have been predicted on the basis of previous historical relationships among money, income, and interest rates.

The moderation of the public's demand for M-1 may have reflected to a degree an unusually strong cyclical swing in confidence and increased willingness to spend out of existing cash balances as the economy recovered from a severe recession. However, there is also considerable evidence that other factors played an important role. The unprecedentedly high level reached by interest rates in 1974 stimulated the creation and adoption of new cash management techniques that permitted individuals and businesses to economize on nonearning demand deposits. This development apparently continued to exert a significant influence even after interest rates turned downward, and it was reinforced by several important legislative and regulatory developments and innovations affecting the payments system. These included the authorization of negotiable order of withdrawal (NOW) accounts in all of New England, of savings accounts for businesses and govern-

mental units, and of preauthorized third-party and telephone transfer privileges for personal savings accounts.

By the beginning of 1977, the level of M-1 was well below that predicted by most standard econometric models of the demand for money. This downward shift in money demand abated in early 1977, however, and growth of M-1 generally conformed to historical patterns until the final months of 1978. M-1 expanded 8 percent during 1977 and at about the same pace over the first three quarters of 1978; rising interest rates and slowing economic expansion worked to moderate M-1 growth over this span, but these influences were offset by the effect of accelerating inflation on transactions requirements.

On a quarterly average basis, M-1 growth in the fourth quarter of 1978 was at a 4.4 percent annual rate, but the average level of the money stock in January was slightly below that for October. A portion of this weakness is the direct consequence of the introduction of automatic transfer services (ATS) last November 1; many individuals have shifted their transactions balances from checking accounts to savings accounts from which funds are automatically transferred to cover checks. These shifts appear to have reduced M-1 growth rates by roughly 3 percentage points per month, on average. Even after allowance for this, however, growth in M-1 has been weaker than might have been expected in light of the recent expansion of income and spending. It may be that, as in 1974, interest rates have reached a high threshold level at which households and businesses are induced to seek out and adopt cash management techniques that permit major economies in demand deposit holdings. The advent of ATS—which occasioned basic changes in the checking account pricing policies of many banks—undoubtedly has caused many individuals to assess more carefully the opportunity costs of holding non-interest-earning demand deposit balances as compared not only with ATS accounts but also with other highly liquid interest-earning assets.

The behavior of the interest-bearing components of the broader monetary aggregates—M-2 and M-3—was generally in line with historical patterns during the first three years of the economic upswing, but there has been a marked deviation since last June. Commercial banks and thrift institutions experienced rapid growth of savings and small-denomination time deposits until the latter part of 1977. At that point a gap began to develop between interest rates on short- and intermediate-term market securities and the rates permitted on insured deposits by federal regulations. As the gap grew, inflows to savings and small time accounts gradually diminished through the spring of 1978. Commercial banks found it necessary to rely more heavily during this period on large time deposits and other managed liabilities to fund their lending activities, and savings and loan associations borrowed heavily from Federal Home Loan Banks.

To prevent a repetition of past episodes when markedly reduced deposit inflows led to an abrupt curtailment of credit to homebuyers and others reliant on the depositary institutions for credit, the federal regulatory agencies authorized two new time deposit categories effective June 1. One was an 8-year account paying up to 7¾ percent at commercial banks and 8 percent at thrift institutions. The other was a 6-month "money market certificate" (MMC) whose maximum rate varies weekly with the average yield on newly issued 6-month Treasury bills. Given rate relationships, the 8-year certificate has not added significantly to overall deposit flows, but quite the contrary is true of the MMCs. During the first 5 months of 1978, time and savings deposits subject to rate ceilings at commercial banks, savings and loan associations, and mutual banks grew at a 7.9 percent annual rate; since the beginning of June, these deposits have grown at a 10.3 percent rate despite substantial further increases in market interest rates. MMC balances at the end of January totaled about $105 billion and accounted for 7¾ percent of savings and small time deposits at banks and almost 13 percent at thrift institutions.

The MMCs have greatly reduced the sensitivity of time and savings deposit growth to changes in market interest rates, but they have not eliminated it. Indeed, inflows have moderated during the past few months, at least partly in response to the substantial further rise in interest rates. Increased noncompetitive tenders

in auctions of Treasury securities and record growth of money market mutual funds are indications that recent interest rate levels have been inducing some diversion of funds from savings and small time accounts subject to fixed rate ceilings.

Credit Flows. Although accelerating inflation has tended to dampen the impact of rising nominal interest rates on credit demands, there has been a perceptible flattening of the overall pace of borrowing in the economy over the past year. Total funds raised in credit markets by the private domestic nonfinancial sectors have expanded only moderately since the second half of 1977 after having risen rapidly during the earlier part of the economic expansion. Although the liquidity of depositary institutions has declined over the past two years, the introduction of the MMC has prevented the disintermediation that accompanied previous interest rate cycles and has permitted banks and thrift institutions to continue to account for a very large share of the funds advanced to ultimate borrowers.

Households, in particular, are heavily reliant on depositary institutions for credit, and their demands for funds have remained strong. Home mortgage borrowing in 1978 was slightly larger than in 1977, and consumer installment borrowing rose to a new record as households financed purchases of autos and other large ticket items. The aggregate flow of credit to households in 1978, at more than $160 billion, was 15 percent greater than in 1977 and three times the volume recorded in 1975.

The buildup of indebtedness by households over the last three years has outstripped both the growth of this sector's financial asset holdings and of disposable income. Repayment burdens have reached record proportions. Although loan delinquency data indicate that families have not as yet encountered significant difficulty in meeting their obligations for debt service, the diminished liquidity of household financial positions suggests a greater fragility and vulnerability to any deterioration of income flows.

The nonfinancial business sector also experienced some decline in liquidity in the past year. The gap between corporate capital spending and internal cash flow widened, and firms met a substantial portion of their external financing needs through short-term borrowings—particularly from commercial banks. While commercial mortgage borrowing increased and private bond placements remained large, many of the big, highly rated industrial firms that have ready access to the public bond markets evidently preferred to defer long-term financings in the expectation that long-term rates would eventually decline. As a consequence, the aggregate ratio of liquid assets to short-term liabilities in the nonfinancial corporate sector declined over the course of 1978, to a level only slightly above the 1974 low.

State and local borrowing was about the same in 1978 as in 1977. Advance refundings again accounted for a sizable share of tax-exempt bond issuance, but such operations virtually ceased after August owing to the combination of restrictive Internal Revenue Service regulations and rising interest rates. Despite some rise in the past few months, the ratio of yields on municipal bonds to those on taxable obligations has remained relatively low by historical standards, reflecting in part the continued demand for tax-exempt securities by casualty insurance companies, by commercial banks, and by individuals.

Borrowing by the U.S. Treasury has declined over the past year, reflecting the diminution of the federal budget deficit. Government borrowing from the public totaled $59 billion in fiscal year 1978, but is projected by the administration at about $40 billion in the current fiscal year. The preponderance of the increase in outstanding Treasury debt during 1978 was absorbed by state and local governments, which purchased a large volume of nonmarketable Treasury securities with proceeds of advance refundings, and by foreign official institutions, which invested dollars obtained in exchange-market intervention.

Commercial banks satisfied a substantial proportion of the credit demands of households, businesses, and state and local governments during 1978. Total bank credit expanded 10.9 percent over the course of the year, with loan portfolios increasing by 14.6 percent. To meet loan demands many banks had to liquidate

holdings of Treasury securities and to borrow either from correspondents or in the open market through the issuance of large CDs or nondeposit liabilities such as federal funds and repurchase agreements. Aggregate bank liquidity ratios declined appreciably, especially among the smaller and regional institutions that have experienced the strongest business loan growth during this expansion.

Thrift institutions experienced considerable cash-flow pressure during the first half of 1978, but they have been able to rebuild their liquid asset positions since the MMCs began to bolster deposit growth. Thrift institution mortgage lending declined moderately during 1978, although there was some upturn in the final quarter in lagged reaction to the midyear pickup in deposit inflows. Outstanding loan commitments also rose during the second half but in December were slightly below the year-earlier level.

Life insurance companies and pension funds have continued to experience large inflows of investable funds. In 1978 as in previous years of the economic expansion, these institutions absorbed the bulk of the net issuance of corporate bonds. The insurance companies also have supplied a large share of commercial mortgage credit.

Objectives and Plans of the Federal Reserve

The Objective of Monetary Policy in 1979

The objective of the Federal Reserve is to foster financial conditions conducive to a continued, but more moderate, economic expansion during 1979 that should permit a gradual winding down of inflation and the maintenance of the stronger position of the dollar in international exchange markets. Given the limited margin of unutilized labor and industrial resources remaining in the economy, it is critically important to avoid strong aggregate demand pressures that would aggravate our already serious inflation problem. At the same time, the current condition of general balance in the economy suggests that it should be possible to continue restraint to relieve inflationary pressures without triggering a recession.

Growth of Money and Credit in 1979

The Federal Open Market Committee (FOMC) has selected growth ranges for the monetary aggregates that it believes will bring to bear an appropriate degree of restraint in light of the current outlook for fiscal policy and the underlying strength of private demand in the economy. Over the year ending with the fourth quarter of 1979, M-1 is expected to grow between 1½ and 4½ percent; M-2, 5 to 8 percent; and M-3, 6 to 9 percent. Commercial bank credit has been projected to increase between 7½ and 10½ percent during the year.

The growth range for M-1 calls for a marked deceleration from the pace of recent years. This reflects in part an expectation that the shifting of funds to savings accounts with automatic transfer facilities and to the NOW accounts recently authorized in New York State will continue to depress the growth of demand deposits throughout 1979. The board's staff has projected that such shifting will damp growth in M-1 this year by around 3 percentage points. Because there has been only a brief period of experience upon which to base an analysis of the attractiveness of the ATS accounts, this projection carries a broad range of uncertainty.

The unexplained flatness of M-1 in recent months introduced another uncertainty in the FOMC's deliberations regarding the monetary growth ranges. At this stage it is impossible to tell whether the weakness of M-1 relative to what would have been expected on the basis of historical relationships among money, income, and interest rates is a transitory phenomenon or one that is likely to persist for some time. The range for M-1 assumes that the recent weakness does in some degree reflect a change in the public's desired allocation of funds among various financial assets that may persist for some time ahead, though not so strongly as in recent months.

The breadth of the specified growth range for M-1 recognizes the considerable uncertainties that currently exist. As subsequent information

begins to resolve those uncertainties, the range may be adjusted. In the meantime, M-1 may continue to be a somewhat ambiguous indicator of monetary policy, and it will be especially important to monitor carefully the behavior of other financial variables.

It may be noted that the Federal Reserve is studying possible redefinitions of the monetary aggregates. Among the proposals made in a staff paper published for public comment in the January FEDERAL RESERVE BULLETIN is that M-1 be redefined to encompass ATS, NOW, and other similar transactions accounts.[2] While such a redefinition would not eliminate the need to understand the behavior of the various financial assets, it might produce an aggregate that is more reflective of the public's need for transactions balances in light of ongoing institutional changes.

The behavior of M-1 was not the only puzzling development confronting the FOMC early this month as it considered the appropriate ranges for monetary growth during 1979. There were questions as well regarding the movements of the interest-bearing components of the broader aggregates—especially the time and savings deposits at commercial banks that, along with M-1, constitute M-2. Bank savings deposits have declined appreciably in the past few months, despite the influx of funds to ATS savings accounts. While savings deposit inflows might be expected to exhibit weakness when market interest rates are so far above regulatory ceilings, a large gap had existed for a considerable time and it might have been expected that most of the interest-sensitive funds had already moved into other instruments. It is possible, however, that—as perhaps with demand deposits—the recent further sharp increase in interest rates to historically high levels has prompted many people to seek out alternative assets carrying market yields more aggressively. The M-2 range adopted by the FOMC reflects an expectation that growth of the interest-bearing component will be somewhat stronger in the months ahead, buttressed by further sizable increases in the large-denomination time deposits included in the total and by abatement of the recent unusually large withdrawals of funds from savings deposits.

The range for M-3 implies a continued substantial growth of deposits at nonbank thrift institutions. The money market certificates have proven a reliable source of funds. While some institutions have reduced their promotion of MMCs, the certificates have continued to be widely offered at ceiling rates—although there has been some erosion of earnings at thrift institutions since mid-1978 as these relatively high cost deposits have taken a growing share of thrift institution liabilities.

The projected range for bank credit expansion reflects an expectation that loan demands will be less intense in 1979 than in 1978, in line with the prospect of more moderate growth of economic activity. Banks likely will have to continue to rely heavily on large time deposits and other money market liabilities to fund asset growth, and this implies some further decline in traditional measures of institutional liquidity.

The Economic Outlook

Despite the surge in real GNP during the fourth quarter, it appears that underlying economic and financial conditions will lead to a moderation of economic growth in the year ahead. The absence of the sorts of distortions and imbalances that have often precipitated economic downturns in the past indicates that it should be possible to slow the pace of expansion—and thereby relieve inflationary pressures—without prompting a recession. However, any further acceleration of inflation or the occurrence of severe shortages of critical commodities, such as oil, would imperil this outcome.

The monetary restraint applied over the past year by the Federal Reserve is expected increasingly to affect the residential construction sector. Higher costs of credit will cause land developers and builders to put aside marginally profitable projects, and the combination of higher house prices and mortgage rates will lead some families to defer home purchases. None-

2. "A Proposal for Redefining the Monetary Aggregates," FEDERAL RESERVE BULLETIN, Vol. 65 (January 1979), pp. 13–42.

theless, owing to the MMCs and various institutional developments that have broadened the sources of mortgage funds, as well as to the strong underlying demand for shelter, the decline in housing activity should be moderate by comparison with past cycles.

Business fixed investment likely will continue to grow during 1979, but at a slower rate than in 1978. There has been some indication in the past few months of a slowing in the steep upward trend of contracts and orders for plant and equipment, and this is generally consistent with surveys of capital spending plans, which point to smaller gains in outlays this year than last. On the other hand, the climate for investment can be expected to improve as business managers begin to perceive some progress in retarding inflation and become more confident about the sustainability of expansion.

Government spending probably will post only a small increase in real terms this year. Indeed, real federal purchases could decline during the first half due partly to expected repayments of Commodity Credit Corporation loans (which are, in effect, sales of agricultural stocks). At the state and local level, slower growth of federal financial aid and the pressure for tax relief will tend to hold spending increases to small proportions.

Foreign demand for U.S. exports should tend to strengthen during 1979. Economic expansion abroad is generally expected to continue at its recent more rapid pace, and the effects of the substantial depreciation of the dollar on the U.S. trade position should become more evident as the year progresses.

On balance, the aforementioned sectors are likely to provide a reduced impetus to income growth during the year ahead. As a consequence, consumer spending is likely to grow less vigorously. Moreover, the substantial debt repayment burdens faced by many households and generally reduced liquidity of the household sector could prompt households to increase their recent relatively low saving rate. The demand for imports also should moderate this year, not only because of the slower expansion of domestic income and production but also because of the lagged effects of the 1977–78 decline in the international exchange value of the dollar. Inventory investment is likely to be relatively flat in the projected economic environment.

With a slower growth of activity, pressures on productive capacity should ease a bit. Industrial capacity utilization rates, which in the manufacturing sector are not now far below past cyclical peaks, should decline slightly. In labor markets, the growth of employment should moderate from its recent rapid pace. Labor force increases also are likely to diminish, as the growth of the working age population slows slightly and as labor force participation rates—especially for youth—respond to the slackening in economic expansion. Together, the prospective changes in employment and the labor force point to a small increase in the overall unemployment rate during 1979.

The moderation of demand pressures in labor and product markets will tend to slow the advance of wages and prices and thus to reduce the present, unacceptable rate of inflation. However, uncertainties will remain as a result of highly volatile and largely exogenous influences such as farm prices and oil prices. It now appears that food prices will increase somewhat less this year than last. Unfortunately, the price of imported oil will be boosted substantially this year as a result of the decisions taken by the Organization of Petroleum Exporting Countries in December, and the unsettled situation in Iran raises the possibility of even larger price increases.

Setting aside these special factors, a key determinant of the rate of inflation this year will be the performance of unit labor costs. Although there may well be some improvement in productivity in the next few years as the work force tends to become, on average, somewhat older and more experienced, there is little reason to expect any marked acceleration of productivity growth during 1979. Consequently, if there is to be a noticeable slowing in the rise of unit labor costs, compensation gains will have to moderate significantly.

Toward this end, the administration's wage-price program can play an important role. By providing a standard for constructive behavior on the part of both business and labor, the program can be a vehicle for helping to brake the wage-price spiral. Broad compliance with

the administration's standards would make a significant contribution to the slowing of inflation. Of course, the wage-price program can be successful only if there is complementary restraint in monetary and fiscal policy—to contain aggregate demand pressures and to assure the public of the government's commitment to the restoration of price stability.

The Short-Term Goals in the Economic Report of the President

As specified by the Full Employment and Balanced Growth Act, the President's *Economic Report,* transmitted to the Congress last month, lays out a detailed set of economic goals for 1979 and 1980. The discussion of the act's requirements points out that the administration's "short-term goals for [1979] and 1980 represent a forecast of how the economy will respond over the next 2 years not only to the budgetary policies proposed by the President for fiscal 1979 and 1980 but to the anti-inflation program announced on October 24."[3]

The administration's goals, along with the comparable figures for 1978, are summarized in the following table:

Item	Level 1978 Q4	1979 Q4	1980 Q4
Employment (millions)	95.6	97.5	99.5
Unemployment rate (percent)	5.8	6.2	6.2
	Percentage change, Q4 to Q4		
Consumer prices	8.9	7.5	6.4
Real GNP	4.3	2.2	3.2
Real disposable income	3.3	2.8	2.3
Productivity	.2	.4	1.1

THE RELATIONSHIP OF THE FEDERAL RESERVE'S PLANS TO THE ADMINISTRATION'S GOALS

The Relationship of the Federal Reserve's Monetary Growth Ranges to the Short-Term Goals in The Economic Report

The Full Employment and Balanced Growth Act directs the Federal Reserve to assess the relationship of its plans for monetary growth to the short-term goals in the *Economic Report.* This task is complicated by the fact that goals are specified for a variety of economic variables, and monetary policy does not affect each of them separately. Monetary policy has its most direct short-term impact on aggregate nominal GNP. Within the context of a particular nominal GNP outcome, the mix of real output gains and inflation, the growth of employment, and the movements in other variables are influenced importantly by conditions at the beginning of the period, by other governmental policies, by the structural and behavioral relationships in the economy, and by developments outside the domestic economy.

As required by the Full Employment and Balanced Growth Act, the Federal Reserve at this time has established ranges for monetary growth through the end of 1979. It will reassess these and report preliminary ranges for 1980 in July, unless developments in the months ahead necessitate earlier reconsideration. At this juncture, the monetary growth ranges and the administration's 1979 economic goals appear reasonably consistent. The administration's forecast implies an expansion in nominal GNP of around 9¾ percent from the fourth quarter of 1978 to the fourth quarter of 1979. The midpoint of the FOMC's growth range for M-1 is about 6 percent after adjustment for the expected impact of shifts of funds to ATS and NOW accounts. This suggests an increase of M-1 velocity on the order of 3½ percent, a figure somewhat above the longer-term trend, but reasonable in light of the lagged effects of the recent substantial increases in interest rates and the downward shift in money demand that has been occurring. The upper and lower boundaries of the M-1 range, of course, allow for the possibility of smaller or faster increases in velocity over the year.

The output-price mix in the administration's 1979 forecast appears attainable if there is reasonable compliance with the wage-price standards and as long as there are no untoward shocks such as an unanticipated surge in food or energy prices. The employment and productivity forecasts appear consistent with the output goal, and the unemployment rate forecast seems consistent with reasonable assumptions about labor

3. *Economic Report of the President,* p. 108.

force growth in the projected economic environment.

Considerably greater uncertainties naturally are encountered with respect to the administration's goals for 1980, a period that is still rather distant. Nothing in the monetary or economic projections for 1979 suggests to us that conditions prevailing at year-end will bar the achievement of the administration's forecasted 9½ percent growth in nominal GNP during 1980. At this time, however, the achievement of the output-price mix projected for 1980 appears to be more difficult.

The administration has forecast a marked acceleration of growth in real GNP in 1980 and a marked deceleration of inflation. Such an outcome is certainly attainable, but given the projected levels of resource utilization—with the unemployment rate remaining around 6¼ percent—this result will require considerable progress in the lowering of inflation expectations. There will have to be broad conformance to the administration's wage-price standards, and the government will have to give careful attention to the potential cost-raising impacts of its regulatory and legislative actions. Continued budgetary restraint also will be necessary, both to build confidence in the government's commitment to avoid fiscal excesses and to minimize pressures on the capital markets.

Recognizing the risks and uncertainties that currently exist, the administration's 1980 forecast can serve as an appropriate goal for the Congress as it considers its budgetary plan for fiscal 1980. If inflationary pressures subsequently should prove stronger than the administration has projected, then the prudent course for government policy would be to exercise a substantial degree of restraint even if it risks less real growth in 1980 than the 3.2 percent goal. Such a policy would lay the foundation for balanced economic growth over the years to come and would help to maintain the integrity of the dollar. □

Treasury and Federal Reserve Foreign Exchange Operations

This thirty-fourth joint interim report reflects the Treasury–Federal Reserve policy of making available from time to time additional information on foreign exchange operations. The Federal Reserve Bank of New York acts as agent for both the Treasury and the Federal Open Market Committee of the Federal Reserve System in the conduct of foreign exchange operations.

This report was prepared by Alan R. Holmes, Manager, System Open Market Account, and Executive Vice President in charge of the Foreign Function of the Federal Reserve Bank of New York, and by Scott E. Pardee, Deputy Manager for Foreign Operations of the System Open Market Account and a Vice President in the Foreign Function of the Federal Reserve Bank of New York. It covers the period August 1978 through January 1979. Previous reports have been published in the BULLETIN *for March and September of each year beginning with September 1962.*

On November 1, 1978, President Carter, the U.S. Treasury, and the Federal Reserve announced a series of actions to correct what had become an excessive decline of the U.S. dollar in the exchange market. Between early August and the end of October, the dollar had fallen sharply against most major foreign currencies, including net depreciations of 18 percent against the German mark, 17 percent against the Swiss franc, and 7 percent against the Japanese yen. As was true of earlier periods of decline in 1977 and 1978, the renewed selling pressure on the dollar had largely been in reaction to the persistence of the large U.S. trade and current-account deficit, compared with surpluses in several other industrial countries, and to a quickening of inflation in the United States, as against steady or slowing rates of inflation elsewhere. By late October the selling pressure had gathered such force that movements in dollar exchange rates had gone beyond what could be justified by underlying economic conditions and were threatening to undermine U.S. efforts to curb inflation.

In fact, the U.S. trade deficit had begun to narrow, as manufacturing exports in particular were expanding sharply, and this trend was expected to continue. Economic growth in the United States was expected to moderate in 1979, while more rapid expansion was already under way in several other major countries. The sharp rise of U.S. interest rates over the course of 1978 while interest rates elsewhere were steady or rising more slowly had opened up substantial interest differentials in favor of placements in the United States. But the market atmosphere had become so extremely bearish that few expected the dollar's slide to stop or to be reversed on its own.

The November 1 program, developed in close cooperation with the governments and central banks of three major foreign countries, was linked closely to the broader anti-inflation policies of the U.S. government. It featured a further tightening of monetary policy, including an increase of 1 percentage point in the Federal Reserve discount rate to an historic high of 9½ percent. Also, it provided for additional foreign currency resources totaling up to $30 billion equivalent to finance U.S. participation in coordinated intervention in the exchange markets. For the Federal Reserve, this involved a $7.6 billion increase in the swap network through increases in the swap arrangements with the German Federal Bank, the Bank of Japan, and the Swiss National Bank to a total of $15 billion.

For its part, the Treasury announced that it

would draw $3 billion in marks and yen from the U.S. reserve position with the International Monetary Fund (IMF) and sell $2 billion equivalent of special drawing rights (SDRs) to mobilize additional balances of German marks and Japanese yen, as well as Swiss francs. The Treasury also announced that it would issue securities denominated in foreign securities up to $10 billion equivalent. In addition, the Treasury announced it would substantially increase the amounts of gold to be offered at its monthly auctions.

The U.S. authorities followed up the announcements by intervening massively in the New York market in German marks, Swiss francs, and Japanese yen, through the Foreign Exchange Trading Desk of the Federal Reserve Bank of New York. These operations were fully coordinated with intervention by other central banks in their own markets and in some cases in New York. The dollar rebounded sharply, and reactions were similarly favorable in U.S. financial markets. Thereafter, the exchange market gradually came into better balance with good two-way trading at levels well above the lows of late October, and the authorities were able to scale back their intervention. By late November and early December, the dollar had advanced nearly 12 percent against the German mark, 15 percent against the Swiss franc, and 13 percent against the Japanese yen.

Despite the improved outlook, however, the dollar's recovery rested on fragile footing for the time being. Many market participants remained pessimistic about the prospects for bringing inflation under control in the United States and continued to question whether the authorities would succeed in their efforts to halt the erosion of the dollar's value in the exchange markets. The dollar therefore remained vulnerable to potentially adverse political and economic shocks around the world. In early December the political upheavals in Iran, coupled with a stoppage of that country's production and export of oil, prompted a burst of dollar selling. The mid-December announcement by the Organization of Petroleum Exporting Countries (OPEC) of a greater-than-expected rise in oil prices of some 14.5 percent over the course of 1979 triggered additional selling of dollars. The U.S. authorities, along with the other central banks, again intervened in substantial amounts to blunt these selling pressures on the dollar without holding rates at any particular level. But bearish sentiment deepened, and dollar rates slipped back some 2 to 5½ percent from their highs in early December.

From November 1 to the end of December, the U.S. authorities had sold a total of $6,659.4 million of foreign currencies. Net of repayments, Federal Reserve commitments under the swap lines with the German Federal Bank, the Swiss National Bank, and the Bank of Japan rose to a peak of $5,456.9 million in early January. U.S. Treasury drawings under its swap arrangement with the Federal Bank stood at $889.4 million equivalent, and the Treasury had used $1,820.4 million of the $4.4 billion equivalent of currencies obtained through IMF and SDR transactions in November and through the issuance of $1.6 billion equivalent of mark-denominated securities in the German capital market in December.

Though many market participants expected further downward pressure on the dollar in January, renewed selling failed to materialize and the dollar gradually regained resiliency in the exchanges. In fact, the dollar had been heavily oversold in late 1978. Moreover, on those occasions when the dollar did come on offer, the authorities quickly met the pressures, helping to restore a greater sense of two-way risk in the market.

As the market thus came into greater balance, traders began to respond more positively to the thrust of U.S. policy. The Carter administration opened the new congressional session by calling for austerity in fiscal policy to deal with inflation and the dollar problem. Federal Reserve spokesmen continued to emphasize the need for monetary restraint. The Federal Reserve provided tangible evidence of this determination by keeping domestic interest rates firm even as the growth of monetary aggregates slowed. With the dollar taking on a firmer tone in the exchanges, the German Federal Bank was able to begin to absorb some of the excess mark liquidity created in 1978, and Switzerland and Japan lifted temporary barriers to capital inflows.

In late January the demand for dollars picked

up further, as market participants began to view the Iranian situation and possible oil shortages as a potentially serious problem for Western Europe and Japan, as well as for the United States. The dollar's surge caught some market participants by surprise, prompting a sudden scramble for dollars toward the month-end. The central banks stepped in to avoid an outbreak of disorderly conditions in the upward direction. On such occasions, the U.S. authorities purchased a total of $188.8 million equivalent of German marks, Swiss francs, and Japanese yen. At the end of January, dollar rates stood some 9 to 14 percent above lows at the end of October 1978.

As the dollar improved in early 1979, the U.S. authorities were able to step up efforts to clear away swap indebtedness, repaying a net $1,118.3 million equivalent of commitments. These repayments were effected by purchases of currencies mainly from correspondents but also in the market. By the end of January, the Federal Reserve had reduced total swap drawings outstanding to $4,615 million equivalent and the U.S. Treasury had reduced its swap drawings in German marks to $613.0 million equivalent. Also, in January, the Treasury issued in the Swiss market $1,203 million equivalent of medium-term notes denominated in Swiss francs. Foreign currency securities issued during the period were thereby increased to a total of $2,798.2 million valued on the dates of issue. As of January 31, 1979, the value of these liabilities amounted to $2,821.8 million.

In all, during the six-month period from August 1978 through January 1979, the intervention sales of foreign currencies by the U.S. authorities totaled $9,359.1 million. In German marks, sales over the six-month period amounted to $8,122.9 million, of which $4,939.2 million was for the Federal Reserve and $3,183.7 million for the Treasury. In Swiss francs, the Federal Reserve sold a total of $1,029 million over the six-month period. Sales of Japanese yen totaled $207.3 million, of which $160.8 million was for the System and $46.5 million for the Treasury.

In other operations, the Federal Reserve and the U.S. Treasury continued to repay pre-August 1971 liabilities with the Swiss National Bank denominated in Swiss francs. The Federal Reserve bought sufficient francs directly from the Swiss National Bank to liquidate $139.6 million equivalent of special swap debt with the Swiss central bank. The Treasury used Swiss francs purchased directly from the Swiss central bank to repay $319.2 million equivalent of franc-denominated securities. As of January 31, $139.3 million equivalent of the Federal Reserve's special swap debt and $531.2 million equivalent of the Treasury's obligations remained outstanding.

German Mark

Since the mid-1970s, the German mark had been caught up in recurrent heavy inflows of speculative and investment funds, leading to a sharp appreciation of the rate against the dollar as well as against most other major currencies. The underlying strength of the mark reflected Germany's large current-account surplus. German industry had successfully weathered the previous substantial appreciations of the mark and had maintained, if not improved, its competitiveness in many markets. Moreover, the German government, mindful of the broad public concern over inflation, had been cautious about providing stimulus to the economy. As growth in Germany lagged behind the expansion under way elsewhere, particularly in the United States, the current-account surplus mounted.

In fact, the mark's appreciation had temporarily added to the size of the current-account surplus even more, through terms-of-trade effects. It also allowed Germany to make further progress in curbing inflation, to the extent that prices rose by only 2½ percent in 1978. Even so, the cumulative rise in the mark exceeded relative inflation differentials with many trading partners, including the United States, and was clearly having a depressing effect on the German economy. By 1978 the German government had moved gradually to provide more stimulus to the domestic economy through fiscal measures, but the market remained doubtful that the underlying differences in economic performance were likely to change very quickly.

Under these circumstances, trading conditions in the exchange market between the mark

and the dollar had occasionally become extremely disorderly. In late 1977 and early 1978, German and U.S. authorities had intervened heavily in the exchanges to settle the market and to reestablish a sense of two-way risk. For the United States, the Federal Reserve and the Treasury had both intervened, mainly using marks drawn under swap arrangements with the German Federal Bank. In March, the United States had announced its preparedness to sell SDRs to Germany and to draw marks from the IMF, but such operations were not necessary at the time. The dollar firmed over the next months, and the U.S. authorities were able to unwind a sizable part of the swap debt.

By the end of July, the Federal Reserve's swap debt to the German Federal Bank had been reduced to $650.5 million equivalent and the Treasury's to $197.0 million equivalent. Meanwhile, in view of the recurrent strains in the exchange markets, the governments of the European countries decided to work toward linking their currencies together under common intervention arrangements. At a summit meeting in Bremen in July, the European Community (EC) governments made a formal commitment to establish a European Monetary System (EMS) along these lines with the specifics to be negotiated by the year-end.

A sense of deep frustration nevertheless prevailed in the exchange markets about the kind of underlying adjustments that would be necessary to establish stability in the dollar-mark relationship for some time. At the Bremen and Bonn summit meetings in July, the German government had promised to take additional stimulative measures, which were subsequently implemented. But by early August, both the Swiss franc and the Japanese yen had come into strong demand, and the unsettled conditions in those markets triggered renewed demand for marks against dollars. The spot mark, which had been trading at DM 2.0330 at the end of July, was bid up to DM 1.9370 by August 15, a rise of 5 percent. The German Federal Bank and the Federal Reserve intervened to temper the rise.

On August 16, President Carter expressed his deep concern over the decline of the dollar, asking Secretary of the Treasury Michael W. Blumenthal and Federal Reserve Chairman G. William Miller to seek ways to stem the decline. Over subsequent weeks, the U.S. authorities followed up with a series of measures. The Federal Reserve tightened money market conditions, hiked the discount rate 3/4 of a percentage point in two stages to 8 percent by late September, and eliminated reserve requirements on member bank Eurodollar borrowings. The Treasury announced that it would triple the amount of gold at its monthly auctions. Moreover, the administration pressed the Congress to seek means of reducing the budget deficit even further and to resolve the remaining issues that held up passage of an energy bill. The market responded favorably to these initiatives, and the mark fell back to trade at about DM 1.9850 in early September.

The extreme pessimism in the market toward the dollar did not lift completely, however, and trading remained volatile. Consequently, the German Federal Bank and the New York Federal Reserve Bank intervened on several occasions in late August. For the month, the sales of marks by the Trading Desk for the Federal Reserve and the Treasury amounted to $285.1 million equivalent and $278.4 million equivalent, respectively; these sales were financed partly out of balances and partly by additional drawings under the swap lines with the German Federal Bank. At the same time, the Trading Desk was able to acquire marks, largely through nonmarket transactions with correspondents, to repay swap drawings.

During September a number of potentially favorable developments emerged for the dollar. U.S. trade figures showed that, following the bulge in the deficit earlier in the year, import demand was beginning to slacken while exports were expanding rapidly. With economic expansion in Germany and other countries now more solidly based, official projections pointed to a further and substantial narrowing of the deficit for 1979. The Senate passed the long-awaited energy bill. And the Camp David accord generated hopes of an easing of tensions in the Middle East. But these developments were largely ignored by the exchange markets, where

traders were expressing concern over the resurgence of inflationary pressures in the United States.

By that time, the negotiations over the EMS were the subject of extensive press and market commentary. Many market participants came to expect that, before the new arrangements could be introduced, which was scheduled for January 1, a generalized realignment would be necessary to revalue the mark substantially relative to the other currencies. As these expectations spread, heavy demand for marks built up, particularly before weekends. The German Federal Bank and the other EC central banks had to intervene with progressively larger amounts to maintain the margin of 2¼ percent between participating currencies. From the July Bremen summit to mid-October, some $5 billion equivalent of marks was pumped into the market by participating central banks. Then on October 15 the mark was revalued by 2 percent against the Netherlands guilder and the Belgian franc and by 4 percent against the Norwegian krone and the Danish krone. This stopped the immediate speculative pressure on the snake but did not generate significant reflows.

Instead the bidding for marks continued. With the focus now shifting back to the dollar, a massive amount of hot money flowed out of dollars and into marks. Corporate treasurers, investment managers, central banks, and other dollar holders around the world sought to diversify their portfolios by buying marks and other currencies. The Federal Reserve's decision on October 13 to raise the discount rate another 1/2 of a percentage point to 8½ percent was ignored, as were the generally favorable interest rate differentials for the dollar.

As the selling pressure on the dollar moved with the time zones around the clock, intervention by the German and U.S. authorities increased both in size and in scope. On the night of October 24, when President Carter announced his new anti-inflation program calling for voluntary price and wage guidelines, the Federal Reserve, operating through U.S. banks with branches in Hong Kong and Singapore, intervened in marks in the Far Eastern market to counter speculative pressure on the dollar. The market was well aware of this very forceful approach by the authorities, but demand for marks continued to build, and on October 31 the rate was pushed to a record high of DM 1.7050. At this level, the mark had risen almost 20 percent since early August, 23 percent since the beginning of the year, and 34 percent since late July 1976.

In all, the Trading Desk sold $1,641.4 million equivalent of German marks during September and October, of which $976.7 million was in the last four trading days in October. Of these totals, $1,033.2 million equivalent was for the Federal Reserve and $608.2 million equivalent was for the Treasury. Net of further repayments during those months, swap drawings on the German Federal Bank had mounted to $1,256.1 million by the Federal Reserve and $650.4 million by the Treasury. Meanwhile, net purchases of dollars, together with the much larger intervention in EC snake currencies, had swollen Germany's international reserves by $8 billion from July to the end of October, when the total outstanding was $49.5 billion.

On November 1, President Carter announced, as a major step in the U.S. anti-inflation program, that it was now necessary to correct the excessive decline in the dollar. In this connection, the Federal Reserve's swap line with the German Federal Bank was raised to $6 billion, along with increases in the system's swap lines with the Swiss National Bank and the Bank of Japan. The Treasury announced it would draw German marks on its reserve position in the IMF, sell SDRs to Germany for marks, and issue mark-denominated bonds in the German capital market.

The Trading Desk followed up the announcements with highly visible and forceful intervention in the New York market in German marks, as well as in Swiss francs and Japanese yen. These operations were fully coordinated with those of other central banks in their own markets. In response, many market professionals moved quickly to dump their long mark positions. As the dollar rebounded, the spot mark fell sharply to as low as DM 1.9030 on November 6, down 10½ percent from its record high just four trading days earlier. But sporadic

bidding for marks by the banks' commercial customers and by central banks shifting funds out of dollars continued for some time. Consequently, as the market sought to establish a new trading range following the November 1 announcements, both the German and the U.S. authorities continued intervening openly and vigorously in their respective markets. These operations gradually brought the market into better balance, and by November 20 the mark declined to as low as DM 1.94.

In all, the Trading Desk intervened on twelve trading days during November, selling $2,920.8 million equivalent of marks in the market, of which $1,976.1 million equivalent was done for the system account and the remaining $944.7 million equivalent was on behalf of the Exchange Stabilization Fund (ESF). Meanwhile, Germany's foreign currency reserves increased $500 million more, which, together with the purchase of SDRs from the U.S. Treasury and the increase in its reserve position with the IMF resulting from the U.S. drawing, contributed to the $3 billion increase in overall reserves for the month.

During December, however, the dollar's recovery lost momentum. With the latest statistics showing the U.S. economy even more buoyant than expected just a month before—with prices, production, and employment all expanding rapidly—the market worried that the anticipated slowing of inflation and narrowing of the U.S. trade deficit was now delayed. Moreover, with economic activity in Germany picking up, reports circulated that the German Federal Bank was increasingly concerned over the buildup of mark liquidity in domestic money markets. As a result, dealers watched closely the German Federal Bank's weekly reserve figures for any indication that it had acted to offset earlier intervention by selling dollars, and grew cautious about the implications of its December 14 announcement of a reduction in commercial bank rediscount quotas and a monetary growth target of 6 to 9 percent for 1979. In addition, with the approach of its starting date, the new EMS was still a source of uncertainty, as traders remained doubtful even that the new exchange rate relationships would prevail in the proposed new joint arrangement.

Against this background, the outbreak of a political crisis in Iran and a larger-than-expected increase in OPEC oil prices helped trigger another burst of demand for the German mark before mid-December. As the mark advanced, many corporations joined in the bidding to cover accounting as well as economic exposures before the rate rose too far. Moreover, the central banks of some developing countries proceeded further with their efforts to diversify portfolios by buying marks. This demand for marks came at a time when many of the dealing banks were reluctant to undertake new transactions that would significantly alter their accounts for the year-end. Consequently, the market was even less resilient than usual, and the heavy bidding for marks propelled the rate up to as high as DM 1.8070 on January 2, almost 7½ percent above its November lows.

To moderate this advance, the U.S. and German authorities again intervened forcefully throughout December. Operating on 14 trading days, the Trading Desk sold $2,796.5 million equivalent of marks, including $1,575.8 million equivalent for the system and $1,220.7 million equivalent for the Treasury. These operations brought total U.S. intervention sales over the last two months of 1978 to $5,717.3 million equivalent of marks. As a result, total drawings outstanding on the swap line of the Federal Reserve with the German Federal Bank stood at $4,558.0 million by the year-end. The Treasury's outstanding drawings on its swap line with the German central bank stood at $889.4 million equivalent.

But the bulk of its intervention after November 1 had been financed out of ESF balances obtained from the U.S. drawings on the IMF and the proceeds of the Treasury's first issue of mark-denominated securities. This issue, which was floated in the German capital market on December 15, consisted of $931.1 million equivalent of three-year securities at 5.95 percent per annum and $664.1 million equivalent of four-year notes at 6.2 percent. The $1,595.2 million of proceeds was warehoused by the Treasury with the Federal Reserve.

Meanwhile, the surge in the mark ahead of the year-end had led many market participants to believe that it would advance much further

in early January. In fact, the commercial demand for marks that had been expected for January had largely been met. The German Federal Bank stepped in and intervened in volume as soon as trading resumed in the new year. Also, rumors circulated that new measures in defense of the dollar would quickly be announced should the mark rise strongly against the dollar. Traders then found they had few outlets for the marks they had accumulated or had just received from the German central bank, and some moved to cover their positions. The mark thus fell back quickly, to around DM 1.85, an unexpected turnaround that had a sobering impact on market psychology. As a result, after some initial nervousness, the market took in stride the January 18 decision of the German authorities to increase minimum reserve requirements and to raise the Lombard rate 1/2 of a percentage point to 4 percent. Sentiment toward the dollar was also helped by the stress on fiscal restraint in the President's budget and state of the union message, and the adherence by the Federal Reserve to a restrictive monetary policy. A scramble for oil by many countries seeking to prepare themselves for a protracted disruption of production in Iran prompted additional demand for dollars.

The mark thus came increasingly on offer toward the month-end. It fell sharply on the final day of the period under review, prompting the Trading Desk to buy $70 million equivalent of marks in the market to cover outstanding Federal Reserve and Treasury swap debt and to maintain orderly trading conditions. The mark thus ended the period at DM 1.8720, some 9 percent below its peak at the end of October but still up 8½ percent over the six-month period under review.

Compared with the preceding two months, central bank support for the dollar was modest during January. The Federal Reserve Trading Desk intervened to sell $68.9 million equivalent of marks for the system and $132.3 million equivalent for the Treasury over the course of the month. Meanwhile, it took advantage of opportunities to acquire marks, largely through nonmarket transactions with correspondents, which were used to repay swap debt.

Thus, by the end of January, the system's outstanding swap indebtedness to the German Federal Bank was down $389.8 million net over the month to stand at $4,168.2 million, and that of the Treasury had been reduced by $276.4 million to $613.0 million. These operations, repayments of swap debt by the German Federal Bank's partners in the EC snake, and that central bank's own operations in the market were reflected in the $1.9 billion net decrease in Germany's official reserves over the month to $52.1 billion by January 31, 1979. But for the six-month period as a whole, Germany's reserves rose a net $11 billion.

Japanese Yen

In late 1977 and early 1978, the Japanese authorities faced three mutually reinforcing problems: economic growth had fallen short of the government's target, the current-account surplus remained excessive at an annual rate of nearly $16 billion, and the Japanese yen was appreciating rapidly, rising 30 percent in two years to ¥227.00. Since each of these problems had significant international implications, foreign authorities were pressing Japan to hasten the adjustment process. In late 1977 the government had provided more fiscal stimulus to promote domestic growth and boost imports. In addition, Japan encouraged imports by relaxing the remaining trade restrictions on certain kinds of goods. But the impact of these measures was blunted by the persistent rise in the Japanese yen, which exerted a drag on the domestic economy. Moreover, the current-account surplus widened even farther as the yen appreciated. This unexpected result reflected in good measure the terms-of-trade effects of the yen's rise. It also reflected the fact that Japan's exports remained highly competitive.

With the yen's appreciation serving as a further brake on domestic inflation, Japanese firms in several key industries were able to take advantage of declining costs of imported raw materials and products, such as oil. Moreover, because of the more rapid inflation under way in many foreign markets, Japanese exporters did not have to absorb the full effect of the rise in the yen on their prices. By mid-1978 the underlying adjustment to the previous appreci-

ation of the yen was finally beginning to show through in the trade figures, as export volumes started to decline and import volumes started to rise. But, in view of the experience of the previous two years, the market was still skeptical about the chances of early success for Japan's efforts to reduce its current-action surplus significantly—or the U.S. efforts to reduce its current-account deficits.

Against this background the yen had come into demand, buoyed by heavy inflows of funds again in late July and early August. The yen rate was bid up by 20 percent to ¥188.6 at the end of July and advanced a further 3¾ percent to a peak of ¥181.8 in mid-August. By that time, selling pressure on the dollar again spread to the markets for major European currencies. On August 16 President Carter expressed his deep concern over the dollar's decline, initiating a series of actions by the Federal Reserve and the U.S. Treasury to deal with the problem. These actions included intensive discussion between the U.S. and the Japanese authorities on means of hastening the adjustment process. In late August the Japanese government introduced a supplementary budget that included additional stimulus, mainly through public works projects and credit availability for housing, which was expected to increase GNP by some ¥2.7 trillion. The Japanese authorities also pressed ahead on a program of emergency imports to reduce the immediate current-account surplus. The market responded positively to these various official actions, and the yen settled back in late August to ¥188, where it held steady in balanced trading through mid-October.

By that time, Japan's current-account surplus was more clearly on a narrowing trend. But the dollar had again come under heavy selling pressure against Western European currencies and that pressure again spilled over into the yen, which rose to a new record high of ¥176.45 by October 31. Under these circumstances, the Japanese authorities became concerned that the new appreciation of the yen might thwart even the modest progress toward internal and external balance that had just begun. The U.S. authorities were also concerned that the decline of the dollar was becoming excessive and threatening to undermine the efforts to curb inflation in the United States.

Consequently, in further discussions in late October, U.S. and Japanese authorities agreed that an important element of any broader package of initiatives to strengthen the U.S. dollar would be a commitment by the United States to intervene in Japanese yen, backed up by substantial resources, along with intervention in German marks and Swiss francs. For some time, the Federal Reserve Bank of New York had been intervening in the New York market for the account of the Japanese authorities. It was agreed that this would continue and that the U.S. authorities would join in this intervention using their own resources. As the $30 billion of foreign currency resources was assembled, therefore, the Federal Reserve swap arrangement with the Bank of Japan was raised from $2 billion to $5 billion, and the U.S. Treasury agreed to draw $1 billion equivalent of yen from the IMF and to sell $641.7 million equivalent of SDRs to Japan.

The announcement on November 1 of these measures had a profound effect on yen trading in New York, and the yen rate fell back sharply with only modest intervention on that day. Heavy demand for yen developed the next day in Tokyo. But the Bank of Japan countered vigorously, and the Federal Reserve Bank of New York maintained a forceful presence in the New York market on that and subsequent days. In response, the pressure quickly abated and there was little need for further intervention. In all, sales of yen by the Federal Reserve's Trading Desk in early November amounted to $196.7 million. Of the Federal Reserve sales, $151.7 million equivalent of yen was financed by drawings under the system's swap arrangement with the Bank of Japan and $2.8 million equivalent of Japanese yen was drawn from balances. U.S. Treasury sales of $42.3 million of yen were financed entirely out of proceeds of IMF and SDR drawings.

Once the sense of two-way risk was reestablished, market sentiment began to shift against the yen. Traders took account of the narrowing of Japan's current-account surplus. Moreover, the wide interest differentials favoring the U.S.

dollar over the yen generated capital outflows as foreign governments and international institutions stepped up new borrowings in the Tokyo market and nonresidents liquidated earlier investments. Consequently, the yen rate dropped back to as low as ¥202.45 in early December, some 13 percent below the peak in late October. By that time the Federal Reserve had begun to acquire modest amounts of yen to repay the swap drawings of early November.

The yen then became caught up in the renewed upsurge of the European currencies against the dollar in mid-December. But while regaining 5 percent to a high of ¥192.45, the yen lagged behind the rise of the other currencies. Consequently, intervention to check the rise was relatively modest, with the U.S. authorities selling a total of $10.6 million equivalent of yen. Of this amount the Federal Reserve sold $6.4 million equivalent financed by a $4.8 million equivalent drawing on the swap line with the Bank of Japan and other balances. The remaining $4.2 million equivalent was sold by the Treasury out of balances. By midmonth, market sentiment turned hesitant toward the yen once again, as major events of concern to the market at the time—the political and economic disturbances in Iran and the jump in OPEC oil prices—were viewed as potentially serious to Japan as well as to the United States. Consequently, the yen rate began to ease through the month, even as other currencies continued to advance.

In January, the yen softened further as Japanese trading companies bid strongly for dollars. The Japanese authorities took the opportunity to dismantle some of the barriers to capital inflows, cutting in half the marginal reserve requirement on free yen deposits and relaxing the restrictions on purchases by nonresidents of Japanese securities. On several days the yen declined sharply enough on the New York market that the Federal Reserve stepped in as a buyer of yen to maintain orderly trading conditions. On this basis it purchased $98.8 million equivalent for the account of the U.S. authorities over the course of the month. By the month-end, the yen rate had fallen back to ¥201.70, for a net decline of 6½ percent for the six-month period under review. By that time, the Federal Reserve had acquired sufficient amounts of yen from transactions with correspondents and from the market to repay in full the swap drawings on the Bank of Japan. The ESF's purchases of yen were added to balances.

Swiss Franc

By midsummer 1978, the Swiss franc was rising sharply, reaching new highs against the dollar and other major European currencies. Switzerland's inflation rate was running at 1.4 percent per year, the lowest of all industrial countries. Switzerland's current account for the year, forecast to show a surplus of SF 9 billion, was expected to be second only to Japan's. Also, many in the market had come to question whether the authorities would continue to resist upward pressure on the franc, since intervention in the exchanges earlier in the year had already contributed to an explosion in the monetary aggregates well above the central bank's target of 5 percent.

Indeed, since midyear the Swiss National Bank had been able to absorb some of the excess liquidity through domestic monetary operations and by selling dollars to nonresident borrowers under the official capital export conversion requirement. As a result, Switzerland's reserves had declined somewhat in July to $12.8 billion. But in the exchange market the Swiss franc was swept up in a burst of bidding to SF 1.7099 against the dollar and SF 0.8458 against the German mark by August 2. At these levels, the Swiss franc had gained 16 percent and 12 percent, respectively, since the beginning of the year.

In view of the franc's rapid advance, the central bank moved early in August to make more liquidity available to the market by open market operations, the placement of government deposits with commercial banks, and one-year swaps against dollars. These operations triggered a sharp decline in domestic and Euro-Swiss franc interest rates and succeeded for a while in blunting the franc's rise. But, in the generally unsettled markets at the time, the franc

once again began to rise against the dollar, along with other major currencies. It rose as high as SF 1.5451 by mid-August before falling back by some 8½ percent in reaction to President Carter's expression of deep concern over the dollar's decline and the follow-up measures by the Federal Reserve and the Treasury.

By September, however, the Swiss franc was again on the rise. As before, the appreciation was for the most part caused by commercial and official shifts of funds out of the dollar. But the franc was also buoyed by flows of funds out of other European currencies, including the mark, in response to market concern that an expanded joint float arrangement to include all EC countries would leave the franc isolated and hence more vulnerable to even stronger upward pressures.

In this environment, the rate was propelled by late September to a new record high of SF 1.4510 against the dollar and SF 0.7547 against the mark. To moderate this advance, the Swiss National Bank had gradually increased its dollar purchases in Zurich and New York, while the Federal Reserve joined in these operations on twelve trading days in August and September, selling $147.7 million equivalent of francs. These sales were financed by drawings under the swap arrangement with the Swiss National Bank, which raised the total from $22.9 million equivalent to $170.5 million.

Meanwhile, the franc's unrelenting advance in the exchanges raised the risk of severe repercussions on the Swiss economy. Producers of goods for both foreign and domestic markets were concerned about a loss of competitiveness, falling profit margins, and declining sales. But the trade balance remained strong because of the favorable price effects of the franc's appreciation on the terms of trade. Concerned that an excessive appreciation of the franc might drive the economy into recession, the Swiss authorities took the initiative in the exchange markets in late September and early October. The Swiss National Bank intervened massively to reverse the rise in the rate against both the dollar and the German mark. Although the bulk was done in Zurich, the Federal Reserve followed up in New York, for the account of the Swiss National Bank and for the Federal Reserve account. System sales of francs amounted to $100 million equivalent.

Also, to signal a desire for the franc to decline against the mark, the Swiss central bank bought modest amounts of snake currencies other than the mark to give the mark more room to appreciate within the joint float. Finally, to increase the depth of the Swiss franc market, the authorities raised the limit on nonresident participation in Swiss franc bond issues by foreign borrowers from 35 percent to 50 percent and allowed 50 percent of borrowings of francs by private nonresidents to be converted in the market.

In response to these actions, the franc initially fell back sharply, dropping to a low of SF 1.63 against the dollar and to SF 0.8350 against the mark. Later on as trading conditions deteriorated and the dollar plummeted across the board, the franc rose again, moving back to its record high on October 31. But, in the wake of the earlier intervention by the Swiss National Bank and the highly publicized concern of the Swiss authorities over the franc's relationship to the mark, the Swiss franc lagged behind the rise in the mark. As a result, although the Federal Reserve supplemented its intervention in marks with sales of Swiss francs, in late October it sold only a modest $46.5 million equivalent of francs financed by drawings on the swap line with the Swiss National Bank. Meanwhile, the heavy intervention by the Swiss National Bank earlier in October accounted largely for the $4.7 billion increase in Switzerland's external reserves during the first three months of the period under review.

The franc's advance was abruptly reversed in response to the November 1 announcement of steps to correct the excessive decline of the dollar. These included an increase in the Federal Reserve's swap line with the Swiss National Bank from $1.4 billion to $4 billion, indications by the Treasury that it would sell SDRs for Swiss francs, and plans for the Treasury to place franc-denominated securities in the Swiss capital market. On November 1 the franc fell sharply, dropping off some 8¾ percent from its highs of the previous day. Thereafter, the franc, along with the mark and the yen, came into heavy demand in a test of the U.S. resolve to follow through on the November 1 program.

But the earlier forceful intervention by the Swiss authorities had already made traders more cautious, and the Swiss National Bank did not have to intervene as heavily as before.

For its part the Federal Reserve sold $351.6 million equivalent of francs on six trading days during November, financed entirely by new drawings on the swap line with the Swiss central bank. This intervention helped to settle the market, and by November 20 the franc had declined another 9 percent to SF 1.7640. Thereafter, the rate fluctuated fairly narrowly through early December, requiring only occasional light support from the Swiss National Bank and sales of just $29.0 million equivalent of francs by the Federal Reserve on November 21 and 29, which were financed by further swap drawings.

During December the franc came under renewed upward pressure amid uncertainties ahead of the scheduled introduction of the EMS at the month-end, growing political instability in Iran, and the announcement by OPEC of a larger-than-expected increase in oil prices. As the franc rose, many multinational corporations sought to cover both economic and accounting exposures. For a while the franc outstripped the mark in its advance against the dollar, rising 9 percent by the year-end. In response, the Swiss National Bank intervened heavily and the Federal Reserve sold $354.3 million equivalent of francs through the month-end, of which $33.8 million were for value in early January. These operations contributed to a further rise of $4.1 billion equivalent in Switzerland's external reserves from October 31 to $21.6 billion at the year-end.

This intense bidding tapered off quickly in early January once it became clear that most companies had satisfied their near-term need for francs before the year-end. Also, timely and forceful intervention by the Swiss National Bank led the market to expect that the central banks would step in quickly to counter a renewed rush into francs. Even so, the market was aware that the heavy intervention by the Swiss National Bank had generated an increase of 16.2 percent in the Swiss money supply in 1978, a rate of increase that was far above the target.

To ease concerns that it might suddenly tighten liquidity, the Swiss National Bank announced that, since priority was still being given to the stabilization of exchange rate relationships, it would not set a money supply target for 1979. Moreover, when the U.S. Treasury announced plans to sell bonds denominated in Swiss francs, the Swiss National Bank followed up with an assurance that the authorities would offset the liquidity drain caused by this issue. At mid-January, the U.S. Treasury placed a total of $1,203 million equivalent of franc-denominated securites in the Swiss capital market. Of this amount $744.5 million equivalent was borrowed over 2½ years at 2.35 percent per year. The remaining $458.5 million equivalent was a four-year placement at 2.65 percent. The proceeds of these securities were then warehoused by the Treasury with the Federal Reserve.

In this better atmosphere for the dollar, traders began to perceive a downside risk in the Swiss franc. In view of the differential between U.S. and Swiss interest rates, it became immensely costly to remain short of dollars once the franc began to ease. The franc thus fell back sharply from its year-end highs, and this decline accelerated following the announcement of the new anti-inflation policies in the United States. With the exchange market now in better balance, the Swiss government announced on January 23 the removal of the February 1978 ban on purchases by nonresidents of foreign securities. Caught by surprise, the market's initial reaction was to bid heavily for francs. But the Swiss National Bank reacted immediately with forceful intervention, and this flurry of demand quickly subsided. Thus, the franc continued to ease, enabling the Swiss National Bank to sell some of its earlier dollar purchases. The franc closed at SF 1.700 on January 31, off 14 percent from the peak in late October.

For its part, the Federal Reserve did not intervene in the franc market during January. In fact, at one point, when the franc was easing at a particularly sharp rate, the system was able to buy $20.0 million equivalent of francs in the market. This purchase, together with much larger amounts purchased directly from the Swiss National Bank, enabled the

system to repay $605.1 million of its current swap debt, leaving $446.7 million equivalent outstanding as of January 31. For the six-month period as a whole, the franc was virtually unchanged on balance, while Switzerland's external reserves rose a net of $8.9 billion to $21.7 billion.

During the period, the Federal Reserve and the U.S. Treasury continued with the program agreed to in October 1976 for an orderly repayment of pre-August 1971 liabilities denominated in francs. The Federal Reserve repaid $139.6 million equivalent of special swap indebtedness, while the Treasury redeemed $319.2 million equivalent of securities denominated in Swiss francs by the end of January. Most of the francs for these repayments were acquired directly from the Swiss National Bank against dollars, but the Federal Reserve also bought francs from that bank against the sale of $118.2 million equivalent of German marks, which, in turn, were either covered in the market or drawn from existing balances. By the end of January, the Federal Reserve's special swap debt to the Swiss National Bank stood at $139.3 million equivalent, while the Treasury's obligations denominated in Swiss francs had been reduced to $531.2 million equivalent.

EC Snake

In the mid-1970s, divergencies in the performances of the major European economies had forced a number of important currencies to drop out of the EC snake, leaving the remaining currencies highly exposed to the volatility of the exchange markets. As a result, over the past three years the currencies remaining inside the joint float had advanced more rapidly against the dollar than those that had left the band, even though the differences in economic performance among all EC countries had begun to narrow. Against this background, the EC heads of state and government reached agreement at Bremen in July 1978 to create a zone of monetary stability via a new joint floating to include all EC members.

News of the agreement prompted some bidding for the currencies outside the snake as the market took the view that these currencies would henceforth trade more in line with those now in the EC band. But within that arrangement enough divergence between price and trade performances remained to raise expectations in the market that a realignment might take place among those currencies before the introduction of the EMS. Once the mark began outpacing the advances of other major currencies against the dollar in late July and early August, participants doubted that other participating currencies could keep pace with the mark. As a result, the Dutch guilder, Belgian franc, Norwegian krone, and Danish krone all fell to the bottom of the joint float.

Against this background, all four currencies were subjected to outflows into the mark. In some cases, the pressures were aggravated by local considerations. The Norwegian krone was beset by commercial and professional selling pressure as the market reacted to Norway's loss of competitiveness vis-a-vis its major trading partner, Sweden, whose currency had been withdrawn from the EC band a year before. Evidence of deterioration in Belgium's trade position during the summer generated continued large sales of Belgian francs. A large-scale buildup in commercial leads and lags also weighed on the Netherlands guilder.

As the movement of funds into the mark gathered momentum, the five EC central banks stepped up their intervention to keep the joint float within its 2¼ percent limits, buying large amounts of guilders, Belgian francs, Danish krone, and Norwegian krone against sales of German marks provided by the German Federal Bank. By mid-October the total amount of marks created by the German Federal Bank to meet these pressures had mounted up to $5.1 billion equivalent since the end of June and was contributing to a strong expansion in Germany's monetary aggregates. By contrast, this intervention drained large amounts of liquidity out of the other four snake currencies. Interest rates rose steeply in each of the money markets, while the monetary authorities reinforced the squeezes still further by raising official lending and penalty rates at the various central banks.

Finally, in mid-October, the EC monetary authorities agreed to a realignment that upvalued the mark by 2 percent against the Dutch guilder

and Belgian franc and by 4 percent against the Danish krone and the Norwegian krone. Following this announcement, the heavy selling within the snake came to an end, and all the joint-float currencies advanced on their own to record highs against the dollar at the month-end. But reversals of the commercial leads and lags or speculative positions in favor of the mark were modest. Consequently, part of the indebtedness built up while defending the snake was settled at the month-end by transfers of dollar assets to Germany.

The November 1 announcement of the new U.S. measures to support the dollar triggered a sharp fall in the mark, well in excess of the declines in the other snake currencies. The mark thus dropped to the bottom of the joint float, and strains on the band eased generally. Under these conditions, market participants began to reverse the highly expensive long mark positions they had been maintaining against the weaker snake currencies.

This unwinding proceeded slowly, however. Many uncertainties remained over the outlook for the snake in view of the scheduled introduction of the new EMS on January 2. Some participants still wondered if another realignment might not occur prior to the starting date then only a few weeks away. Many traders thus continued to roll over short positions against the mark. To clear the air, the monetary authorities of the EC snake countries let it be known that the bilateral central rates then in force between the snake currencies would be maintained in the new system. This announcement contributed further to a reduction of tensions within the snake. But Norway decided it could not risk having its currency pulled up further against the Swedish krona. Therefore, following Sweden's decision not to enter the new system, Norway announced on December 12 that it could not join the arrangement and that the krone would be withdrawn from the snake effective immediately.

The decision at year-end to delay the implementation of the new monetary arrangement had no discernible impact on trading relationships within the snake. Instead, as the mark eased back against the dollar, the process of unwinding positions taken up before the mid-October realignment accelerated. Benefiting from high domestic interest rates, the Dutch guilder and the Danish krone were buoyed by these reflows and traded firmly in the snake. The commercial Belgian franc was also bolstered by reflows, but amid concerns over the persistent sluggishness of the Belgian economy and the size of the government deficit, the return of funds took place more slowly and the franc stayed near the bottom of the joint float.

French Franc

During the spring of 1978, the French government had reaffirmed its commitment to give priority to the fight against inflation and the maintenance of a sound balance of payments, while boosting employment largely through selective measures. By midyear, the economy was beginning to respond to the modest stimulus that had been provided earlier, spurred by an upturn in domestic consumption. Also, the current account had settled into strong surplus and the French franc had strengthened in the exchanges. It rose against the dollar to trade around FF 4.36 by early August. It also gained against the German mark, and the Bank of France had taken in reserves. Progress on the inflation front, however, had not yet met expectations.

Looking ahead, the market was uncertain about the prospect for an early further decline in inflationary pressures. One of the reasons was that, as part of its longer-term strategy to reduce the growth of public financing needs and to channel more personal savings into business investment, the government had embarked on a program to increase charges for public services and gradually to relax longstanding controls on industrial prices. Also, by midsummer, the market had become sensitive to the implications of any deterioration in economic performance relative to Germany, in view of the possibility that France might join in the expanded EC currency arrangement that was scheduled for implementation on January 1, 1979.

Against this background, news during August of a quick upsurge in consumer prices, an acceleration of wage increases, and a temporary slippage in France's trade account back into deficit had a dampening effect on market psy-

chology for the French franc. Market participants began to question whether the franc could hold its own against the German mark, and commercial leads and lags started to move against the franc. Also, since short-term interest rates had been gently declining as the franc had strengthened during previous months, some investors took advantage of a narrowing of favorable interest differentials to shift funds into other currencies. As a result, the franc lost some of its earlier buoyancy. Although at times it was bid up as the dollar came on offer in August and September, it posted little advance on balance over the two months, trading around FF 4.37. Meanwhile it eased back about 4 percent against the mark by the end of September. Under these circumstances, the inflows to France's reserves tapered off and the Bank of France provided some support for the rate through sales mostly of German marks but also of dollars.

In the increasingly unsettled markets that developed during October, the French franc joined to a greater degree in the rise of foreign currencies against the dollar. By this time, also, the authorities had reinforced the relatively restrictive monetary stance by reducing to 11 percent the target for monetary growth in 1979 and by tightening somewhat the ceilings on bank credit expansion. They also doubled the reserve requirements against sight deposits to 4 percent to absorb liquidity generated by the balance of payments surplus and the financing of the government deficit. Thereafter, an abrupt tightening in the Eurofranc market prompted importers who previously had been borrowing to bid instead for francs in the spot market in order to meet their month-end payment needs. These factors combined to push up the French franc, which rose to a record high of FF 3.97 against the dollar on October 31, some 9¾ percent above levels in early August. But the franc continued to lag behind the German mark; and as a result, the Bank of France at times still provided occasional support for the franc by selling marks while otherwise taking in dollars to limit the franc's rise.

Following the announcement of the November 1 package in support of the dollar, the French franc plummeted along with other currencies, dropping back below early-August levels to FF 4.3490 by midmonth. Initially, it fell back less rapidly than the mark, which had been the center of speculation against the dollar. But by late November, as the market focused on the coming negotiation over the EMS at an EC council meeting on December 5 and 6, the franc became subject again to bouts of selling pressure on expectations that it would decline against the mark before entering the new joint floating arrangement. As a result, the franc eased back against the mark to a low on December 4, while moving back up to FF 4.45 against the dollar.

Before long, however, the earlier concerns about the prospects for the French franc began to lift. Doubts about France's trade performance faded inasmuch as a surplus of around FF 2.5 billion was emerging for 1978. The market's previous fears that price decontrol would trigger an accelerated spiral of price increases no longer seemed justified in view of the more moderate rise in consumer prices reported for November. The December announcement of an agreement that all currencies coming into the EMS would enter at prevailing cross rates dispelled some of the uneasiness about implementation of the new arrangement. Also, inclusion of the Italian lira and the Irish pound in the new arrangement alleviated concerns in the market that the franc would be the only additional currency. Against this background, funds began flowing from the mark back into the franc and the previously adverse commercial leads and lags started to be reversed. Moreover, since the dollar had started declining again, market participants scrambled to cover exposures and year-end needs in francs as well as in other currencies. The franc thus recovered to as high as FF 4.1200 at the Paris opening on January 2.

That day the decision not to proceed with the EMS until EC members had concluded new agricultural financing arrangements was announced. Also, forceful intervention in other markets helped to blunt any further rise in European currencies against the dollar. Thereafter, the franc began to ease back, and this tendency continued as the dollar strengthened generally during the month. Thus, the franc, closing at FF 4.2905 on January 31, was up

only 1¾ percent on balance for the six-month period. Against the mark, however, the franc remained relatively firm during January, with the result that it recovered to just about the levels of six months before. In view of the franc's buoyancy generally in December and against the mark during January, the Bank of France continued to buy both dollars and German marks in the market. These operations contributed to a further rise in France's foreign exchange reserves, which increased $1.6 billion over the period to $8.7 billion on January 31.

Italian Lira

Under Italy's comprehensive stabilization program, further progress was made during the first half of 1978 in strengthening the balance of payments and reining in the rate of domestic inflation. By midyear, the inflation rate had been brought down to 12 percent, and the current account had registered a comfortable surplus of $2.1 billion over the first six months. Early in the summer, imports remained sluggish while exports continued to be buoyed by the existence of excess industrial capacity and by the competitive effects of the lira's decline of earlier years. With the seasonal bulge in tourist receipts adding strength to Italy's current account, the stage was set for a further widening of Italy's surplus position. Also, interest rates in Italy had been kept high, easing back less than the slowdown in the inflation rate might have suggested, in order to facilitate the financing of the large public sector deficit. Consequently, Italian residents continued to borrow abroad, and these capital inflows, on top of Italy's current-account surplus, bolstered the lira in the exchanges. As a result, the lira had come into heavy demand for several months and the authorities were able to buy substantial amounts of dollars to rebuild Italy's reserve position, while moderating the rise in the spot rate. By the end of July the lira, trading above LIT 841, was at its highest level against the dollar since October 1976. Moreover, Italy's foreign exchange reserves had increased to $9.3 billion, even after the authorities had made sizable repayments of official debt to the IMF, the EC, and the German Federal Bank.

During August and much of September, the lira continued to benefit from Italy's strong balance of payments position. The announcement on August 1 of a seven-month extension in the ceiling on the growth of bank lending reassured the market that current policies were to be maintained. Against this background and with the Bank of Italy continuing to take large amounts of dollars into reserves, the authorities took the opportunity to follow through on initiatives earlier in the year to ease exchange controls regarding commercial payment terms.

Meanwhile, the minority government announced its three-year economic stabilization program, which, after extensive negotiation over the summer months, had received the tacit approval of the Communist Party. This program, which was to reduce significantly the proportion of gross domestic product taken up by the public sector deficit, included a shift of government spending from current expenditures to the promotion of investment, a freeze on real labor costs together with a gradual phasing-out of automatic wage rises under the *scala-mobile* program, improved incentives for labor mobility, and a rebuilding of the financial condition of Italian enterprises.

At the same time, the authorities acted to absorb some of the liquidity being created by Italy's balance of payments surplus. This objective was accomplished in part by extending the maturities of new government debt after the Bank of Italy confirmed an easing of money market rates by lowering its base rate for rediscounting and advances by 1 percentage point to 10½ percent. In addition, the government continued to use some of its additions to official reserves to repay outstanding debt to the IMF and the EC, both at and prior to maturity. Moreover, to keep Italy's inflation rate more in line with those of its trading partners over the long run, the Italian authorities indicated that they might be receptive to some form of association for the lira with the EMS, then under consideration within the EC.

In October, however, the increasingly unsettled conditions in the exchange markets began to affect the Italian lira as well. Although it, too, was pulled up against the dollar by the rise

of the strong continental currencies, the market began to question whether the lira would not be allowed to weaken vis-a-vis other EC currencies before being linked to the EMS. As a result, commercial leads and lags shifted modestly against the lira. In addition, Italian enterprises reacted to seemingly favorable exchange rates and the increases in Eurodollar interest rates by paying or prepaying their Eurocurrency debts and switching back into lira financing. Consequently, the lira lagged behind the mark during October while the Bank of Italy sold dollars to provide some support for the rate. Even so, by October 31 the lira had advanced 7 percent above levels in early August to LIT 787 against the dollar.

Then, following the November 1 announcement of U.S. measures to strengthen the dollar, the lira declined, along with other European currencies, to trade around LIT 851. Meanwhile, new figures showed that Italy's current account, remaining strong even after the passing of favorable seasonal factors, was amassing a surplus of some $6 billion for the year. Also, the economy had begun to expand more rapidly, and with financing needs growing and interest rates still high, the inflows of capital resumed.

The Italian government had negotiated flexible terms for entry into the EMS, whereby the lira would be allowed to fluctuate as much as 6 percent around its central rate against each of the other currencies. Moreover, the market was reassured once prospects for a currency realignment prior to the introduction of EMS faded and numerous officials confirmed that the exchange rate relationships of that arrangement would be based on prevailing market rates. Thus, the lira came into heavy demand as the new year approached, and the news on January 2 of a delay in the implementation of EMS had little apparent impact on the exchange rate.

By January, the continuing strength of Italy's external position was again showing through in the exchange market. Although the lira tended to decline as the dollar recovered across the board, it eased back less rapidly than the German mark and other strong European currencies. In mid-January the authorities provided some relief to small firms with limited access to the Eurodollar market, by raising slightly the ceiling on domestic credit expansion applicable through March. Nevertheless, funds continued to flow into the lira, thereby keeping the exchange rate buoyant even in the face of increasingly vocal opposition from the trade unions to the government's anti-inflation program and the withdrawal of Communist Party support of the Andreotti government at month-end. In fact, the lira closed the six-month period trading steadily at LIT 843.50 to show little net change on balance. Meanwhile, additional purchases of dollars by the Bank of Italy during January helped to provide a $2 billion increase in foreign exchange reserves over the period to $11.3 billion by January 31.

STERLING

In the United Kingdom, impressive progress had been made in 1977 in bringing down domestic inflation, swinging the balance of payments into surplus, and bolstering the international reserve position. Also, by late 1977 the British authorities had succeeded in gaining leeway, under the agreements with the IMF, for providing some modest stimulus to the economy. But by late spring 1978 the markets were becoming concerned that the sudden upsurge in demand in the United Kingdom was beginning to generate additional inflationary pressures and would weaken the payments position.

In June the authorities moved again to reinforce their broad anti-inflation effort through monetary restraints, including a hike in interest rates, and through a selective tightening of fiscal policy. Later, the government announced a 5 percent guideline for wage increases over the coming year beginning in August, down from the previous guideline of 10 percent. These measures helped to reassure the market. Thus the pound had advanced to $1.95 against the dollar by early August and had firmed against other currencies as well. On the trade-weighted effective basis used by the U.K. authorities, the pound had reached 63 percent of its 1971 Smithsonian parity.

By early August, however, the market was again becoming concerned over the outlook for inflation in the United Kingdom. The Trades

Union Congress voted to reject a continuation of an incomes policy, and highly visible wage negotiations kept the exchange market wary of a possible confrontation between the government and the unions over the 5 percent pay policy. The pound fell back somewhat and traded unevenly in the exchanges between early August and mid-October. But each time selling pressure mounted, the Bank of England responded quickly to show its resolve in defending sterling, both through intervention in the exchange market and through maintaining a taut money market.

In October, as market participants increasingly turned their attention to the accelerating slide of the dollar, sterling started to move up on hot-money inflows. Spot sterling soon moved above $2.00, and a burst of buying in late October pushed the rate to as high as $2.1050 by the month-end. During this upswing the Bank of England occasionally bought dollars to keep the trade-weighted effective rate from rising much above 63 percent.

In the wake of the U.S. measures of November 1, sterling dropped back 6 percent to fluctuate around $1.98 against the dollar, without any appreciable change on an effective basis. Meanwhile, union opposition to the continuance of an incomes policy was hardening. Interest rates abroad were rising sharply, particularly in the United States. And as sterling came on offer, in response to these uncertainties the Bank of England again provided support in the exchange market to steady the effective rate. Short-term sterling interest rates were allowed to rise, and on November 9, the authorities hiked the minimum lending rate 2½ percentage points to 12½ percent, its highest level in two years.

Thereafter, sterling was buoyed by inflows of interest-sensitive funds. Also, with the spot rate holding firm in December, many multinational corporations bought pounds to cover accounting and economic exposures and to satisfy year-end payment needs. The political uncertainties in Iran and the mid-December increase in OPEC oil prices had little impact on sterling since the United Kingdom, as an oil producer itself, was seen as less vulnerable to a cutoff of oil supplies from Iran and as perhaps even benefiting from the larger-than-expected rise in oil prices. As a result, when the dollar came on renewed offer during December, sterling was bid up to a high of $2.0480 by early January. Meanwhile, the government had announced it would not join the EMS but would undertake, as it had in the past, to keep sterling relatively stable vis-a-vis its principal trading partners.

In view of the United Kingdom's comfortable reserve position and the high level of interest rates, sterling held firm in the exchanges in early 1979, despite a spate of highly disruptive strikes. Sterling eased off against the dollar as dollar rates generally improved, but it held steady in effective terms. By the close of the period the spot rate was at $1.9872, up 3 percent on balance for the six months. Meanwhile, although the authorities had intervened on both sides of the market, these operations had largely netted out. Consequently, official reserves, which were $17.6 billion at the end of January, were unchanged on balance over the six-month period.

Canadian Dollar

By late summer, the Canadian dollar had been declining almost without interruption for nearly two years. Even so, the current account remained in substantial deficit and long-term foreign borrowings by private interests and provincial authorities were not sufficient to close the overall payments gap. Moreover, the rate of domestic inflation remained high, aggravated partly by the depreciating currency, and unemployment continued at uncomfortably high levels.

Earlier in 1978, the authorities had moved cautiously to stimulate employment through selective fiscal policy measures while maintaining a firm monetary policy in light of concerns over inflation and the exchange rate. The authorities had also arranged for some $7.7 billion of official long-term international borrowing, both to close the payments gap and to bolster reserves that had been depleted through intervention to cushion the decline of the exchange rate. Nevertheless, the deep-rooted pessimism toward the Canadian dollar persisted in the exchange market, as the prospect of a national election to

be held sometime within the year left the market uncertain about the outlook for the Canadian economy. Amid these uncertainties, sudden shifts of sentiment left the market subject to increased volatility. In addition, selling pressures were aggravated at times when the U.S. dollar was declining, because market participants would sell Canadian dollars against U.S. dollars either to finance acquisitions of currencies rising in the exchanges or to offset for internal accounting short-dollar positions against these currencies.

In August and September, after trading against the U.S. dollar at around Can.$1.14, the Canadian dollar again came under heavy selling pressure in the exchanges following some disappointing trade and price figures. Also, the further rise in interest rates in the United States had prompted some outflows of interest-sensitive funds from Canada. In response, the Bank of Canada raised its discount rate to 9½ percent and announced a reduction of its monetary growth targets for the coming year. The authorities also arranged for a further $750 million bond issue in the U.S. market. The selling pressure continued, however, with the Canadian dollar slipping a further 3 percent against the U.S. dollar. Meanwhile, a sustained intervention effort contributed to a decline in Canada's external reserves by a net $924 million in August–September to $3.7 billion.

In early October the spot rate dipped to as low as Can.$1.1958 before bottoming out. The Canadian authorities hiked the discount rate further to 10¼ percent and operated in the bond market to lift long-term Canadian interest rates. Interest-sensitive funds thus began to move back into Canada. In addition, the trade figures for September were back in significant surplus and the rise in consumer prices slowed, giving a boost to market sentiment toward the Canadian dollar. Thus, the Canadian dollar moved back up from its lows in early October against the U.S. dollar, and the Bank of Canada intervened to moderate the rise. These official dollar purchases, combined with the receipt of proceeds from the New York bond issue and the takedown of additional credits on the facility with the chartered banks, were reflected in a $1.4 billion rise in external reserves to $5.1 billion at the month-end.

On November 1, when the United States announced its major support package and the U.S. dollar rose sharply against the currencies of Western Europe and Japan, the Canadian dollar eased only slightly vis-a-vis the U.S. dollar. But then, as interest rates in the United States rose by more than rates in Canada, interest incentives favoring Canada were nearly eliminated, even after the Bank of Canada raised its discount rate to 10¾ percent on November 6. Moreover, the latest figures on Canada's price and trade performance released during the month were less encouraging. Bearish sentiment resurfaced for the Canadian dollar, and as selling pressure built up once again, the rate drifted downward in November and December.

In early January, the Canadian authorities announced plans for a new official borrowing abroad, a $500 million equivalent issue denominated in yen, and the Bank of Canada raised its discount rate by 1/2 of a percentage point to 11¼ percent. These initiatives helped to stabilize the exchange rate, but the latest round of trade figures announced in late January proved to be disappointing to the market. The rate thus dipped to Can.$1.1989 at the month-end, down 5½ percent for the six-month period, before firming somewhat in February. Meanwhile, Canada's reserves declined by $700 million from levels at the end of October; the net decline was $200 million over the six-month period to $4.4 billion as of January 31.

Profits and Losses

The stepped-up intervention by the U.S. authorities beginning on November 1 involved a variety of financing techniques. In addition to use of the swap arrangements, the Treasury drew marks and yen on its reserve position with the IMF and sold SDRs to both Germany and Japan against their respective currencies. Also, the Treasury issued notes denominated in marks and Swiss francs in the German and Swiss capital markets, thereby raising foreign currency

assets against medium-term liabilities in those currencies. The acquisitions or borrowings of currencies and the sale and repayment of currencies took place at varying exchange rates. Thus, the profit and loss implications became much more complex.

At the same time, at the end of 1978 the Federal Reserve, in presenting its annual statement of condition, shifted to accounting practices under which all foreign currency assets and liabilities are periodically revalued in dollars at current spot market rates. The ESF had adopted this accounting practice in 1977. For both institutions this meant that, in addition to profits and losses actually realized on foreign exchange transactions, unrealized profits and losses are reported. New arrangements were also reached with foreign central banks to revalue, beginning in January, maturing swap drawings that were being renewed at current market rates. This practice generated realized profits or losses depending on whether the dollar rose or fell over the period of the swap drawing.

One of the tables presents the profit and loss data for the Federal Reserve and the U.S. Treasury, separating out the results between the Treasury general account and the ESF.[1] Losses on pre-August 1971 Swiss franc debt, undertaken to protect the U.S. gold stock, are presented separately.

In summary, Federal Reserve operations mainly reflect current swap operations, while ESF data also reflect foreign currency acquisitions from IMF drawings and SDR sales. The Treasury general account operations reflect the issuance of securities denominated in foreign currencies and sales of some of those proceeds in the market. Foreign exchange operations are closely coordinated between the Treasury and the Federal Reserve. The incidence of realized profit and loss, however, falls on the participants in the operations depending on the nature of the transaction and the exchange rate at the time. The ESF, the Treasury general account, and the Federal Reserve had both profits and losses on individual transactions, but as the table indicates, losses exceeded profits on balance in 1978.

Federal Reserve–Treasury "Warehousing Arrangement"

During the six-month period, the Federal Reserve "warehoused" foreign currencies by taking foreign exchange acquired by the Treasury that was not immediately needed to finance foreign exchange intervention in return for dollars that were needed by the Treasury in its own domestic operations. In carrying out this exchange, the Federal Reserve operated as it did in the past to buy the foreign currency in a spot purchase from the Treasury and simultaneously sell it back to the Treasury at the same exchange rate for a future maturity date—three months or even one year later. A key aspect of this type of transaction is that, since the Federal Reserve and the Treasury agree to pay and to receive the same amount of foreign currency because the same exchange rate is used, neither party incurs any exchange rate risk from this transaction.

Between the time of the initial transaction and the maturity date, the Treasury has dollars that are credited initially to its account at the Federal Reserve Bank of New York, while the Federal Reserve has foreign currency assets that it places with its central bank correspondent abroad to earn an investment return. As the dollars flow into the U.S. banking system, either by transfer to a Treasury tax and loan account at a commercial bank or by financing of domestic expenditures by the Treasury, member bank reserves increase. Under the operating procedures the domestic Trading Desk uses to carry out objectives set by the Federal Open Market Committee, however, it would typically respond by absorbing an equivalent amount of reserves in its day-to-day open market operations to neutralize any unwanted expansionary effect of the use of the Treasury's balance at the Federal Reserve Bank of New York.

1. The attachments to this report are available on request from Publications Services, Division of Support Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

A warehousing transaction is reversed when the Federal Reserve repays the foreign currency it has acquired from the Treasury and the Treasury repays dollars. This could occur before the original maturity date if the Treasury decides that warehoused foreign exchange balances will be used to finance its intervention (in which case the Treasury carries any exchange risk that may be involved) or upon maturity. Whether the Treasury acquires dollars to make the repayment to the Federal Reserve by purchasing them in the foreign exchange market, by borrowing in the domestic market, or from receipts from other sources, member bank reserves will decline. The domestic Trading Desk would offset any unwanted decline through open market operations. Thus, in practice, member bank reserves show no net effect from operations under the warehousing arrangements. □

Staff Studies

The staffs of the Board of Governors of the Federal Reserve System and of the Federal Reserve Banks undertake studies that cover a wide range of economic and financial subjects, and other staff members prepare papers related to such subjects. In some instances the Federal Reserve System finances similar studies by members of the academic profession.

From time to time the results of studies that are of general interest to the professions and to others are summarized—or they may be printed in full—in this section of the FEDERAL RESERVE BULLETIN.

In all cases the analyses and conclusions set forth are those of the authors and do not necessarily indicate concurrence by the Board of Governors, by the Federal Reserve Banks, or by the members of their staffs.

Single copies of the full text of each of the studies or papers summarized in the BULLETIN *are available in mimeographed form. The list of Federal Reserve Board publications at the back of each* BULLETIN *includes a separate section entitled "Staff Studies" that lists the studies for which copies are currently available in mimeographed form.*

STUDY SUMMARY

GEOGRAPHIC EXPANSION OF BANKS AND CHANGES IN BANKING STRUCTURE

Stephen A. Rhoades—Staff, Board of Governors

Prepared as a staff paper in early 1979

Various forces have provided impetus to geographic expansion in commercial banking since 1960. Because expansion could affect banking structure and competition, a study was made of the changes in local market structure over the period 1966–76 and in statewide structure for 1960–77.

To determine whether geographic expansion of banking organizations has a systematic effect on local market and statewide structure, an index of geographic expansion was constructed for local markets—154 standard metropolitan statistical areas (SMSAs) and 129 non-SMSA counties—and for 48 states. The index is included in this study in a multivariate regression for testing purposes.

The data reveal that the great majority of local banking markets decreased in concentration, but test results provide no evidence that geographic expansion affects local market concentration. At the state level, the study shows that more than half the states increased in concentration, and statistical tests indicate that geographic expansion tends to increase statewide concentration. The data also reveal that overall the number of banking organizations in the United States has declined since 1970, a trend that has occurred in about half of the states. Finally, there has been a notable change in the size distribution of banking organizations in individual states—the proportion of organizations with $10 million or less in assets has declined dramatically.

Industrial Production

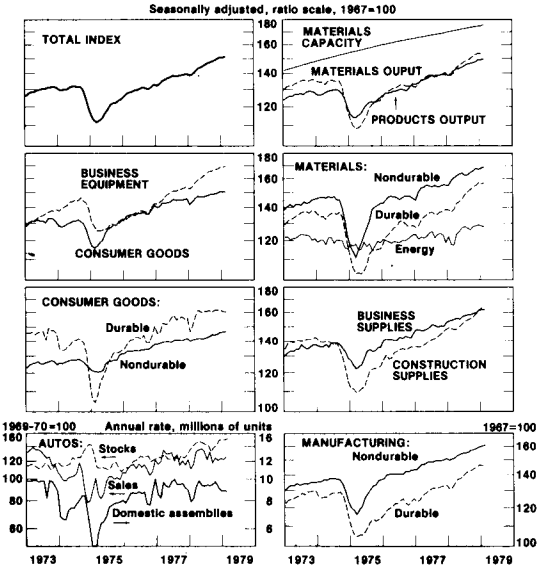
Released for publication March 16

Industrial production rose by an estimated 0.3 percent in February; revised figures showed no growth in the index for January. At 151.2 percent of the 1967 level, the index for February was 8.6 percent above that of a year earlier.

Increases in production in February were widespread and generally moderate; the largest gains were in equipment and nondurable goods materials. But sharp declines were again recorded in automotive products and coal and, to a lesser extent, in refined petroleum. Production of some items was again affected by adverse weather. The index now indicates a 0.6 percent gain in total output in November and a 0.8 percent gain in December.

Output of consumer goods was unchanged in February; there were moderate gains in home goods and some nondurable consumer goods, but further declines in auto and utility vehicle assemblies and a drop in the production of consumer fuel such as gasoline. Auto assemblies were at an 8.8-million-unit rate—almost unchanged from the 8.9-million-unit rate in January. Output of business equipment rose 0.5 percent further in February; the largest increases were in equipment used in manufacturing, power generation, and commercial enterprises. As in January, the growth in output of construction supplies was small following the extremely sharp increase in December.

Production of materials advanced 0.3 percent in February, reflecting increases in the output of equipment parts and chemical and paper materials. Production of energy materials declined for the second successive month due mainly to reduced output of coal.



Federal Reserve indexes, seasonally adjusted. Latest figures: February. Auto sales and stocks include imports.

Industrial production	1967 = 100		Percentage change from preceding month to—						Percentage change 2/78 to 2/79
	1979		1978				1979		
	Jan.[p]	Feb.[e]	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	
Total	**150.8**	**151.2**	**.5**	**.6**	**.6**	**.8**	**.0**	**.3**	**8.6**
Products, total	149.1	149.6	.2	.3	.5	.8	.1	.3	7.2
Final products	145.6	146.0	.3	.3	.3	.7	.1	.3	7.0
Consumer goods	150.5	150.5	.4	.1	.3	.7	−.1	.0	4.7
Durable	160.7	160.4	−.7	.8	.1	.1	−.7	−.2	6.1
Nondurable	146.3	146.6	.9	−.1	.3	1.0	.1	.2	4.1
Business equipment	168.9	169.7	.2	.7	.2	.8	.2	.5	10.1
Intermediate products	162.6	162.9	.4	.6	.8	1.4	.6	.2	7.6
Construction supplies	161.9	162.1	.6	.9	1.3	1.6	.2	.1	9.1
Materials	153.4	153.8	.7	1.1	.9	.6	−.1	.3	11.0

[p]Preliminary. [e]Estimated. NOTE. Indexes are seasonally adjusted.

Statements to Congress

Statement by Nancy H. Teeters, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Consumer Affairs and the Subcommittee on Financial Institutions Supervision, Regulation and Insurance of the House Committee on Banking, Finance and Urban Affairs, February 20, 1979.

It is a pleasure for me to appear before both subcommittees. I have recently been designated to chair the board committee that has responsibility for consumer affairs, and I look forward to working with you in the future.

Section 1 of H.R. 1903 would change the effective date of the Electronic Fund Transfer Act from May 10, 1980, to June 10, 1979. The board recommends against adoption of this amendment. While we recognize the need for prompt implementation of the act, changing the effective date to June 10 would not leave sufficient time to accomplish this task. A June 1979 effective date would require the board to issue regulations without the degree of public participation that is essential for orderly implementation of this important new law. In addition, financial institutions would have fewer than four months to comply with the act.

I can assure you that the board shares your interest in quickly providing consumers who use electronic transfer services with the important protections offered by the act. We also wish to publish final regulations as soon as possible. The board's commitment to prompt action is illustrated by the speed with which the board acted in implementing sections 909 and 911 of the act. Those regulations were published for comment on December 26; the staff is analyzing the comments and preparing recommendations for the board. Final regulations are expected to be issued in a few weeks.

The board's schedule for implementing the remainder of the act is as follows: by April 1 publish draft regulations for a 60-day comment period, ending May 31; we have allowed 60 days for analyzing the comments and redrafting the regulations, bringing us to July 31; the revised regulations will be published for comment for a second 60-day period, running from August 1 to September 30; analysis of the comments and redrafting will be completed by November 30; the final regulations will be published about December 1.

We believe this is a realistic schedule that demonstrates the board's commitment to speedy and responsible implementation of the act. Meeting it will require considerable effort by the board and its staff. Our considerable experience in implementing consumer legislation suggests that a shorter rulewriting timetable would not be in the public interest.

One way in which the board's schedule could be shortened is by allowing 30 days instead of 60 days for public comment. We are concerned, however, that a period as short as 30 days would not be sufficient to allow all interested parties to express their views adequately. Our recent experience with the amendment to Regulation Z modifying the rescission requirements with respect to certain open-end credit plans is a good example. When the proposal was first published for comment, the comment period was 30 days. Many interested parties have objected strongly that this was not enough time, so the board recently decided to publish the amendment again. The board, in accordance with the spirit of Executive Order 12044, recently adopted a policy of allowing at least 60 days for public comment on regulations that implement a new law. We feel that adequate time for public comment is especially important in the case of a law, such as the Electronic Fund Transfer Act, that is highly technical and that confers significant consumer rights.

Our experience with implementation of other

legislation indicates that 60 days is essential for analysis of public comments, redrafting the regulations, and bringing them back to the board for comment. In 1976, when the amended Equal Credit Opportunity regulations were issued, the board received about 650 comments on the first proposal and about 500 comments on the second proposal. More recently, the board, along with the other financial supervisory agencies, received almost 1,000 comments on the Community Reinvestment Act regulations. Since there is great public interest in the Electronic Fund Transfer Act, I think we can expect to receive at least several hundred comments on proposed Regulation E.

Finally, the board's timetable calls for two public comment periods. I wish I could say that one comment period would suffice, but, again, our experience indicates otherwise. When new regulations are drafted, the first proposal may overlook important issues and some of the provisions may not be workable. Indeed, that is the purpose of public comment—to expose regulations to the critical gaze of the financial institutions and consumers who must live with them. Having two comment periods allows the public to comment on significant changes before regulations go into effect and thereby reduces the possibility that the regulations will have to be amended later. If the act's effective date were changed to June 1979, the board's regular procedures could not be followed. Even with only one comment period, there is a real risk that the law would take effect before implementing regulations could be issued in final form.

It is worth noting that the Electronic Fund Transfer Act creates two duties that the board did not have under the Equal Credit Opportunity Act or other prior legislation—namely, the requirement to prepare an analysis of economic impact and to issue model disclosure clauses.

I would also like to point out that the Electronic Fund Transfer Act imposes major new responsibilities on financial institutions. They will be required to prepare and print new disclosures, establish new error resolution and stop-payment procedures, program their computers to generate periodic statements, and, of course, train their personnel. Our experience with other laws, including the Equal Credit Opportunity Act, suggests that the quality of compliance is enhanced and the cost of compliance reduced by providing a lead time of several months between the issuance of regulations in final form and the effective date of a statute.

Turning now to the second section of H.R. 1903, it would change both the timing of, and the entity responsible for providing, the general statement of customer rights required under section 1104(d) of the Right to Financial Privacy Act of 1978. Instead of requiring that the statement be sent to all customers of all financial institutions "promptly" after March 10, 1979 (the effective date of the Right to Financial Privacy Act), the bill would require that the statement be provided to a customer when the customer is notified by a federal agency of its efforts to obtain the customer's financial records. In addition, the bill would shift the responsibility for providing the statement from the financial institution having custody of the customer's records to the agency seeking the records. The board would continue to be required to prepare a model statement of customer rights for use under section 1104(d). A draft statement was issued for public comment by the board on January 29.

We believe that the provisions of section 1104(d) as written into law last year should be modified significantly. The informational benefit to customers of financial institutions of receiving a general statement of their privacy rights promptly after the effective date of the act does not justify an estimated expenditure on the order of hundreds of millions of dollars to provide that statement. Sending the statement on a one-time basis after March 10 would not provide customers with information about their rights when that information was most needed—that is, when access to their records was sought. Furthermore, for every account that an individual has at a financial institution and for every credit card held, the individual would receive a separate statement. Therefore, a typical customer would receive several and perhaps a dozen or more virtually identical statements within a relatively short time span.

For those reasons, the board, responding to

a resolution of our Consumer Advisory Council, recommended that the act be amended to require that the section 1104(d) statement be delivered only when access to a customer's records is sought. In making that recommendation, both the board and the council were influenced by the belief that providing the statement when access was sought would give customers relevant information about their rights at the most appropriate time for them to understand the significance of, and to act upon, those rights. Therefore, the proposed change in H.R. 1903 in the timing of the delivery of the customer rights statement is, in our view, a significant step in the right direction.

We should note, however, that the act already requires the government to notify customers in 10 different instances about their rights under the statute. In addition, the act specifies that customers must be apprised of their financial privacy rights prior to authorizing government access to their records; and, having authorized access, they generally must be informed, upon request, of the identity of the federal agency or agencies to whom their records have been disclosed and the number of times access has been granted. Although delivery of the required notices may be delayed if the federal agency involved obtains an appropriate court order, even then the customer usually must be provided with a statutory notice. Thus, we believe that the general statement of customer rights mandated by section 1104(d) could be eliminated, as provided by S. 37, which has passed the Senate, without materially diminishing the customer protections of the act.

While our original recommendation, based upon the Consumer Advisory Council's resolution, did not contemplate shifting responsibility from financial institutions to the federal government for providing the statement, we believe that the proposal of H.R. 1903 to require the federal agency involved to supply the statement along with any other notice it must provide under the statute is an appropriate alternative. Although such a shift would increase somewhat the government's cost of complying with the act, it should on balance decrease overall costs by eliminating the need for a separate communication from financial institutions. While the approach taken by either our original recommendation or H.R. 1903 is better than the current requirement, we believe that deletion of the requirement of a general statement as provided by S. 37 also is an acceptable alternative for the reasons previously mentioned.

I appreciate the opportunity to appear before both subcommittees to present the views of the board and its Consumer Advisory Council. I would be pleased to answer any questions.

Statement by G. William Miller, Chairman, Board of Governors of the Federal Reserve System, before the Committee on the Budget, U.S. Senate, February 22, 1979.

Mr. Chairman, members of this committee, the budget deliberation process plays a critical role in the formulation of public policy, and I am pleased to present the views of the Federal Reserve as the committee develops the First Concurrent Budget Resolution for fiscal year 1980. The direction that fiscal policy takes over the next several years will be of strategic importance in determining the nation's ability to meet its longer-run goals of growth, high employment and price stability. While your task is a difficult one, it provides a clear opportunity for the Congress to help unwind years of corrosive and persistent inflation.

Economic activity over the past year was highlighted by a sizable rise in real gross national product together with a marked acceleration in the rate of price increase. By the end of 1978, the current economic expansion was close to its fourth anniversary and, when compared with prior cyclical upswings of the postwar period, it is notable both for its longevity as well as its strength. As indicated in Chart 1 the 4¼ percent rise in real GNP over 1978 represented something of a deceleration from

the 5½ percent pace of the first three years of expansion.[1] But with the economy's movement into a zone where resource pressures can be intense, this slowing was desirable, especially given the recent signs of acceleration of raw materials price increases. Over the year the unemployment rate fell further by 1/2 a percentage point to 5.8 percent of the labor force, and at year-end there was relatively little job market slack in many of the higher-skilled occupational groups. Similarly, capacity utilization moved up to about 86 percent in manufacturing, and while the emergence of any production bottlenecks generally has been avoided, this sector of the economy is operating quite close to its prerecession rate. Despite this diminished slack in the economy, last year's intensification of inflationary pressures can be attributed largely to sources other than pressures of resource constraints. However, further brisk expansion of the economy at this time runs the risk of adding yet another source to an already intractable inflation.

The acceleration of price increases during 1978 was clearly the major disappointment in the economy's performance. Unlike earlier years, when worsening inflation could be associated with one or two unfavorable and isolated developments, the acceleration last year was broadly based and resulted from both endogenous as well as special occurrences. Food prices skyrocketed early in the year as the severe winter weather took its toll on the agricultural sector. In addition, the cost of homeownership rose sharply as home purchase prices and mortgage interest rates increased, and the weakening exchange value of the dollar had adverse implications for prices of imports and for those domestically produced goods that compete with imports. However, even after allowing for these somewhat "special" considerations, there was an acceleration of inflation in most other areas as well. The deterioration of this underlying rate of increase in prices can be most clearly associated with last year's pickup in unit labor costs. In turn, the continued uptrend in costs can be attributed in large part to a most disappointing productivity performance and to legislated increases in the minimum wage and in payroll taxes for social security and unemployment insurance.

Unfortunately, likely developments over the course of this year do not suggest a significant easing of inflationary pressures in the near term. Another round of mandated increases in payroll taxes went into effect the first of the year and these costs tend to be passed through to prices quite promptly. Also, given recent reports on spot prices of crude foodstuffs, it is a virtual certainty that retail food prices will increase sharply in the first quarter. Furthermore, large oil price hikes by the Organization of Petroleum Exporting Countries have been scheduled for this year, and the impact of the dollar's depreciation has yet to run its course. These factors, combined with a heavy collective bargaining calendar following the price runup of 1978, makes it difficult to envision overall price increases slowing markedly from last year's 9 percent range.

Given this developing environment there was a clear and urgent need for the stance of public policy to shift toward the restraint of aggregate demand and focus on actions designed to end the self-fulfilling prophecies of inflationary expectations. The administration's anti-inflation proposals of late October were aimed at disentangling the interplay of wages and prices through the recommendation of wage-price standards. In addition, the program underscored the inflationary tendencies of government policies by stressing that fiscal restraint and regulatory reform were both necessary for an effective assault on inflation. These proposals were reinforced by the joint actions of the Treasury and the Federal Reserve on November 1 that helped restore stability to the international value of the dollar. Fiscal policy also moved toward restraint last year. The $44 billion federal deficit for calendar year 1978 was $7 billion less than in the prior year and well below that implied by the first and second concurrent budget resolutions. Nonetheless, a continuing deficit of this magnitude is far too large for a maturing expansion beset with inflationary difficulties.

Monetary policy also moved clearly in the

1. The attachments to this statement are available on request from Publications Services, Division of Support Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

direction of restraint during 1978. Interest rates for short-term market instruments rose about 3 to 4 percentage points over the course of the year and yields at the longer end of the maturity spectrum rose about 1 percentage point. These appreciable advances in market rates reflect a monetary policy that continues in its efforts to foster financial conditions consistent with a moderation in the pace of economic activity and a slowing of inflation. Real interest rates—or market rates adjusted for inflation—still appear to remain low by historical standards and thus continue to facilitate an expansion of overall demands. Furthermore, due to the evolution of the structure of financial markets in recent years, there is growing evidence that the economy now responds in a smoother fashion to adjustments in monetary policy. A recent example of this development has been the success that the new 6-month money market certificates have had in boosting deposit flows at major mortgage lending institutions during a period when prevailing market rates could have resulted in widespread disintermediation. Thus, despite a tightening of monetary policy, economic activity has not been disrupted by the type of "credit crunch" episodes that have severely affected financial markets in the past.

The economy's ability to withstand tauter financial markets does not blunt, however, the critical role that monetary policy can play in combating inflation. The upward movements in interest rates have been accompanied by a reduction in the growth of the monetary aggregates, even after allowance for the recent introduction of automatic transfers from savings to demand accounts. In turn, this moderation of money growth has apparently discouraged some borrowing activity recently, especially in the commercial and industrial sector. Furthermore, given the normal lags of policy impacts, the expansion of total credit demands should be further restrained in the months ahead.

While monetary policy has a key role to play in achieving the nation's economic goals, it cannot wage the battle alone. The application of prudent restraint through fiscal policy is just as critical if we are to turn our full arsenal of public policies against inflation. It is most important that fiscal and monetary authorities work in tandem towards achievement of the nation's longer-term goals. In a report submitted to the Congress on February 20, in compliance with the Full Employment and Balanced Growth Act of 1978, the Federal Reserve detailed its policy aims for 1979 and concluded that those plans are consistent with the present goals of fiscal policy. (See pages 185–200.)

Specific fiscal policy recommendations for the upcoming fiscal year depend critically on the outlook for real GNP growth and inflation. Despite much public opinion to the contrary, there is little evidence, at present, that the economy is threatened with an actual contraction of activity. While the surprisingly strong surge of real GNP in the fourth quarter of last year is not sustainable nor even desirable, it did impart a good deal of momentum to activity that is likely to carry over into the first half of the year. In the business sector, orders backlogs and construction contracts remain at high levels and are likely to support a moderate expansion of capital spending at least through the spring. In addition, inventories remain quite lean relative to sales and, given the surge in consumption late last year, a rebuilding of stocks could be required in some lines, which could further boost production and income. Furthermore, aside from last month's drop in starts, which appears to be mostly weather-related, housing construction has been sustained at a relatively brisk pace. As a result, we have avoided a sharp downturn in one area of the economy most prone to cyclical sensitivity.

Nonetheless, there are signs that some weakness in demands could well develop over the course of the year. Surveys of capital spending intentions of business point to a slowing of growth in the latter half of this year. Also, it seems likely that housing activity could be reduced somewhat by financial conditions in mortgage markets. And finally, consumption, whose consistent strength has provided a solid foundation for most of this expansion, might slow as income gains weaken and high debt burdens impart a degree of caution to consumer spending decisions.

Over all, while inflation remains a most disruptive influence, there are no signs of the type of imbalances that typically have signalled

the onset of prior recessions. In this environment, macroeconomic stabilization policies need to aim for a moderating course of activity and the resulting relief of inflationary pressures that would emanate from product, labor, and financial markets. While the outcome of such policies would presumably imply an upward drift of unemployment, the alternative course—that of further demand stimulus—would be fraught with ever greater inflationary perils. The social costs of unemployment can never be ignored, but at this juncture a failure to ease inflationary pressures would be far more costly over the longer run than would be any temporary dislocations in the labor market.

At present, fiscal policy recommendations need to be governed by clear restraint. Continued reduction in the deficit in the near future and movement toward a balanced budget over the next several years is desirable; the administration's recent budget proposals represent a positive move in this direction. Not only would the trend toward balance avoid the excessive demand stimulus that has fueled inflation during recent years but elimination of large federal deficits also would absorb less private savings and thus provide more of an opportunity for increased capital formation. Furthermore, the deficits of the past several years have been accompanied by Treasury borrowing on a scale large enough to distort flows in private capital markets. And the financing needs of off-budget agencies have acted to exacerbate this problem. As a result, a movement toward fiscal balance would lessen the pressures on our money and capital markets.

A second and related aim of fiscal policy should be a reduction in the size of the government sector in our economy. One of the more undesirable features of economic change over the last 20 years has been the gradual increase in the share of federal outlays as a percentage of GNP. In the latter half of the 1950s, the ratio stood at 18.3 percent whereas by 1976 it had risen to 22.5 percent. In the past two years the ratio has edged back down, but it still remains too high. The 21 percent share projected for fiscal year 1980 is laudable, but the reduction should not stop at this point. Achieving such a reduction will require a rethinking of many existing spending programs as well as limitations on new spending initiatives.

At the same time the deficit and the output share of the federal sector are being reduced, fiscal policy should also be directed at promoting an improved environment for capital spending. Over the past decade our investment share of output has been generally inferior to that of most major industrialized economies. Furthermore, in recent years there seems to have been a reluctance to invest in the heavy machinery that is so essential for the expansion of our productive capacity. Whatever the cause—an excessive regulatory burden, increased foreign competition, or an outmoded technological base—there is a real need for stepping up incentives such as accelerated depreciation and investment tax credits. Not only would this enhance the economy's longer-run growth prospects, it would also facilitate resumption of more normal growth in productivity. The slowing of productivity gains over the last five years has been most disappointing, and this has contributed directly to the growing inflationary bias of the present expansion. Successful efforts to reverse this trend would improve greatly the economy's potential for noninflationary expansion.

In sum, fiscal policy needs to be directed in a clear and forceful way toward the easing of inflationary pressures. The implications of austerity, sacrifice, and patience need not be minimized but instead should be recognized as a measure of our commitment in dealing with a most difficult problem. The Federal Reserve for its part will continue to aim monetary policy toward a gradual unwinding of inflation and the maintenance of moderate economic growth.

Statement by G. William Miller, Chairman, Board of Governors of the Federal Reserve System, before the Committee on Banking, Housing and Urban Affairs, U.S. Senate, February 26, 1979.

The nation's financial system has been undergoing rapid change in recent years, altering the competitive environment in banking and other financial markets and complicating the Federal Reserve's ability to implement monetary policy. These developments are well known to the committee. Nonmember depositary institutions have been growing much more rapidly than member banks. Transactions-type deposit accounts have become more widespread at thrift institutions. And, in general, competition among depositary institutions and between those institutions and the open market has become much more intense.

Increased competition enhances the efficiency of the financial system. But, as a result, banks have been reassessing their costs, and many have become less willing to bear the high cost of cash reserve requirements associated with being a member of the Federal Reserve System. Thus, there has been a steady—and in recent years accelerating—decline in the proportion of bank deposits, especially transactions deposits, subject to federal reserve requirements. Moreover, the continued development of new transactions-type deposits at nonbank depositary institutions will worsen this situation.

Developments Weaken Monetary Control

It is essential that the Federal Reserve maintain adequate control over the monetary aggregates if the nation is to succeed in its efforts to curb inflation, sustain economic growth, and maintain the value of the dollar in international exchange markets. The attrition in deposits subject to reserve requirements set by the Federal Reserve weakens the linkage between member bank reserves and the monetary aggregates. As a larger and larger fraction of deposits at banks becomes subject to the diverse reserve requirements set by the 50 states rather than by the Federal Reserve, and as more transactions balances reside at thrift institutions, the relationship between the money supply and reserves controlled by the Federal Reserve will become less and less predictable, and the instruments of monetary policy will become less precise in their application.

Our staff has attempted to assess the extent to which growth of deposits outside the Federal Reserve System would weaken the relationship between reserves and money. Their tentative results are shown in chart 1, which depicts the greater range of short-run variability in M-1 and M-2, with a given level of bank reserves, that would develop as the percentage of deposits held outside the Federal Reserve rises.[1] As more and more deposits are held outside the system, this chart suggests that control of money through the reserve base becomes increasingly uncertain.

Use of Reserve Requirements Has Been Restricted

With the proportion of banks subject to federal reserve requirements declining, the ability of the central bank to use changes in reserve requirements as a tool of monetary policy has been increasingly undermined. Changes in reserve ratios not only affect a smaller proportion of deposits today than in the past, but the board also must weigh the potential impact of its actions on the membership problem—and hence on its ability to maintain monetary control over the longer run—each time it deliberates on the uses of this tool. Such concerns inhibit the board's freedom of action to conduct monetary policy. If reserve requirements were applied universally, as is proposed in S. 85, adjustments in reserve ratios to affect the availability of credit throughout the country or to influence banks' efforts concerning particular types of deposits may again become a more viable monetary instrument. Moreover, while open market operations in U.S. government securities currently provide the Federal Reserve with a pow-

1. The attachments to this statement are available on request from Publications Services, Division of Support Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

erful policy instrument, it is possible that conditions could develop in the future—such as a less active market for U.S. government securities in a period of reduced federal budgetary deficits—when more flexible adjustment of reserve requirements might become more necessary to control the monetary aggregates.

As Has Been the Discount Window

The effectiveness of the Federal Reserve's administration of the discount window also has been potentially compromised by recent developments. Membership attrition and the growth of transactions balances at nonbank depositary institutions have resulted in a shrinking proportion of the financial system having immediate access to the discount window on a day-to-day basis.

The discount window, as the "lender of last resort," provides the payments system with a basic liquidity backup by assuring member banks the funds to meet their obligations. But, if the proportion of institutions having access to this facility continues to decline, individual institutions could be forced to make abrupt adjustments in their lending or portfolio policies because they could not turn to the window to cushion temporarily the impacts of restrictive monetary policies. Risks that liquidity squeezes would result in bank failures could also increase. Thus, the Federal Reserve may find that its ability to limit growth in money and credit in order to curb inflation was being unduly impeded because the safety valve provided by the discount window was gradually losing its effective coverage.

And the Payments System Faces Deterioration

The growth of transactions balances at institutions that do not have access to Federal Reserve clearing services also could lead to a deterioration in the quality of the nation's payments system. Reserve balances held at Federal Reserve Banks are the foundation of the payments mechanism because these balances are used for making payments and settling accounts between banks. Nonmember deposits at correspondent banks can serve the same purpose, but as more and more of the deposits used for settlement purposes are held outside the Federal Reserve, the banking system becomes more exposed to the risk that such funds might be immobilized if a large correspondent bank outside the Federal Reserve experienced substantial operating difficulties or liquidity problems. A liquidity crisis affecting such a large clearing bank could have widespread damaging effects on the banking system as a whole because smaller banks might become unable to use their clearing balances in the ordinary course of business. The Federal Reserve, of course, is not subject to liquidity risk and therefore serves, as the Congress intended, as a safe foundation for the payments mechanism.

In sum, the major functions of the Federal Reserve System—to conduct monetary policy in the public interest, to provide backup liquidity and flexibility to the financial system, and to assure a safe and efficient payments mechanism—all have been undermined by recent developments. These developments include, as was noted earlier, attrition in Federal Reserve membership and the spreading of third-party payment powers to nonbank institutions.

Decline in System Membership

For more than 25 years, there has been a continual decline in the proportion of commercial banks belonging to the Federal Reserve. The downward trend in the number of member banks has been accompanied by a decline in the proportion of bank deposits subject to federal reserve requirements. As of mid-1978, member banks held less than 72 percent of total commercial bank deposits, down about 9 percentage points since 1970. Thus, more than one-fourth of commercial bank deposits—and over three-fifths of all banks—are outside the Federal Reserve System.

Due to the Excessive Cost of Membership

The basic reason for the decline in membership is the financial burden that membership entails.

Most nonmember banks and thrift institutions may hold their required reserves in the form of earning assets or in the form of deposits (such as correspondent balances) that would be held in the normal course of business. Member banks, by contrast, must keep their required reserves entirely in nonearning form.

The cost burden of Federal Reserve membership thus consists of the earnings that member banks forgo because of the extra amount of nonearning assets that they are required to hold. Of course, member banks are provided with services by Reserve Banks, but the value of those services is insufficient to close the earnings gap between member and nonmember banks.

The board staff estimates that the aggregate cost burden to member banks of Federal Reserve membership exceeds $650 million annually, based on data for 1977, or about 9 percent of member bank profits before income tax. The burden of membership is not distributed equally across all sizes of member banks. According to staff estimates, the relative burden is greatest for small banks—exceeding 20 percent of profits for banks with less than $10 million in deposits. Further reductions of reserve requirements within existing statutory limits would do little to eliminate the burden for most classes of banks, especially for the smaller banks.

Inequity of Cost Burden Borne by Member Banks

The current regulatory structure is arbitrary and unfair because it forces member banks to bear the full burden of reserve requirements. Only member banks must maintain sterile reserve balances, while nonmember banks, which compete with members in the same markets for loans and deposits, and thrift institutions, which increasingly are competing in the same markets, do not face similar requirements. Thus, members are at a competitive disadvantage relative to other depositary institutions. Among the major countries in the free world, only in the United States has this legislated inequity been imposed on the commercial banking system. It is no wonder that member banks continue to withdraw from the Federal Reserve.

Spread of Third-Party Payment Powers

At the same time, the spread of third-party powers to thrift institutions is further increasing the proportion of transactions balances outside the control of the Federal Reserve. Commercial banks' virtual monopoly on transactions accounts, maintained in the past because of their ability to offer demand deposits, is being eroded. Moreover, recent financial innovations have led to widespread use of interest-bearing transactions accounts at both nonbank depositary institutions and commercial banks. These developments have increased both the costs and the competitive pressures on banks, no doubt compelling members to reevaluate the costs and benefits of membership and thus playing a significant role in membership withdrawals.

The payments innovations since 1970 have received widespread attention, and include limited preauthorized "bill-payer" transfers as well as telephone transfers from savings accounts at banks and savings and loan associations, negotiable order of withdrawal (NOW) accounts at practically all depositary institutions in New England, credit union share drafts, automatic transfers from savings deposits, and the use of electronic terminals to make immediate transfers to and from savings accounts.

Growth of these transactions-related, interest-bearing deposits has been most dramatic in recent years. For example, NOW accounts in New England have grown from practically zero in 1974 to 8 percent of the region's household deposit balances in mid-1978, and one-third of these NOW deposits are at thrift institutions. The intense competition engendered by the introduction of NOW accounts has been accompanied by an acceleration of member bank attrition in New England to a rate well beyond that of the nation. This increase in member bank withdrawals is clearly not just coincidental.

There is no sign that the intense competition will abate. Savings accounts authorized for automatic transfer have grown rapidly at commercial banks across the country since their introduction November 1; and in New York, NOW accounts, which were authorized November 10 for all depositary institutions in the state, have

been increasing vigorously. In addition, the Federal Home Loan Bank Board has announced its intention to authorize savings and loan associations to offer payment order accounts, or POAs, which are interest-bearing deposits that can serve many of the same functions as NOWs.

These developments have caused the distinctions among banks and thrift institutions with respect to the "moneyness" of their deposits to become increasingly blurred and have prompted the Federal Reserve to reevaluate its existing measures of the monetary aggregates and to propose redefinitions to reflect the changing institutional environment. The most basic measure of transactions balances, M-1, clearly should include more than just currency and commercial bank demand deposits. And the broader aggregates should be redefined to emphasize distinctions by type or function of deposit rather than by the institution in which the deposit is held. Changing the money measures to reflect economic reality, including the wider role played by depositary institutions other than member banks in the monetary system, would be complemented by legislation for universal reserve requirements.

Legislative Proposals Point in the Right Direction

The board appreciates the priority attention given by the committee to the important issues of improving monetary control and reducing the inequities in markets in which depositary institutions are competing. The legislative proposals set forth by Chairman Proxmire and Senator Tower represent constructive approaches. As was indicated in the last session of the Congress, the board prefers the universal approach of S. 85.

This bill proposes universal federal reserve requirements by establishing reserve ratios applicable to all deposits at commercial banks and to transactions balances at thrift institutions. The definition of transactions accounts includes not only demand deposits but also the growing number of new third-party payments accounts. Such an approach puts all depositary institutions of similar size on an equal competitive basis in the market for transactions deposits. The exemption from any reserve requirement of the first $40 million of transactions balances at all institutions and the first $40 million of other deposits at commercial banks would eliminate the competitive burden of reserve requirements on small institutions while increasing slightly from present levels the proportion of commercial bank deposits subject to federal reserve requirements. This approach helps to assure the continuation of the reserve structure needed for the efficient conduct of monetary policy.

Under this legislation thrift institutions with reservable transactions accounts and all commercial banks would have access to the Federal Reserve discount window. The Federal Reserve could then act as a "lender of last resort" to a broader class of depositary institutions and thereby enhance the overall safety and soundness of the depositary system, as well as providing more flexibility to financial institutions to respond to changing monetary policy.

The bill also gives all depositary institutions access to other Federal Reserve services. With the application of an appropriate price schedule for such services, this action would improve the efficiency of the payments mechanism, which underlies all of the nation's economic transactions.

But it should be emphasized that open access to system services, desirable as it may be, is only practicable if the membership problem is resolved, as S. 85 does in principle. Without resolution of the membership problem, open access for all institutions at explicit prices would only exacerbate the problem and lead to even greater reduction in the Federal Reserve's deposit coverage, since services would be available to nonmembers that would not bear the burden of sterile reserves. Thus, as Senator Tower has recognized in his bill, a voluntary approach to solving the membership problem must make it clear that the Federal Reserve has the authority to continue to restrict access to system services.

But Certain Modifications of S. 85 Are Desirable

The various features of S. 85 redress much of the growing competitive inequity among financial institutions and provide a framework for enhancing the implementation of monetary pol-

icy. However, we believe that certain modifications are desirable in order to exploit more fully the potential for improved monetary control offered by this approach and to strike a better balance among the legitimate concerns and interests of the various constituencies affected by this legislative compromise.

First, while the $40 million exemptions in this legislation would mean that the proportion of deposits subject to direct Federal Reserve control would increase slightly from current levels, we feel that there are important benefits for monetary control in increasing that coverage even further. The board has a proposal that will provide additional coverage and hence further enhance monetary control, while at the same time preserving for all depositary institutions the earnings protection contained in S. 85.

Participation in Federal Reserve Earnings for Exempted Deposits

The board's proposed modification involves establishment of an "earnings participation account," which would result in more institutions maintaining balances at the Federal Reserve; however, their earnings capacity would be protected because the earnings participation account would accrue interest at the rate earned by the Federal Reserve on its portfolio of securities. To reduce the recordkeeping burden, small institutions could be excluded from having to hold this account. This exclusion could amount to the first $10 million of transactions deposits at each institution and $10 million of other deposits at each commercial bank.

For banks, with respect to all deposits, and for other depositary institutions, with respect to transactions deposits, their earnings participation account would be held against deposits above the $10 million exclusion and up to the amount of the exemption level, which would be $40 million in the case of S. 85. The size of this earnings participation account for each deposit category would equal the reserve ratio applicable to deposits in this category times the amount of deposit liabilities between $10 million and the exemption level. To the extent that an institution holds vault cash in excess of its required reserves on nonexempt deposits, the size of the earnings participation account would be reduced correspondingly.

The return on this account would be equivalent to the average return on the Federal Reserve's portfolio, which includes both short- and long-term securities. Some years this return might be higher than banks would earn on other assets—which are likely to be a combination of loans and liquid instruments—and some years less. On average, over time, there should be little difference.

It should be noted that Senator Tower's S. 353 does provide for establishment of an earnings participation account. However, the estimated cost to the Treasury of this bill is considerably greater than other proposals being considered.

Yields Expanded Coverage, More Earnings Protection

In a comparison of the impacts of the board's proposal with S. 85 and with the current reserve system, it can be seen that the board's modification has the advantage of increasing the proportion of commercial bank transactions deposits covered by an account at the Federal Reserve—from the present 73 percent, and about 75 percent under S. 85, to 94 percent. This would be accomplished even though the $10 million exclusion would mean that 45 percent of all commercial banks, as well as virtually all thrift institutions, would not be required to hold any account at the Federal Reserve.

It is worth emphasizing that now is the appropriate time to bring transactions-type deposits at thrift institutions under reserve requirements. It will be several years, at least, before any significant number of thrift institutions would actually have to hold nonearning reserves at the Federal Reserve. Currently, less than a dozen thrift institutions have deposits in excess of the $40 million exemption of S. 85, and all have vault cash much greater than the reserve requirement that would apply to such deposits.

Reserve Requirements

While the board does not strongly object to the particular reserve requirement ratios specified in S. 85, it would, assuming the other elements

of the proposal are adopted, prefer somewhat lower ratios, on average. However, average reserve requirements on demand and time and savings deposits at commercial banks would provide for more equitable treatment, as thrift institutions are not subject to any reserve requirements on nontransactions deposits under the proposed bill.

The exact set of reserve ratios that would balance equity considerations against the loss of Treasury revenue and the need for flexible and effective instruments of monetary policy is, of course, a matter of judgment. There is much to be said for complete equality of treatment between banks and thrift institutions with respect to reserve requirements. This approach would argue, on the one hand, for reducing further the reserve requirements on all nontransactions time and savings deposits at commercial banks, even to zero. But such reductions would be very costly to the Treasury and would also eliminate reserve requirements on time deposits as a policy instrument; the flexibility to vary those requirements has proven useful in the past as a means of influencing banks' liability management and international flows of funds.

Complete equality of treatment could also be obtained, on the other hand, by imposing the same reserve requirements on time and savings deposits at thrift institutions as those borne by banks. But this has the disadvantage of being very costly to thrift institutions, which are, in any event, coming under earnings pressure in the current period of relatively high short-term interest rates.

Thus, the board believes that the reserve requirement structure suggested in the House bill proposed by Representative Reuss (H.R. 7) may be a reasonable compromise. The board also would not oppose an increase in the exemption level to the $50 million specified in H.R. 7, as long as the modified bill included the establishment of an earnings participation account. With lower reserve requirements and a higher exemption level, more commercial banks would effectively be on the same footing as the thrift institutions with which they compete, in the sense that neither would be forced to hold non-interest-earning reserves against their deposits. The number of banks holding sterile reserve balances at Federal Reserve Banks would be sharply reduced from the current level of 5,664 to an estimated 656 under the board modification. This number is somewhat lower than the estimated 796 banks that would be required to hold nonearning reserves at Federal Reserve Banks under S. 85.

The reserve requirement structures of S. 85 and H.R. 7 are:

Deposit category	Reserve ranges (percent)	
	S. 85	H.R. 7
Transactions deposits	12 to 14 (13 initially)	8 to 10 (9.5 initially)
Short-term time deposits	4 to 8 (6 initially)	3 to 8 (8 initially)
Savings deposits	1 to 5 (3 initially)	1 to 3 (3 initially)
Long-term time deposits	1/2 to 2 (1 initially)	1 to 3 (1 initially)

The board believes that it is particularly important to have a somewhat lower reserve requirement on transactions deposits than under S. 85 so as to minimize the incentive for institutions to develop roundabout methods for avoiding the requirement and thereby add to the complexity of administering the reserve structure.

Effect on Deposit Coverage and Bank Earnings

The board's modified version would provide a greater earnings benefit to the banking system than S. 85. A listing shows individual member and nonmember commercial banks and mutual savings banks that would be subject to federal reserve requirements or would be required to hold an earnings participation account under S. 85 as modified by our proposal. This listing is similar to that part of the Committee print, *Summary of the Monetary Policy Improvement Act of 1979*, which shows the banks covered under S. 85. Banks are added to the list under the board's proposal when they have deposits above the excluded level but below the exemption level of S. 85. These added banks would hold an earnings participation account at the Federal Reserve and thus expand the Federal Reserve's coverage of deposits, but they would not hold any nonearning required reserve balance at Reserve Banks because their deposits

are below the exempted level. The list shows the amount of the earnings participation account each institution would hold. If this amount is zero, the bank at the end of 1977 had sufficient vault cash in excess of its required reserves that it would have had no earnings participation account.

The additional institutions holding accounts at the Federal Reserve would keep the earnings benefit of the exemption level proposed by S. 85, since they would participate in the Federal Reserve's earnings on funds that they would be required to maintain in the earnings participation account. Moreover, the combination of the higher exemptions and the different structure of reserve ratios in the modified bill means that any institution required to hold sterile reserves would have its burden reduced relative to that of S. 85. This structure enhances the earnings capacity of all institutions and minimizes the competitive burden on individual institutions.

In sum, the board proposal would have the clear advantage of expanding significantly the coverage subject to reserve requirements, thereby enhancing the implementation of monetary policy. At the same time, it would increase the earnings benefit for depositary institutions over those provided in S. 85 at a modest additional cost to the Treasury. Finally, exclusion of the first $10 million of transactions-type deposits and $10 million of other deposits from any reserve requirement would reduce the recordkeeping burden of the proposal with relatively small policy impact.

Treasury Revenues

Based on the 1977 level of deposits and assuming all the provisions of the bill had been in effect for some time, it is estimated that the provisions of S. 85 would reduce Treasury revenues by about $60 million. This estimate allows for recapture by the Treasury through tax payments by banks and stockholders of a portion of the earnings benefits accruing to banks.

The board's modification would have a somewhat larger impact on Treasury revenues than S. 85 but still keeps the cost within reasonable bounds. It is estimated that the net cost to the Treasury would be about $173 million.

It must be stressed, however, that in the absence of legislation to stop membership attrition, the Federal Reserve will lose increasing amounts of revenue over time as member banks leave the system. Thus, after making allowance for the loss of Federal Reserve revenues from continued attrition that would otherwise be occurring, these proposals would result in little, if any, net cost to the Treasury in the future. Moreover, in the first three years after the program is implemented, the Treasury will not incur any loss in revenue because the Federal Reserve intends to transfer a sufficient portion of its earned surplus to maintain net Treasury revenues during this period.

A series of amendments to S. 85 would implement the various aspects of the board's proposed modification.

Additional Modifications

Another modification proposed by the board concerns the pricing of Federal Reserve System services. The system has already expended considerable effort in formulating pricing principles and in developing pricing alternatives for the services we provide. A preliminary schedule of prices for check and automated clearinghouse services was announced last November. Price schedules for other Federal Reserve services, such as coin and currency services, wire transfers, and the safekeeping of securities, are under consideration. Although we intend to implement service charges as rapidly as we can after the membership problem is solved, we believe that the July 1, 1980, implementation date set in S. 85 may not afford sufficient flexibility to develop a well-designed system. An amendment would eliminate the fixed date and thus provide the necessary flexibility. Additional, more technical amendments pertaining to reporting requirements, access to the discount window, and the application of reserve requirements to foreign obligations of banks and conforming other provisions of the Federal Reserve Act, also are attached for the committee's consideration.

Mr. Chairman, thank you for the opportunity to present the Federal Reserve's view on the Monetary Policy Improvement Act of 1979.

Statement by J. Charles Partee, Member, Board of Governors of the Federal Reserve System, before the Committee on Banking, Housing and Urban Affairs and the Committee on Governmental Affairs, U.S. Senate, February 28, 1979.

I appreciate the opportunity to appear before the committees today to present the views of the Board of Governors of the Federal Reserve System on S. 332. This bill would consolidate the bank supervisory functions of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the bank and bank holding company supervisory functions of the Federal Reserve into a newly created Federal Bank Commission.

In September 1977, I testified for the board in opposition to a similar bill, S. 684, before the Senate Banking Committee. The board opposed that bill because it saw no persuasive reasons for consolidating the three regulatory agencies. Moreover, the board believed that consolidation would involve a number of distinct disadvantages that would outweigh any likely benefits. Today we continue to oppose agency consolidation, as proposed in S. 332, for essentially the same reasons.

The primary objective of bank regulation is to maintain a safe and sound banking system. Therefore, the best measure of the performance of the present agency structure is the record of banking stability in this nation over the years. In my judgment, the record is very good. During the last several decades there has been only one brief period—during and immediately following the deep recession of the mid-1970s—when the banking system encountered any significant problems. Even then, the efforts of the three banking agencies helped to contain emerging problems so that the economy was not significantly affected. Since then, the condition of the banking system has strengthened, and the problems of the mid-1970s are now largely behind us.

This excellent record of banking stability is certainly due in large part to good management of American banks. But it also indicates that the present agency structure has been effective. Indeed, it is hard to argue that this nation could have compiled this enviable record of banking stability if the present agency structure had serious flaws.

Proponents of agency consolidation have argued that the present statutory division of responsibilities among the three federal banking agencies is complex and often overlapping. There is, of course, some truth to this charge. But the three agencies have worked out numerous arrangements over the years that have eliminated most of these potential overlaps. For example, while all three agencies have the statutory authority to examine national banks, only the Comptroller of the Currency actually does so.

Proponents of agency consolidation also have criticized the three agencies for having inconsistent policies and procedures and have argued that agency consolidation would end this problem. Historically, there have been differences in agency practices. However, in the last several years the agencies have made a concerted effort to increase the consistency of agency policies and procedures. This effort has been spearheaded by the Interagency Coordinating Committee, which is composed of principals of the agencies, and the Interagency Supervisory Committee, which is made up of top supervisory staff of the agencies. Recent actions of these interagency groups have included the development of a uniform system for rating banks, a uniform approach for reviewing and commenting on the country risk element in bank lending abroad, a uniform set of regulations and examination procedures for ensuring compliance with the Community Reinvestment Act, and an interagency system for evaluating large shared national credits.

In testimony beginning in the mid-1970s, the board recommended that the Congress establish a Bank Examination Council. This council would formalize existing cooperative arrangements among the federal banking agencies and assure progress toward greater uniformity in examination principles, procedures, and training. Last year the Congress accepted the board's recommendation and established the Federal Financial Institutions Examination Council. The council, which also includes representatives from the Federal Home Loan Bank Board and

the National Credit Union Administration, will come into existence this March 10. Council members already are working on the group's initial organization and administrative procedures, and the council will begin to tackle a variety of substantive issues promptly after it is established.

The board believes that the Congress was well advised last year to create the council and to avoid agency consolidation. Now that the council is about to become operational, we urge that the Congress give the council a chance to perform.

In the board's judgment, creation of the Federal Bank Commission at the present time would entail some particularly unfortunate consequences. Within the last year or so, the Congress has passed a massive amount of banking legislation, including the Financial Institutions Regulatory Act, the International Banking Act, and the Community Reinvestment Act. In total, the banking legislation enacted by the 95th Congress represents the largest amount of such legislation passed by any Congress since the 1930s. At present, both the banking community and the banking agencies have the sizable task of digesting and implementing all of this complex legislation. The banking agencies, for example, must write new regulations, design new report forms and establish new enforcement procedures. In this hectic environment, the board believes that the creation of the Federal Bank Commission—with all of the temporary dislocations that this would inevitably involve—would be extremely disruptive. Such a reorganization could impair agency operations and adversely affect the implementation and enforcement of the new legislation.

In testimony during the last several years, the board has cited other problems with agency consolidation of the sort proposed in S. 332. Probably the greatest problem is that these bills would break the present link between bank supervision and monetary policy by removing the Federal Reserve from bank supervision. In the board's judgment, breaking this link could at times impair the Federal Reserve's ability to carry out monetary policy effectively.

A primary objective of bank supervision is to maintain a safe and sound banking system. Supervisors normally seek to accomplish this objective by restraining excessive risk taking by banks. The primary objective of monetary policy is to foster financial conditions that promote economic growth, full employment, and stable prices. The Federal Reserve seeks to accomplish this objective through measures that influence the pace of expansion in money and credit and impact on the cost and availability of funds. While the objectives of supervisory policy and monetary policy are different, they are clearly interrelated. For example, supervisory actions that require banks to augment their capital positions may impact monetary policy by slowing the rate of growth of bank credit or reducing the availability of bank funds to particular borrowers. Moreover, decisions affecting the structure of bank holding companies or international banking organizations will impact on the performance of credit markets and the international flow of funds. These results, in turn, can influence how financial markets and the balance of payments respond to monetary policy actions.

While supervisory policy can affect monetary policy, monetary policy can also have consequences for supervisory policy by altering the financial environment in which banks operate. For example, a restrictive monetary policy tends to raise interest rates, producing what may be substantial declines in the market value of certain bank assets. Monetary policy, by restricting the growth in money and credit, can also place banks under liquidity pressure and adversely affect the financial flexibility and prospects of certain bank borrowers. Conversely, during periods of monetary ease, interest rates will tend to decline—putting pressure on bank earnings—while banking resources may grow so rapidly that bank capital ratios deteriorate. The conduct of monetary policy thus must always be carried out with the implications for bank performance clearly in mind.

On the basis of its experience, the board is convinced that bank supervision and monetary policy are closely and inevitably linked, and that supervisory policy and monetary policy should not be determined in isolation. One of the virtues in the existing agency structure is that the Federal Reserve is involved in bank supervision. As a result, there is assurance that economic

stabilization considerations enter into the formulation of bank supervisory policy and that bank soundness is taken into account in the formulation of monetary policy.

The board is aware that S. 332 contains certain provisions designed to bring about a degree of coordination between supervisory policy and monetary policy. This would be accomplished by permitting the Chairman of the Federal Reserve Board to initiate procedures for rulemaking or the issuance of a policy statement whenever he determines that an action or activity of the Federal Bank Commission may have an impact on monetary policy. The proposed statute would also allow the Chairman of the Federal Reserve to participate in an interpretation or the commencement of an adjudication by the commission. While these provisions in S. 332 give recognition to the close link between bank supervision and monetary policy, the board seriously doubts that they would prove to be effective.

First, S. 332 does not provide for any mechanism assuring that the Federal Reserve is adequately and promptly informed of bank supervisory policy actions about to be taken by the Federal Bank Commission nor of the banking practices—or changes in banking practices—with which they are intended to deal. Without such a mechanism, the Chairman of the Federal Reserve may not become aware of the monetary policy implications of certain commission actions.

Second, even if the Chairman of the Federal Reserve were to call for a rulemaking or policy statement proceeding, there is no assurance that the commission would give sufficient weight to monetary policy considerations. The commission would be responsible solely for maintaining a sound banking system and would be prone to overemphasize this public policy objective. The tendency to downgrade monetary policy considerations would be particularly likely if there were no Federal Reserve Board representation on the commission. Such representation was provided for in the 1977 bill, but not in S. 332. Once the link between bank supervision and monetary policy is broken at the policymaking level, we believe there will be serious risk that monetary policy could be impaired.

The major effect of S. 332, of course, is intended to improve the overall character and quality of bank supervision. But it is by no means clear to the board that agency consolidation, as proposed in S. 332, would be entirely favorable. In fact, there are a number of reasons for believing that consolidation could have perverse consequences.

First, a single agency would be more inclined to abrupt shifts in supervisory policy—shifts that could destabilize the banking system. This is particularly true when, as in S. 332, the chairman is given broad independent power over the activities of the commission's staff and, at the same time, serves at the pleasure of the President. One of the advantages of the present tripartite system is that it contains certain checks and balances that tend to guard against such extreme shifts.

Second, there has been considerable concern expressed by the Congress and others in recent years about regulators becoming captives of the industries that they regulate. While one should not assume that a single bank regulatory agency would necessarily be unduly influenced by the banking industry, agency consolidation would surely tend to increase that risk.

Third, agency consolidation could result in suppressing innovation in the banking industry. One of the prime concerns in many regulated industries is that the sole regulator may, by its behavior, serve to stultify progress in the industry. In contrast, one of the advantages of the tripartite agency structure in banking is the opportunity for experimentation. Under the present system, one regulatory agency can allow a certain degree of experimentation in the offering of new services. When and if it becomes clear that such services are of real benefit to the public and do not involve undue risks, the new practices will inevitably spread throughout the banking system.

Fourth, I believe that the removal of the Federal Reserve from bank supervision, as proposed in S. 332, would adversely affect the quality of bank supervision. As the nation's central bank, the Federal Reserve brings to bank supervision a broad perspective and an in-depth knowledge of the workings of the economy that should not be lost in the development and conduct of supervisory policy.

Proponents of the Federal Bank Commission seem to imply that agency consolidation would produce substantial operating efficiencies. The board doubts that this would occur because almost all current agency operations will still have to be performed by the new commission in order to maintain the present quality of bank supervision. It should be noted that the Comptroller General, after reviewing the existing structure of federal bank regulation, indicated in his report to the Congress that a single agency would not be likely to provide any substantial cost savings.

As indicated earlier, the board believes the banking agencies have made excellent progress in coordinating their policies and procedures over the last several years. But we also recognize that there is still room for further improvement in some areas, such as in the integration of holding company and international examinations. We are confident that this additional coordination can be accomplished through the new examination council and other existing organizational arrangements.

In conclusion, I would like to reiterate the board's view that passage of S. 332 would not be in the public interest. First, the proposal would replace the present agency structure that has worked well for over four decades with a single agency that would be an unknown. Second, S. 332, by removing the Federal Reserve from bank supervision, would break the link between bank supervision and monetary policy—to the detriment of both. Third, the creation of the Federal Bank Commission at the present time could seriously disrupt the implementation of the major banking legislation passed by the previous Congress. And fourth, though it might create the appearance of more order on a table of organization, the proposed Federal Banking Commission would not save any substantial amount of expenditure, while it would pose all of the risks that an industry-encompassing superagency entails. In sum, the board believes that the better course is to retain the present agency structure and to give the newly created examination council a chance to promote the greater uniformity in examination procedures and supervisory policy that is the principal aim of S. 332. □

Statement by Nancy H. Teeters, Member, Board of Governors of the Federal Reserve System, before the Committee on Banking, Housing and Urban Affairs, U.S. Senate, March 2, 1979.

I am pleased to be here today to comment on the administration's proposals for improving control over federal credit programs. I wish to emphasize that my opinions and analyses are my own. The Board of Governors of the Federal Reserve System has not taken a position on this issue. However, I have had a continuing interest in this subject for several years. In fact, I personally consider the lack of unified congressional control over federal credit allocation activities as a major loophole in the congressional budget process.

The provision of credit assistance through direct loans, guarantees, and other means is, of course, a legitimate activity of the federal government. It has traditionally been used to provide credit to groups that would otherwise encounter difficulties in obtaining accommodation and/or to enable borrowers to obtain credit at a lower cost than they would otherwise have to pay. During periods of credit stringency, for example, loan guarantees have been of major help to families purchasing homes. The credit-related activities of the government, moreover, have fostered many worthwhile developments in financial markets. The equal monthly installment payments of a home mortgage, for example, are a federal innovation—one so successful that private lenders have fully adopted it.

It should be recognized, however, that while federal credit programs can help promote social objectives that have wide public support, these benefits are not obtained without cost. The lower interest costs paid by groups receiving credit can, in effect, be viewed as a form of subsidy provided by the government. Moreover, since the supply of credit is not unlimited, when

certain groups obtain credit with federal assistance, other groups find it more difficult to do so.

There is general agreement, I believe, that procedures currently being followed to evaluate, authorize, find, and account for the direct lending and credit assistance activities of the federal government are seriously deficient. Because of these deficiencies, the Congress in its deliberations is able to make only an imperfect assessment of the relative value of individual credit programs and is unable to consider the impact of all such programs on the economy's allocation of resources. If "off-budget" credit assistance and preferential tax treatment were given the same attention as direct federal expenditures, for example, the extent of federal assistance to particular sectors would look much different than it does when direct loans are considered alone. The amount of total assistance to agriculture and housing is approximately double the volume of direct loans made to these sectors. Moreover, the citizens of our country are not being properly informed as to the extent of the government's involvement in credit allocation.

The magnitude of federal credit activities has become quite large in recent years, and rapid further growth is in prospect. Altogether, loans by fully owned federal agencies and guaranteed loans outstanding amounted to about $315 billion at the end of the last fiscal year; just 10 years ago the level was only $150 billion. In addition, loans held by agencies operating under federal sponsorship totaled $127 billion at the close of last year, up $100 billion from the level 10 years earlier. These credit activities, moreover, are expected to continue to grow rapidly, with loans under all programs projected to increase around $50 billion in fiscal years 1979 and 1980. Such activity is expected to account for about one-sixth of the total net funds raised in credit markets during these periods.

Only a small proportion of this credit activity is recorded as outlays in the unified budget. Loan guarantees, of course, do not involve an expenditure of funds and are thus not reflected in the unified budget, except in the cases where appropriations are required to cover defaulted loans. Credit extended by sponsored credit agencies is also not recorded in the budget since these agencies are privately owned. However, the liabilities issued by these agencies to finance their operations have an implicit (and in some cases explicit) government guarantee. And although the administration is proposing to include these activities only in a credit information system and not in the credit control system, the Congress should take cognizance of them in the overall evaluation of federal credit assistance. Finally, only a comparatively small proportion of the *direct* lending by fully owned agencies of the government is shown in the budget, because many of their activities have been placed "off budget" by the Congress.

I am personally concerned that "guaranteed credit" has been extended into new areas that are not necessarily appropriate. The original uses of guaranteed credit were in the areas of home and farm mortgages involving large numbers of relatively small loans secured by a physical asset. We now have proposals or programs to fund a large number of unsecured small loans—such as student loans—and other proposals or programs to assist a small number of very large loans—such as "synfuel." The nature of guaranteed credit or proposals for such credit has changed markedly.

Another element that clouds the picture of federal credit activities is the operation of the Federal Financing Bank (FFB). The FFB uses funds borrowed directly from the Treasury to support the lending activities of federal agencies and to acquire certain types of guaranteed loans. In carrying out this function, the FFB has successfully performed the function it was established to do, since it has eliminated the congestion that often occurred when the agencies attempted to finance their operations directly in the credit markets. In the process, however, it has reduced the accountability of federal credit programs, because lending activities are attributed to the FFB rather than to the agency originating the transaction.

These problems of accountability are matched by imperfections in the congressional review process. All credit programs, of course, have been authorized by law and are subject to oversight by the Congress. In the case of some loans made by "on-budget" agencies, this oversight

is conducted annually. But for most programs there is no annual review, and authorizations to engage in activities may be given for several years. Also, limits that are set in most cases are stated in terms of net credit extended (or loans guaranteed) rather than in terms of the gross volume of such lending activity.

The proposals developed by the administration to improve the way federal credit programs are controlled in the budget process are generally sound in my view. In particular, I strongly support the proposal for the establishment of a federal-credit-control system that would include all credit activities by agencies fully owned by the federal government. This system would be presented by the administration and considered by the Congress in concurrence with the regular budget process, and thus all programs would be subject to annual review and control. I also agree that this process should set an aggregate ceiling on all credit programs and binding limitations on each direct-loan and loan-guarantee program. These deliberations should consider how each program will affect the ceiling for all credit programs and how it will integrate with other credit and noncredit programs designed to accomplish specific budget functions.

Moreover, the process of evaluation should be made within the framework of the overall demand for credit. Flow of funds statistics are now available, and projections of "flow of funds" are legion—not as pervasive as projections of gross national product, but plentiful. This will serve to emphasize that the nation's credit supply has limits and will indicate the extent to which it is used by the government, directly or indirectly.

I also agree that a program's gross lending (or extension of guarantees) should be a major concern, as well as the net increase or decrease in total commitment in each functional area. And the proposal that sales of loans or certificates of beneficial ownership in pools of loans should be recorded as a form of borrowing rather than as a negative outlay is also well advised.

I find myself in general agreement with most of the administration's other proposals. In particular, the administration has indicated that, as part of its control system, it is considering a requirement that would call for FFB outlays and budget authority to be attributed to the agency and function where loans are originated. This seems a sensible approach to me.

I recognize that if such an approach were adopted, agencies may be tempted to obtain funds directly in the credit markets. If this were to occur, the benefits being provided by the FFB in reducing agency demands in credit markets would be lost. Thus, it may be necessary to develop guidelines to discourage agencies from guaranteeing obligations to be sold directly to the public, if these obligations are of the same nature as those presently being acquired by the FFB. The inclusion of all loan-guarantee programs in the credit-control system and the imposition of limitations on these programs, of course, will reduce incentives to channel loan guarantees away from the FFB. Safeguards will also have to be established to constrain agencies from turning to other arrangements—such as long-term leasing agreements and price-support agreements—which can be used to achieve the same purpose as loan guarantees. The budget-control system being prepared by the administration does not have provisions for the establishment of such constraints, and it will thus be necessary to develop procedures to achieve this objective.

One of the administration's proposals in the scorekeeping area should *not* be adopted in my view. Rather than continuing to include direct lending of federal agencies in the budget, I believe it would be advisable instead to take these loans out of the unified budget and to record them only in the credit-control budget. Direct loans are not the same as other government outlays, since financial assets are acquired in conjunction with the dispersal of funds. In addition, direct loans appear to have essentially the same implications for economic stabilization, resource allocation, and income distribution as do loan guarantees. In recommending the removal of direct loans from the unified budget, I am, of course, assuming that coincidentally the federal credit budget will be put into place, so that there would be no loss in scrutiny and control over these various programs by the Congress and the administration. Certainly, the direct lending programs should *not*

be removed from the budget until these alternative budgetary arrangements are working.

While a broad range of questions pertaining to the budgetary treatment of federal credit activities are covered by the administration's proposals, I believe there remain important issues that require further study. I wish to emphasize the great need to develop guidelines for determining the trade-offs between accomplishing social objectives through direct outlays, on the one hand, and through federal credit programs on the other. Similar criteria need to be developed to provide guidance for choosing between giving credit assistance through direct loans or through guarantees. Because guaranteed loans are specifically exempt from the budget control act, there has been a proliferation of questionable "loan guarantee" proposals and programs.

In addition to these broad issues, there is a need to study the appropriate budget treatment of nonrecourse loans, such as those made by the Commodity Credit Corporation to farmers. Since these loans need not be repaid and in many cases are not repaid, there is the ongoing question as to whether these transactions should be treated as outlays or as loans at the time the funds are dispersed. Similar questions as to appropriate budgetary treatment can also be raised in connection with other direct nonrecourse loan programs, especially foreign loans. For example, it is far from clear how to account for funds dispersed as loans under programs of International Development Assistance and International Security Assistance. The ultimate collectibility of such loans depends on international developments, which are, of course, highly uncertain.

Given the importance of these unanswered questions, I believe it would be advisable to appoint a new budget commission to study these questions and other related issues. Such a commission study would not, in my view, create any need to delay the implementation of the administration's proposals. Rather, it would be advisable to push ahead and set up the new control system, and then make amendments to this system should the commission study indicate that procedures need to be augmented or changed.

It is to be hoped that establishment of an effective framework for appraisal, control, and scorekeeping of federal credit programs will lead to proper evaluation of new programs and activities to prevent such activities from falling outside the annual budget process. Past experience, however, suggests that the mind of man is highly inventive in this regard. Whatever restrictions are put on fiscal activities, or credit allocation, ways will be found to circumvent them. Thus, I would further recommend that the Congress fully consider the advisability of establishing formal rules to require the reconvening, at regular intervals, of a budgetary commission to review conceptual and measurement problems that may have developed with respect to the unified budget and the credit budget.

Allocation of credit either directly through government loans or indirectly by federal guarantees (regardless of whatever inventive name is applied) falls between the traditional concepts of "fiscal" and "monetary" policy. It is a gray area between the two. The decision, I believe, is basically a fiscal one, but if the amount of priority credit assigned is too large a part of the total available supply of funds, there inevitably will be impacts on general interest rates and the conduct of monetary policy. Clearly the allocation of credit on better-than-market terms is a federal activity that creates a preferred status for certain groups in the credit market. Government has a responsibility to make sure that this activity is serving the public interest. □

Statement by J. Charles Partee, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Domestic Monetary Policy of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, March 5, 1979.

I appreciate the opportunity to appear today to comment for the Board of Governors of the Federal Reserve System on the two bills the subcommittee is considering that deal with the authority of the U.S. Treasury to borrow directly from the Federal Reserve System. H.R.

2281 would extend the existing authority for five years. H.R. 421 would substitute instead a new authority that permits the Treasury to meet its emergency cash needs by borrowing securities from the Federal Reserve for resale in the secondary market.

Last June I met with this committee to explain why the board strongly supported a bill then being considered, which was similar to H.R. 2281 in that it called for a simple extension of the system's existing authority to purchase U.S. government obligations directly from the Treasury in amounts up to $5 billion. Because the board's view on this issue has not changed, I would like to resubmit that earlier testimony for the record.[1] The major points offered then remain equally applicable today.

Since the Treasury now often relies on short-dated cash management bills to cover low points in its cash balance prior to key income tax payment dates, the direct-borrowing authority of the Treasury has come to be used only infrequently. In fact, since 1975, the authority has been activated only once. The Treasury had made more use of the facility in earlier years, usually to offset cash drains just before funds were available from quarterly income tax payments. But the direct-borrowing authority is still important as a standby facility to be used in emergency situations. Such an arrangement provides assurance that the Treasury will be able to honor its commitments without delay if unexpected developments suddenly shrink its cash holdings. The Treasury, at its own initiative, can quickly arrange to borrow from the Federal Reserve, even on the same day of the request.

It continues to be the judgment of the board that this direct-borrowing authority has functioned well whenever needed and that the facility contains prudent safeguards and limits. In addition to the $5 billion limit on drawings contained in the legislation, the Federal Open Market Committee (FOMC) has imposed an operating ceiling of $2 billion on purchases that can be made by the manager of the System Open Market Account without special authorization from the FOMC.

H.R. 421 would substitute a more elaborate technique for providing the Treasury with funds in the event of an unexpected need. In such instances, this alternative proposal would permit the Treasury to borrow securities from the Federal Reserve for reselling into the open market. The Treasury would be required to repay the borrowed securities within six months. The bill, as now written, does not limit the amount of securities that could be borrowed, nor does it specify whether the value of the securities borrowed would represent an addition to the public debt—two issues that require clarification. We assume that it is not the intent of the bill to give the Treasury a way of circumventing the federal debt ceiling through large-scale borrowing and resale of securities from the Federal Reserve's portfolio. And we are concerned about the apparently open-ended grant of power to the Secretary of the Treasury to borrow securities from the Federal Reserve without prior consultation or approval from the FOMC.

Even after these questions are resolved, however, the proposed alternative to the direct borrowing authority does not appear as desirable as the present arrangement. Since Treasury cash-management bills can be announced, offered, and delivered within a few days under present debt management procedures, what the Treasury appears to us to need in addition is a backstop facility that permits it to acquire a sizable volume of funds immediately without resort to the market.

If the Treasury were to meet such needs by borrowing securities from the Federal Reserve and then reselling them in the market, it might well be forced to pay a substantial premium over its usual borrowing rate. The action would probably take market participants by surprise and might have to be accomplished fairly late in the day. In highly unsettled market circumstances, moreover, the Treasury could find it difficult or impossible to sell all of the securities needed. We understand that the objective of the bill is to insure that Treasury borrowing always be subjected to the discipline of the market. While the board endorses such a concept as a general rule, in emergency cases of the sort contemplated here, that test could well be abnormally unfavorable and not in the public interest.

The existing direct-borrowing authority of the Treasury was established in 1942 when wartime

1. FEDERAL RESERVE BULLETIN, vol. 64 (July 1978), pp. 542–43.

financing required that the federal government raise enormous volumes of funds through securities markets. The authority was needed to provide assurance that the Treasury at all times could meet its expanding obligations. Under any future conditions of national emergency occasioned by war or natural disaster, the Treasury might again face unanticipated needs for immediate funds at a time when securities markets are in general disarray. While the Congress probably would be in a position to reestablish an emergency-borrowing authority quickly in such circumstances, it seems far more efficient to maintain the existing standby direct-borrowing procedures in order to assure the Treasury the capacity to finance—for at least a limited period—without the necessity of such congressional action.

In conclusion, the board sees no need to introduce a new mechanism for the Treasury to raise temporary funds since the present direct-borrowing authority has functioned effectively. Instead, we believe that the Federal Reserve System should be empowered to continue lending directly to the Treasury under the carefully drafted constraints of the current authority. Favorable action on H.R. 2281 will achieve this objective, and the board endorses the bill.

Announcements

Regulation O: Amendment

The Federal Reserve Board on March 6, 1979, issued a final regulation implementing new section 22(h) of the Federal Reserve Act, a part of Title I of the Financial Institutions Regulatory and Interest Rate Control Act of 1978 (FIRA). Regulation O (Loans to Executive Officers of Member Banks) applies to all member banks of the Federal Reserve System, including all national banks.

The board said that because the final regulation differs in some important respects from the proposed regulation issued for public comment on December 28, 1978, an additional 60-day comment period will be allowed.

Section 22(h) applies to loans by a member bank to the executive officers, directors, and principal shareholders of (1) the member bank, (2) the member bank's parent bank holding company, and (3) any other subsidiaries of the parent bank holding company. A "principal shareholder" of the bank is defined as any individual or company that controls more than 10 percent of any class of voting shares of the bank (18 percent in certain circumstances). Section 22(h) also applies to related interests of bank officials. Related interests are companies controlled by, and political or campaign committees controlled by or benefiting, bank officials.

Section 22(h) establishes the following four requirements for loans by member banks to bank officials or their related interests:

1. An aggregate lending limit of 10 percent of the bank's capital and surplus on loans (subject to certain exceptions) to any of its executive officers or principal shareholders and their related interests.

2. Prohibition of payment by the bank of an overdraft by an executive officer or director.

3. A requirement that every extension of credit by the bank to a bank official or to a related interest be made on substantially the same terms as those prevailing at the time for comparable transactions with other persons not associated with the bank and not involve more than the normal risk of repayment or present other unfavorable features.

4. A requirement that every extension of credit by the bank to a bank official or any related interest that would exceed $25,000 in the aggregate be approved in advance by a majority of the bank's entire board of directors, with the interested party abstaining.

The board's proposed regulation to implement section 22(h) was issued on December 28, 1978, and the comment period expired on January 29, 1979. More than 200 letters of comment were received.

Significant changes from the proposed regulation are:

1. A rebuttal presumption of control is included in addition to a definition of control.

2. A member bank's loans to its parent bank holding company or the nonbank subsidiaries of the holding company are excluded from the 10 percent lending limit of section 22(h), since such loans are currently subject to a 20 percent limit under section 23A of the Federal Reserve Act.

3. The requirement for prior approval by the board of directors of lending to bank officials may be satisfied when the extension of credit is made under a line of credit previously approved by the board.

4. Capital and surplus of a member bank for purposes of determining lending limits is defined to include subordinated notes and debentures.

5. Inadvertent overdrafts of a nominal amount that are outstanding for a short period of time have been excluded from the overdraft prohibition.

6. Term loans (including residential mortgage loans) made prior to March 10, 1979, have been exempted from the deadlines for compli-

ance with the lending limit and may be repaid in accordance with their original repayment schedules.

In any enforcement action under section 22(h) during the first 60 days of the statute's effectiveness, the agencies will consider the complexities of the statute and the brief period of time between publication of the regulation and March 10, 1979. The agencies have adopted this policy in recognition of the fact that some may inadvertently violate the regulation before they have developed procedures for compliance with the amended Regulation O.

Regulation Y: Amendment

The Federal Reserve Board on February 26, 1979, announced an amendment to its Regulation Y (Bank Holding Companies) to permit bank holding companies to sell money orders, travelers checks, and U.S. savings bonds to the public at their nonbank offices. The Board of Governors fixed a maximum face value of $1,000 on the money orders sold at offices of bank holding companies and their subsidiaries. At the same time, it declined to adopt an amendment that was earlier proposed that would have permitted bank holding companies to sell variable-denominated instruments and financial management courses. The board announced that it would consider specific proposals by bank holding companies to furnish consumer-oriented financial management courses on a case-by-case basis.

In a related action the board announced its approval of an application by Citicorp, New York, to sell money orders, travelers checks, and U.S. savings bonds and to provide consumer-oriented financial management courses at eight offices in Utah of its subsidiary, Citicorp Person-to-Person Financial Centers.

Regulation V: Revision

The Federal Reserve Board simplified its Regulation V (Loan Guarantees for Defense Production), consolidated related rules into the regulation, and revised the interest rate and guarantee fee structures applying to such defense production loans, effective February 12, 1979.

The board had invited public comment, through April 30, 1979, as to whether the V-loan program should be restructured or eliminated. The current revision of Regulation V is based on the existing regulation pending a decision about the V-loan program.

Regulation V grew out of a program begun in World War II to facilitate production or other operations for national defense. The Federal Reserve acts as fiscal agent and also sets the maximum rate of interest to be charged by a financing institution and establishes the fees to be charged by government agencies for making guarantees.

Before issuing its revised regulation, the board had requested and received comment from the government agencies guaranteeing loans. The revised regulation takes account of these comments.

The revision of Regulation V is part of a review of all Federal Reserve regulations to determine whether a regulation, in whole or in part, is required by law; to assess the costs and benefits of each regulation; to ascertain if there are more desirable nonregulatory alternatives; to determine whether the board's regulations should be simplified; and to consider whether to make recommendations to the Congress for modernizing changes in the statutes underlying Federal Reserve regulations.

The principal elements of the revision of Regulation V are:

1. Simplification and streamlining of the language.

2. Consolidation into the regulation of administrative rules not previously available in published form.

3. A change in the maximum rate of interest that a financing institution may charge for a V-loan, from a fixed maximum rate (7½ percent) to the rate the institution currently charges its most creditworthy business customers for loans of comparable maturity (unless the governmental guarantor decides that a particular loan bearing a higher rate of interest is necessary for national defense purposes).

4. Modification of the scale used for calculating the fee that a guarantor may charge for guaranteeing a loan. The guarantee fee runs from 10 percent of the base interest rate (the rate used for calculating guarantee fees) for the guaranteed portion of a loan of which 70 percent

or less is guaranteed, to 40 to 50 percent of the base interest rate on a loan of which 95 percent or more is guaranteed. The base interest rate is set by the guaranteeing agency and is to be 6 percent or more; previously, it was a flat 6 percent. The base rate may not be varied from borrower to borrower. For example, for a V-loan that is 70 percent guaranteed and that has a base interest rate of 10 percent, the guarantor could charge a fee of 1 percent of the interest on the guaranteed part of the loan.

The use of V-loans has declined from a peak at the end of 1952 of $979 million outstanding of loans, of which a portion was guaranteed, to $1 million outstanding at the end of 1978; current authorization is for $30 million. Only six new V-loans have been made since 1971.

In the light of this record, the board said:

> These facts suggest that the loan guarantee program may have outlived its usefulness. Moreover, there may be more efficient or economical means of performing both guaranteeing and fiscal agency functions. For these reasons, the Board might consider recommending legislative or other changes in the V-loan program.

The board noted also that the Defense Production Act authorizing the program will expire on September 30, 1979, unless extended by the Congress.

CRA Answers

On January 8, 1979, the four federal financial institutions regulatory agencies responsible for enforcing the Community Reinvestment Act (CRA) issued a staff paper to answer frequently received inquires about the act, the implementing regulations, and the CRA examination procedures.[1] They noted additional questions and answers would be forthcoming, and on March 1, 1979, issued those questions and answers.

As stated in the January 8 paper, the answers to these commonly asked questions "should not be regarded as official interpretations. Their purpose is solely to be helpful to financial institutions and the public by providing useful background information. . . . [F]inancial institutions should focus on the spirit of the legislation and try to avoid narrow, legalistic interpretations of the legislation or the regulations."

The first set of questions and answers provided staff guidance on the subjects of community delineation, contents of CRA statements, CRA public notices, and maintenance of files of public comments and recent CRA statements. The second set provides staff guidance on assessment of institutions records of performance under the CRA, agency encouragement of institutions under CRA, available sanctions under CRA, and impact of CRA on holding companies and their affiliates.

Change in MMC Rules

A change in the rules under which financial institutions issue six-month money market certificates was announced on March 8, 1979, by federal regulators.

The changes, which went into effect March 15, 1979, will:

1. Prohibit the use of compounding on money market certificates (MMCs) issued on or after March 15 by insured commercial banks, savings banks, savings and loan associations, and credit unions.

2. Eliminate the 1/4 point interest differential on MMCs between thrift institutions and commercial banks when the ceiling rate is 9 percent or more. The full differential will be in effect when the ceiling rate is 8¾ percent or less. When the six-month bill rate is between 8¾ and 9 percent, thrift institutions may pay a maximum 9 percent while commercial banks may pay up to the actual discount rate for six-month bills.

These actions were announced jointly by the four regulatory agencies, with each taking appropriate regulatory action after consultation with the interagency coordinating committee that includes representatives of each agency and the U.S. Treasury Department. The agencies are actively reviewing the terms on other types of deposits with a view toward providing improved savings opportunities for the small saver.

The action taken is in further support of efforts to restrain inflation. The changes are

[1] The government agencies supervising federally insured depositary institutions are as follows: Federal Home Loan Bank Board (supervisor of savings and loan associations and savings and loan holding companies); Federal Deposit Insurance Corporation (supervisor of state-chartered commercial and mutual savings banks that are not members of the Federal Reserve System); Comptroller of the Currency (supervisor of national banks); and Federal Reserve Board (supervisor of state-chartered member banks and of bank holding companies).

designed to reduce somewhat the cost of money market certificates and to moderate the flow of funds into thrift institutions in the current inflationary environment. While this action will affect the savings flows of thrift institutions, it will permit them to continue to remain competitive in attracting funds for housing. It will help reduce cost pressures on such institutions and over the longer run assure continued availability of mortgage credit.

MMCs were created last June 1 to help maintain a flow of funds into the mortgage market. At the end of January, $104.4 billion in such certificates were outstanding. MMCs are issued in minimum denominations of $10,000 with a 26-week maturity. The maximum rate of interest that may be paid on MMCs is tied to the discount rate (auction average) for six-month Treasury bills.

At present, the ceiling rate for banks on MMCs is equal to the Treasury bill rate. The ceiling for thrift institutions is 1/4 of a percent higher.

As of the end of January, $55 billion in MMCs were outstanding at savings and loan associations (12.9 percent of total deposits); $31.9 billion at commercial banks (7.9 percent of small-denomination time and savings deposits); $17.5 billion at mutual savings banks (12.3 percent of deposits); and $0.6 billion at credit unions (about 1 percent of deposits). Without this action, further substantial increases in these percentages could have been anticipated.

Under the change, institutions may advertise an *annual* effective rate of interest for MMCs based upon reinvestment after six months of both principal and interest, if the ads comply fully with guidelines that were previously issued. Advertisements must also state that federal regulations prohibit compounding of interest.

Proposed Actions and Withdrawal of Proposal

The Federal Reserve Board on February 14, 1979, proposed amendments to its regulations governing corporations engaged in international banking and financial operations, known as Edge corporations. These amendments are designed to implement section 3 of the International Banking Act of 1978.

The board also proposed a series of amendments to its regulations governing the international operations of U.S. banks. The proposals would consolidate existing regulations in this area and would formalize a number of board policy positions that have previously been developed on a case-by-case basis. Comment will be received until April 15, 1979.

The Federal Reserve Board and the Federal Deposit Insurance Corporation published for comment on March 8, 1979, proposed regulations to implement the Financial Institutions Regulatory and Interest Rate Control Act of 1978 (FIRA). Titles VIII and IX of the Federal Reserve proposed regulation applies to all member banks, including national banks. Comments must be received by April 20, 1979.

The Federal Reserve Board withdrew on March 8, 1979, a proposed Statement of Customer Rights under the Right to Financial Privacy Act of 1978. The board acted after Congress on March 7 repealed a section of the act that would have required financial institutions to notify their customers of privacy rights.

System Membership: Admission of State Banks

The following banks were admitted to membership in the Federal Reserve System during the period February 16 through March 15, 1979:

Florida

Miami .....Sunset Commercial Bank

Utah

Salt Lake City ..... Western Home Bank

Virginia

Covington .....State Bank of the Alleghenies

Forest ..... Community Bank of Forest

Washington

Seattle ..... Liberty Bank of Seattle

Law Department

Statutes, regulations, interpretations, and decisions

Amendments to Regulation D and Regulation M

The Board of Governors has adopted an amendment which transfers provisions regarding reserve requirements for foreign branches of member banks from Regulation M (Foreign Activities of National Banks) to Regulation D (Reserves of Member Banks).

Effective February 14, 1979, Section 213.7 of Regulation M is deleted. Section 204.5 of Regulation D is amended by adding the following subsections:

Section 204.5—Reserve Requirements.

* * * * *

(d) *Foreign branch transactions with parent bank.* During each week of the four-week period beginning May 22, 1975, and during each week of each successive four-week ("maintenance") period, a member bank having one or more foreign branches shall maintain with the Reserve Bank of its district, as a reserve against its foreign branch deposits, a daily average balance equal to zero per cent of the daily average total of—

(1) net balances due from its domestic offices such branches, and

(2) assets (including participations) held by such branches which were acquired from its domestic offices (other than assets representing credit extended to persons not residents of the United States), during the four-week computation period ending on the Wednesday fifteen days before the beginning of the maintenance period.

(e) *Foreign branch credit extended to United States residents.* During each week of the four-week period beginning May 22, 1975, and during each week of each successive four-week maintenance period, a member bank having one or more foreign branches shall maintain with the Reserve Bank of its district, as a reserve against its foreign branch deposits, a daily average balance, equal to zero per cent of the daily average credit outstanding from such branches to United States residents [13] (other than assets acquired and net balances due from its domestic offices) during the four-week computation period ending on the Wednesday fifteen days before the beginning of the maintenance period: *Provided,* That this paragraph does not apply to credit extended (1) in the aggregate amount of $100,000 or less to any United States resident, (2) by a foreign branch which at no time during the computation period had credit outstanding to United States residents exceeding $1 million, (3) to enable the borrower to comply with the requirements of the Office of Foreign Direct Investments, Department of Commerce,[14] (4) under binding commitments entered into before May 17, 1973, or (5) to an institution that will be maintaining reserves on such credit under subsection (c) of this section or § 211.3(g) of Regulation K.

Amendment to Regulation Y

The Board of Governors has adopted an amendment to Regulation Y to add the sale of money orders, travelers checks, and U.S. savings bonds to the list of those activities permissible for bank holding companies.

Effective April, 2, 1979, section 225.4(a) is amended by adding the following new paragraph (13) immediately following § 225.4(a)(12):

Section 225.4—Nonbanking Activities

(a) Activities closely related to banking or managing or controlling banks.

[13] (a) Any individual residing (at the time the credit is extended in any State of the United States or the District of Columbia; (b) any corporation, partnership, association or other entity organized therein of any other entity wherever organized. Credit extended to a foreign branch, office, subsidiary, affiliate or other foreign establishment ("foreign affiliate") controlled by one or more such domestic corporations will not be deemed to be credit extended to a United States resident if the proceeds will be used in its foreign business or that of other foreign affiliates of the controlling domestic corporation(s).

[14] The branch may in good faith rely on the borrower's certification that the funds will be so used.

* * * * *

(13) The sale at retail of money orders having a face value of not more than $1,000 and travelers checks and the sale of U.S. savings bonds.

Revision of Regulation V

The Board of Governors has revised its Regulation V (Loan Guarantees for Defense Production) to simplify and consolidate the board's rules concerning the V-loan program in accordance with its Regulatory Improvement Project.

Comments should be submitted in writing to be received by April 30, 1979, and should be sent to the Secretary of the Board, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. They should include the Docket No. R-0201.

Effective February 20, 1979, Regulation V is revised to read as follows:

Part 1505—
Loan Guarantees for Defense Production

Sec.

1505.1 Authority, purpose, and scope.

1505.2 Processing of loan guarantee applications.

1505.3 Federal Reserve Bank fees and charges.

1505.4 Maximum rate of interest, guarantee fees, commitment fees, and prepayment penalties.

Section 1505.1—
Authority, Purpose, and Scope

(a) *Authority.* This Part comprises the regulations of the Board of Governors of the Federal Reserve System (referred to in this Part as the "Board") issued pursuant to Executive Order No. 10480 (3 CFR 1949-53 Comp., p. 962; reprinted as amended following 50 App. U.S.C. 2153 (1970)) (referred to in this Part as the "Order"), implementing the Defense Production Act of 1950 (50 App. U.S.C. 2061 *et seq.* (1970)) (referred to in this Part as the "Act").

(b) *Purpose and Scope.* The purpose of the Act, the Order, and this Part is to facilitate the financing of contracts or other operations deemed necessary to national defense production. This Part applies to private financing institutions, located in the United States or in any of its Territories or possessions, that make loans for defense production that are guaranteed by the federal departments or agencies designed by the Act or Order* (commonly referred to as "V-loans").

Section 1505.2—
Processing of Loan Guarantee Applications

(a) *Submission of applications.* Any private financing institution may submit to the Federal Reserve Bank of its District an application for a guarantee of a loan to a borrower determined to be eligible in accordance with the provisions of paragraph (b) of this section. The application form is available through the Federal Reserve Bank.

(b) *Determination of eligibility of borrower.* To be eligible for a V-loan, a borrower must be seeking financing for a contract, subcontract, or other operation deemed by the appropriate guranteeing federal department or agency to be necessary to expedite production and deliveries or services under a Government contract for the procurement of materials or the performance of services for the national defense. A determination that the borrower is eligible shall be made by the guaranteeing department or agency on the basis of information contained in the loan guarantee application and any further information that it needs. No loan shall be guaranteed until that determination is made.

(c) *Lender's rates and fees.* No application for a loan guarantee shall be considered where the loan agreement is inconsistent with the rate of interest, guarantee fees, commitment fees, and prepayment penalties prescribed by the Board in section 1505.4 of this Part (the Supplement).

(d) *Consideration of applications.* Each application by a financing institution shall be subject to approval by the guaranteeing department or agency or, to the extent that the department or agency prescribes, by the Federal Rese ve Bank to which the application is submitted.

(1) If a guaranteeing department or agency is to decide the application, the Federal Reserve Bank shall make a recommendation for action on the application before the department or agency acts. The Federal Reserve Bank shall transmit the

*The names of the federal departments or agencies may be obtained from any Federal Reserve Bank.

application and its recommendation, together with all necessary supporting information, through the Board to that department or agency. If the department or agency approves the application and transmits its authorization through the Board on the Board's standard form, the Federal Reserve Bank, acting as fiscal agent of the United States on behalf of the department or agency, shall execute and deliver the guarantee (Board's standard "V-Loan Guarantee Agreement" form) to the applicant in accordance with the terms of the authorization.

(2) If a Federal Reserve Bank is to decide the application, it shall do so without submitting the application to the guaranteeing department or agency for prior approval; but the application shall be subject first to the department's or agency's determination of the borrower's eligibility. If the Federal Reserve Bank approves the application, it shall execute and deliver the guarantee (Board's standard "V-Loan Guarantee Agreement" form) to the applicant and promptly notify the department or agency.

(e) *Basis of Federal Reserve Bank decision.* In making a recommendation or deciding an application as described in paragraph (d) of this section, a Federal Reserve Bank shall consider whether the financing arrangements afford the guaranteeing department or agency the best available protection against possible financial loss consistent with obtaining national defense production expeditiously.

(f) *Federal Reserve Bank liability.* In arranging for or making any guarantee on behalf of any guaranteeing department or agency, no Federal Reserve Bank shall have any responsibility or accountability except as fiscal agent.

(g) *Other forms and procedures.* From time to time the Board, after consulting guaranteeing departments or agencies, may prescribe other forms and procedures related to the V-loan program. These forms and procedural rules are to be made available through the Federal Reserve Banks.

Section 1505.3—
Federal Reserve Bank Fees and Charges

Each Federal Reserve Bank shall be reimbursed by each guaranteeing department or agency in the usual manner for all expenses and losses incurred by the Reserve Bank in acting as agent on behalf of the department or agency. Regardless of any other provision of law, such expenses shall include attorneys' fees and expenses of litigation. If a Federal Reserve Bank advances its own funds to purchase a guaranteed portion of a loan, when authorized to do so as fiscal agent by the guaranteeing department or agency, it shall charge interest on its advances at the current regular discount rate.

Section 1505.4—
Maximum Rate of Interest, Guarantee Fees, Commitment Fees, and Prepayment Penalties

The Board of Governors of the Federal Reserve System prescribes the following charges for loans guaranteed pursuant to the Defense Production Act of 1950 ("V-loans"):

(a) *Maximum rate of interest.* The maximum rate of interest that a financing institution may charge a borrower for a V-loan is the rate that institution currently charges its most creditworthy business customers for loans of comparable maturity, unless the guaranteeing department or agency determines that the particular loan at a higher rate of interest is necessary for the purposes of the Defense Production Act of 1950.

(b) *Guarantee fees.* The schedule of fees for guaranteeing V-loans is as follows:

Percentage of Loan Guaranteed	Guarantee Fee (Percentage of interest payable by borrower on guaranteed portion of loan)
70 or less	10
75	15
80	20
85	25
90	30
95	35
Over 95	40-50

In any case in which the rate of interest on the loan exceeds 6 per cent, the guarantee fee shall be computed as though the interest rate were 6 per cent. However, at its discretion, a guaranteeing department or agency may increase the 6 per cent ceiling rate to a higher rate (not to exceed the actual rate of interest charge); but if it does so, the policy in this regard must be applied consistently with respect to all applications received while the policy is in effect.

(c) *Commitment fees.* Any commitment fee charged a borrower for a V-loan shall not exceed

½ of 1 per cent per annum, based on the average daily unused balance of the maximum principal amount of the loan. That fee may not begin to accrue prior to the date on which the committed funds are first available to the borrower according to the terms of the loan agreement or other similar financing arrangement. In any such case, the financing institution shall pay to the guaranteeing department or agency, a percentage of the commitment fee (1) based on the guaranteed portion of the loan, and (2) equal to the percentage of the interest on the loan that is payable as a guarantee fee by the financing institution.

(d) *Prepayment penalties.* (1) In the case of a V-loan made primarily for working capital purposes, a financing institution may not charge a penalty for prepayment of the loan but may recover out-of-pocket expenses.

(2) In the case of a V-loan made for the purpose of financing expansion, provision for a prepayment penalty may be made in the loan agreement if all of the following conditions are met:

(i) the loan has a maturity of 5 years or more;

(ii) the prepayment penalty shall not exceed the rate of interest to be paid by the borrower according to the terms of the loan;

(iii) provision is made for a graduated decrease in the prepayment penalty as the loan approaches maturity; and

(iv) the loan agreement explicitly provides that the prepayment penalty shall not be applicable in the event the loan is refinanced by or consolidated with another loan that is made or guaranteed by the federal government or any of its agencies.

Amendments to Rules Regarding Public Observation of Meetings

The Board of Governors of the Federal Reserve System has amended its regulations relating to public observation of meetings to reflect its current policy of (1) making available copies of staff documents underlying board discussion of agenda items to persons attending open meetings; (2) making available to the public electronic recordings of open board meetings; and (3) providing a mailing list of persons who wish to be notified personally and in advance about open Board meetings. In addition, the amendments would provide procedures for requests that the board open to the public a previously announced closed meeting.

Effective February 26, 1979, section 12 C.F.R. 261b.4 is amended and section 261b.8(f) is added to read as follows:

Section 261b.4—Meetings Open to Public Observation.

(a) Except as provided in section 261b.5 of this Part, every portion of every meeting of the agency shall be open to public observation.

(b) Copies of staff documents considered in connection with agency discussion of agenda items for a meeting that is open to public observation shall be made available for distribution to members of the public attending the meeting, in accordance with the provisions of 12 C.F.R. Part 261.

(c) The agency will maintain a complete electronic recording adequate to record fully the proceedings of each meeting or portion of a meeting open to public observation. Cassettes will be available for listening in the Freedom of Information Office, and copies may be ordered for $5 per cassette by telephoning or by writing Freedom of Information Office, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

(d) The agency will maintain mailing lists of names and addresses of all persons who wish to receive copies of agency announcements of meetings open to public observation. Requests for announcements may be made by telephoning or by writing Freedom of Information Office, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

* * * * *

Section 261b.8—Meetings Closed to Public Observation Under Regular Procedures.

* * * * *

(f) Any person may request in writing to the Secretary of the Board that an announced closed meeting, or portion of the meeting, be held open to public observation. The Secretary, or in his or her absence, the Acting Secretary of the Board, will transmit the request to the members of the Board and upon the request of any member a recorded vote will be taken whether to open such meeting to public observation.

* * * * *

Bank Holding Company and Bank Merger Orders Issued by the Board of Governors

Orders Under Section 3 of Bank Holding Company Act

Corning Investment Company, Inc., Atchison, Kansas

Order Approving Formation of a Bank Holding Company

Corning Investment Company, Inc., Atchison, Kansas, ("Applicant") has applied for the board's approval under § 3(a)(1) of the Bank Holding Company Act (12 U.S.C. § 1842(a)(1)) of formation of a bank holding company through acquisition of 80 percent or more of the voting shares of The Farmers State Bank of Corning, Corning, Kansas ("Bank").

Notice of the application, affording opportunity for interested persons to submit comments and views, has been given in accordance with section 3(b) of the Act. The time for filing comments and views has expired and the application and all comments received have been considered in light of the factors set forth in section 3(c) of the Act (12 U.S.C. § 1842(c)).

Applicant, a nonoperating corporation, was formed for the purpose of becoming a bank holding company through the acquisition of Bank. Bank with deposits of $1.7 million[1] is one of the smaller banking organizations in the state, and holds 0.015 percent of deposits in commercial banks in that State. Bank is the smallest of eight banks in the relevant banking market[2] with 2.6 percent of the market's deposits.

Principals of Applicant are affiliated with three other Kansas bank holding companies and their subsidiary banks. One of these banks, The First National Bank of Goff, Goff, Kansas ("Goff Bank"), is located approximately five miles from Bank in the relevant banking market. However, the combined deposits of Goff Bank and Bank total $4.4 million and represent 6.7 percent of total market deposits. Given this small market share and the number of banking alternatives in the market, it does not appear that approval of the application would have any significant effect on competition in the market.[3] Accordingly, competitive considerations are consistent with approval.

The financial and managerial resources and future prospects of Applicant, which are dependent upon those of Bank, appear to be satisfactory. While Applicant will incur some debt in connection with the proposed transaction, it appears that Applicant has sufficient financial flexibility to meet its annual debt-servicing requirements without adversely affecting Bank. The financial and managerial resources of each of the other bank holding companies and their subsidiary banks with which Applicant's principals are affiliated are also regarded as satisfactory. Therefore, the considerations relating to banking factors in regard to this proposal are consistent with approval of the application.

Upon consummation of the proposal, Applicant proposes to cause Bank to provide a number of new services to its customers. In particular, Bank will offer passbook savings and certificates of deposit with maturities longer than one year. In addition, Applicant proposes to offer installment loans and institute Small Business Administration and Farmers Home Administration guaranteed loans, as well as install safe deposit boxes. Applicant will also initiate an advertising program in order to inform its community about the services offered by Bank, and will seek to determine the credit needs of members of the community not presently serviced by Bank. Furthermore, Bank's record of performance in serving the credit needs of its community has significantly improved since principals of Applicant have been associated with Bank. Accordingly, convenience and needs considerations are consistent with approval of the application. In view of Applicant's commitments to improve Bank's performance in meeting the credit needs of its community, it has been deter-

[1] All banking data are as of December 31, 1977.

[2] The banking market is approximated by Nemaha County.

[3] The president and vice president of Applicant serve on the board of Nemaha Investment Company, Goff, Kansas, which owns 81.8 percent of Goff Bank. Title II of the Financial Institutions Regulatory and Interest Rate Control Act of 1978 ("FIRA") sets forth prohibitions against certain interlocks between management officials of depository institutions, including commercial banks and "depository holding companies", and further provides that these prohibitions will not apply until 1988 to certain interlocks that existed on the date of its enactment. Upon acquisition of Bank, an interlock would exist between Applicant and Nemaha Investment Company which would not qualify for the grandfather exemption in FIRA. The interlock relationship may prove to be inconsistent with regulations implementing Title II of FIRA. Applicant will be expected to conform its management structure to the requirements of the regulations adopted by the board.

mined that the proposed transaction is in the public interest and that the application should be approved.

On the basis of the record, the application is approved for the reasons summarized above. The transaction shall not be consummated (a) before the thirtieth day following the effective date of this Order or (b) later than three months after the effective date of this Order, unless such period is extended for good cause by the Board of Governors or by the Federal Reserve Bank of Kansas City, pursuant to delegated authority.

By order of the Secretary of the Board, under delegated authority, effective February 1, 1979.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

Credit and Commerce American Holdings, N.V., Netherlands, Antilles
Credit and Commerce American Investment, B.V., Netherlands

Order Dismissing
Bank Holding Company Application

Credit and Commerce American Holdings, N.V., Netherlands Antilles, and Credit and Commerce American Investment, B.V., Netherlands, have applied for the board's approval under § 3(a)(1) of the Bank Holding Company Act (12 U.S.C. § 1842(a)(1)) for formation of bank holding companies by acquiring up to 100 percent of the voting shares of Financial General Bankshares, Inc. ("FG"), Washington, D.C., a multistate bank holding company controlling banks in the District of Columbia, and the states of Maryland, New York, Tennessee and Virginia.

On December 14, 1978, notice of this application was published in the *Federal Register* (43 *Fed. Reg.* 58431). Additionally, in accordance with section 3(b) of the Act (12 U.S.C. § 1842(b)), notice of receipt of this application was duly given to the appropriate supervisory authorities, including the Commissioner of Financial Institutions of the commonwealth of Virginia, the Commissioner of Banking of the state of Tennessee, and the Bank Commissioner of the state of Maryland. The Bank Commissioner of the state of Maryland notified the board that he had referred this matter to the Maryland Attorney General for an opinion regarding the permissibility of the proposal under Maryland banking law, and the current management of FG has protested the application. Furthermore, within the statutory time limit, the Virginia and Tennessee Commissioners each submitted to the Board in writing statements expressing disapproval of the application. In light of the submissions on behalf of Virginia and Tennessee, the board is required by section 3(b) of the Act to schedule a hearing on the application.

Before ordering a hearing on this application, however, the board determined that it would be appropriate to consider whether Applicants' acquisition of FG would violate certain provisions of Maryland law relating to the ownership and control of banking institutions in that state or the inter-state banking prohibition of section 3(d) of the Act.[1] A board finding that the proposed acquisition contravened any of these provisions would preclude approval of the application,[2] and, accordingly, render a hearing unnecessary.

Turning first to a consideration of Maryland law, Article 11, Section 72 of the Maryland Code ("section 72") makes it unlawful for any banking institution organized under the laws of Maryland to have an "affiliate" unless that Maryland banking institution "intends to have an affiliate." The term "affiliate" includes any corporation that controls one or more banking institutions by owning or controlling, directly or indirectly, a majority of the voting shares of one or more banking institutions. Upon consummation of the proposed transaction, Applicants would each own or control a majority of the voting shares of FG's Maryland subsidiary bank, First American Bank of Maryland, Silver Spring. Applicants would, therefore, qualify as "affiliates" of First American Bank of Maryland under Maryland law.

On January 26, 1979, acting pursuant to a request from the Maryland Bank Commissioner, the Attorney General for the state of Maryland issued an opinion interpreting section 72. The Attorney General, after reviewing briefs and al-

[1] Section 3(d) of the Act provides in relevant part that: "*no application shall be approved* [by the board] under this section which will permit any bank holding company or any subsidiary thereof to acquire, directly or indirectly, any voting shares of, interest in, or all or substantially all of the assets of any additional bank located outside of the state in which the operations of such bank holding company's banking subsidiaries were principally conducted on July 1, 1966, or the date on which such company became a bank holding company, whichever is later. . . ." (emphasis added).

[2] Under *Whitney National Bank in Jefferson Parish* v. *Bank of New Orleans and Trust Co.*, 379 U.S. 411 (1965), the board is prohibited from approving a proposal that would violate state law.

lowing oral presentation on this issue by Applicants and FG, concluded that Applicants would become "affiliates" of First American Bank of Maryland upon consummation of the proposal and that such a relationship would be statutorily prohibited unless the Maryland bank "intends to have an affiliate." The Maryland Attorney General reasoned that, since First American Bank of Maryland had not indicated its intent to have an affiliate (but rather had opposed its proposed acquisition by Applicants),[3] the proposed acquisition of FG would be in violation of section 72.

In interpreting a particular state law, the board considers the statute itself, any judicial interpretations of that state law and, in the absence of such an interpretation, opinions of the state's Attorney General or relevant state administrative agency. The Maryland courts have not issued a judicial interpretation of section 72. However, the Maryland Bank Commissioner requested the Attorney General to issue an opinion on the application of that section to the proposed transaction. The board has examined the Maryland Attorney General's opinion regarding section 72, as well as submissions on this issue by Applicants and FG, and has found that opinion to be well reasoned, consistent with the statutory language of that section, and not inconsistent with either the apparent intent of the statute or its legislative history. Therefore, the board concludes that because FG's Maryland bank subsidiary has not indicated its intent to have an affiliate, the indirect acquisition of First American Bank of Maryland through Applicants' acquisition of FG would be in violation of section 72. Accordingly, the board finds that it is precluded by law from approving this application.[4]

Turning next to a consideration of the Federal Bank Holding Company Act, section 3(d) of the Act prohibits the board from approving an application that would permit a bank holding company to acquire, directly or indirectly, any voting shares of, or interest in, any additional bank located outside of the state in which the operations of such bank holding company's banking subsidiaries were principally conducted on July 1, 1966, or the date on which such company became a bank holding company, whichever is later.

Applicants claim that section 3(d), by its terms, is inapplicable to the proposed transaction on two grounds. Their first argument is that section 3(d) applies only to an acquisition made by an existing "bank holding company or a subsidiary thereof." Since neither of the Applicants is currently a "bank holding company or a subsidiary thereof," Applicants contend that section 3(d) of the Act is not applicable to the proposed transaction.

In other contexts, the board has taken the position that section 3(d) is applicable to the formation of a multi-state bank holding company as well as to the expansion of an existing multi-state bank holding company. As a matter of logic, if section 3(d) were deemed inapplicable to a proposed holding company formation, the board would not be precluded from granting approval to an application for the formation of a bank holding company through the simultaneous acquisition of control of banks in two or more states. Such an interpretation would frustrate a clear Congressional intent to limit multi-state bank holding companies, and permit transactions clearly inconsistent with the purpose of section 3(d). In the board's view, section 3(d) was designed to preclude the board from approving the creation of additional inter-state bank holding companies above and beyond those grandfathered under the Act. Therefore, the board finds Applicants' first argument inconsistent with both the intent of the Act and prior board positions.

With respect to Applicants' second argument, Applicants urge that section 3(d) applies only to the direct or indirect acquisition of an additional bank located in a state other than that in which the bank holding company has its principal operations. Since the proposed acquisition would be of FG as it exists at the time of the proposed transaction, the acquisition would not involve the direct or indirect acquisition of any "additional" banks other than those presently controlled by FG.

Applicants' argument could be restated as follows: At the present time there are seven multi-state bank holding companies, including FG, grandfathered under the Act as to their banking

[3] This opposition was stated in the memorandum on the Maryland state law issues filed with the Bank Commissioner of the state of Maryland on behalf of First American Bank of Maryland.

[4] The board notes that the Maryland statute applies equally to in-state and out-of-state "affiliates" and the statute therefore does not discriminate against acquisitions by non-Maryland banking organizations. Furthermore, the board notes that Congress has reserved to the states, in section 7 of the Act, the right to exercise their power and jurisdiction with respect to banks and bank holding companies. Where restrictions on the acquisition of *banks* are placed by a state in a nondiscriminatory manner, it does not appear that the state is interfering with the freedom of trade between states guaranteed by the commerce clause of the Constitution. See *BT Investment Managers, Inc. and Bankers Trust New York Corporation* v. *Lewis*, No. TCA 73-184 (N.D. Fla. December 15, 1978).

interests. If the proposed acquisition were permitted, there would still only be seven multi-state bank holding companies. The companies holding the FG shares would own or control only those banks owned or controlled by FG prior to the enactment of section 3(d). Applicants, which are essentially shell corporations, would merely be new parent organizations over a pre-existing bank holding company, and no additional bank would be added to an existing multi-state bank holding company structure. Thus, the Congressional intent of prohibiting the formation and limiting the expansion of multi-state bank holding companies would be preserved even if this acquisition were permitted by the board. The board concurs in this view and concludes, therefore, that section 3(d) would not be violated if the board were to approve the proposed transaction.[5]

In view of the board's finding that it may not grant approval to the proposed transaction because it would violate Maryland law, the board herewith dismisses the application as beyond the board's authority to approve, and such action represents a final determination by the board on this matter.

By order of the Board of Governors, effective February 16, 1979.

Voting for this action: Chairman Miller and Governors Coldwell, Partee, and Teeters. Absent and not voting: Governor Wallich.

(Signed) JOHN M. WALLACE,
[SEAL] *Assistant Secretary of the Board.*

First State Bancorporation,
Fredericksburg, Iowa

Order Denying
Formation of a Bank Holding Company

First State Bancorporation, Fredericksburg, Iowa, has applied for the board's approval under section 3(a)(1) of the Bank Holding Company Act (12 U.S.C. § 1842(a)(1)) of formation of a bank holding company by acquiring 83.73 percent of the voting shares of First State Bank, Fredericksburg, Iowa ("Bank").

Notice of the application, affording opportunity for interested persons to submit comments and views, has been given in accordance with section 3(b) of the Act. The time for filing comments and views has expired, and the board has considered the application and all comments received in light of the factors set forth in section 3(c) of the Act.

Section 3(c) of the Bank Holding Company Act precludes the board from approving any acquisition by a bank holding company that (1) would result in a monopoly or be in furtherance of any combination to monopolize or attempt to monopolize a banking market, or that (2) may substantially lessen competition or tend to create a monopoly or be in restraint of trade in any banking market (unless the anticompetitive effects are clearly outweighed by the convenience and needs of the community).

Applicant is a nonoperating corporation organized for the purpose of acquiring Bank, which holds deposits of $10.9 million.[1] Upon acquisition of Bank, Applicant would control one of the smaller banking organizations in Iowa. Applicant's principal, who owns 80 percent of Bank's outstanding shares, also controls, through a one bank holding company, First National Bank of New Hampton ("New Hampton Bank"), located 12 miles north of Bank in the town of New Hampton, Iowa, the county seat of Chickasaw County. Bank is also located in Chickasaw County. In addition to his stock ownership interests in the two banks, Applicant's principal also serves as president and director of Bank, New Hampton Bank and its parent bank holding company.

Applicant contends alternatively, that Bank and New Hampton Bank are located in separate banking markets, or that the relevant banking market consists of all of Chickasaw County and large portions of three adjacent counties. In support of its contentions, Applicant has submitted data concerning the respective service areas for loans and deposits of the banks involved.[2] Applicant also

[5] In connection with its consideration of these matters, the board has also had the opportunity to review Article 11, section 31A(b) of the Maryland Code, which provides that an "affiliated corporation," defined generally as a corporation owning a non-Maryland bank, may not become a bank holding company with respect to a Maryland bank. The provision is somewhat similar in effect to section 3(d) of the Federal Bank Holding Company Act to the extent that it would appear to preclude an out-of-state bank holding company from acquiring a Maryland bank. The Maryland Attorney General declined to rule on the relevance of section 31A(b) to the subject proposal, since his disposition of the other legal issue rendered the transaction illegal. In the absence of any authoritative view to the contrary, it would appear that the board's discussion with respect to section 3(d) of the Bank Holding Company Act would be relevant to a determination of the effect of section 31A(b) of the Maryland Code on the subject transaction.

[1] All banking data are as of December 31, 1977.

[2] In particular, Applicant cites the lack of substantial overlap of the service areas of Bank and New Hampton Bank. However, the board notes that in this case the lack of service area

makes allegations concerning the extent of commercial interaction within the four-county area generally. While the respective service areas of banks involved in a proposed transaction is one of the factors that the board considers in determining the relevant banking market in which to analyze the competitive effects of a proposal, such service areas are not dispositive of that determination.[3] Based on facts of record discussed below, it appears that Bank and New Hampton Bank should in fact be regarded as reasonable alternatives to one another.

With regard to Applicant's alternative four-county market definition, the board finds that, in this case, a banking market encompassing so large an area is not supported by the facts. In addition to Applicant's submissions, the board has reviewed the results of a field survey of the area that included interviews with local bankers, newspaper publishers and business representatives, as well as commuting data, advertising and communications patterns, and consumer trade information. Based on its careful review of the entire record of this application, the board is of the view that the relevant banking market for the purposes of analyzing the competitive effects of the transaction is an area composed primarily of Chickasaw County.[4] The board believes that this area constitutes a distinct banking market because, from the record, it appears that in many respects New Hampton is the commercial and governmental center for Chickasaw County, including Fredericksburg. In particular, New Hampton is the largest community in Chickasaw County, and, as the county seat, contains all major offices for county government and services. In addition, certain state and federal government offices for the entire county are located in New Hampton. Moreover, it appears that there is not any significant amount of commuting between counties by the residents of Chickasaw County and the adjacent counties.

Based on the foregoing, it appears that Bank and New Hampton Bank are located in the relevant banking market described above. Within that market, Bank is the third largest of seven commercial banks, and controls approximately 12.4 percent of the total commercial bank deposits in the market. New Hampton Bank, with $27.8 million in deposits, is the largest bank in the relevant market and controls approximately 31.5 percent of total deposits in the market. Together Bank and New Hampton Bank control 44 percent of the deposits in the relevant banking market.

Upon application of the competitive standards of section 3(c) of the Act to the facts of record, the Board has concluded that substantial existing competition between Bank and New Hampton Bank was eliminated when Applicant's principal, who had controlled New Hampton Bank since 1969, acquired control of Bank in 1972. Acquisition of control of Bank and New Hampton Bank by Applicant's principal resulted in his control of approximately 44 per cent of deposits in commercial banks in the relevant banking market, has substantially lessened competition between the two banks, and was anticompetitive in its inception, a factor the board has regarded as significant and relevant to a consideration of the competitive aspects of an acquisition.[5] In the board's view the subject proposal presents a case where the holding company structure is being used to maintain control of a bank that is a direct competitor of another bank under the control of that same individual. In light of the market shares of the organizations involved, the board is of the opinion that the application should be denied since approval of this proposal would serve to perpetuate a substantially adverse competitive situation in the relevant banking market.[6]

overlap may merely reflect the lack of competition between the two banks as a result of their common ownership and control by Applicant's principal since 1972.

[3] The board notes that while the Supreme Court has indicated that the competitive effects of a proposed merger or acquisition should be judged in a localized market, that Court has stated that "the proper question is not where the parties to the merger do business or even where they compete, but where, within the area of competitive overlap, the effect of the merger on competition will be direct and immediate." *United States* v. *Philadelphia National Bank*, 374 U.S. 321 (1963). In determining what this area is, the Supreme Court sought "to delineate the area in which bank customers that are neither very large or very small find it practical to do their banking business, . . ." *United States* v. *Philadelphia National Bank, supra*. See also the board's Order in *Ellis Banking Corporation*, (64 FEDERAL RESERVE BULLETIN 884 (1978)).

[4] Specifically, the board believes that the relevant banking market is approximated by three-fourths of Chickasaw County east of the Wapsipinicon River, the southeastern portion of Howard County, which includes the town of Elma, and a small northern portion of Bremer County, which includes the town of Frederika.

[5] See the board's Order of May 11, 1977, denying an application by Mahaska Investment Company, Oskaloosa, Iowa (63 FEDERAL RESERVE BULLETIN 579 (1977)), to form a bank holding company because a prior purchase by Applicant's principals had previously eliminated substantial competition between two banks.

[6] In this regard, the board notes that in *Board of Governors of the Federal Reserve System* v. *First Lincolnwood Corp.*, 47 U.S.L.W. 4048 (December 11, 1978) the Supreme Court upheld the board's authority to deny approval for formation of a one bank holding company on the basis of pre-existing,

The subject proposal presents a situation where the holding company form is being used to further an anticompetitive arrangement. While denial of this proposal may not immediately result in a complete termination of the anticompetitive situation, it would preserve the distinct possibility that Bank could again become an independent and competing organization in the future. Alternatively, approval would solidify and strengthen the common ownership of the two banks and would diminish the possibility of disaffiliation in the future.

On the basis of the foregoing and the facts of record, the board concludes that approval of the application would have significant adverse competitive effects. Accordingly, under the standards set forth in the Bank Holding Company Act, the proposal may not be approved unless the adverse competitive factors are clearly outweighed by other public interest considerations reflected in the record. In this case, the board finds that the adverse competitive aspects are clearly not outweighed.

The financial and managerial resources of Applicant, which are entirely dependent upon those of Bank, are considered generally satisfactory and their future prospects appear favorable. Therefore, considerations relating to banking factors are consistent with approval of the subject application. No significant changes in the services offered by Bank are expected to result from consummation of the proposed acquisition. Thus, convenience and needs factors are consistent with, but lend no weight toward, approval. Accordingly, it is the board's judgment that approval of this application would not be in the public interest and that the application should be denied.

On the basis of the facts of record, and in light of the factors set forth in section 3(c) of the Act, it is the board's judgment that consummation of the proposal to form a bank holding company would not be in the public interest and that the application should be and is hereby denied for the reasons summarized herein.

By order of the Board of Governors, effective February 16, 1979.

Voting for this action: Governors Wallich, Coldwell, Partee, and Teeters. Absent and not voting: Chairman Miller.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

unfavorable aspects even though the formation will neither cause nor enhance the already existing adverse aspects. Thus, the board may deny approval due to conditions that predate the proposed holding company formation. Although the *First Lincolnwood* case involved adverse financial factors, the rationale of the board's authority to deny a bank holding company formation is equally applicable to an anticompetitive arrangement, especially in light of the Act's strong emphasis against anticompetitive combinations.

Glen-An Corporation,
Kanaranzi, Minnesota

Order Approving
Formation of Bank Holding Company

Glen-An Corporation, Kanaranzi, Minnesota, has applied for the board's approval under section 3(a)(1) of the Bank Holding Company Act (12 U.S.C. § 1842(a)(1)) of formation of a bank holding company through acquisition of 95.6 percent of the voting shares of Farmers State Bank of Kanaranzi ("Bank"), Kanaranzi, Minnesota.

Notice of the application, affording opportunity for interested persons to submit comments and views, has been given in accordance with section 3(b) of the Act. The time for filing comments and views has expired, and the board has considered the application and all comments received in light of the factors set forth in section 3(c) of the Act (12 U.S.C. § 1842(c)).

Applicant is a nonoperating corporation with no subsidiaries. It was organized for the purpose of becoming a bank holding company through the acquistion of Bank, which holds deposits of $3.7 million.[1] Upon acquisition of Bank, Applicant would control the 567th largest bank in Minnesota, with 0.02 percent of total deposits in commercial banks in the state. Bank is the sixth largest of eight banking organizations in the relevant banking market,[2] holding 5.2 percent of total deposits in commercial banks in the market. Since the proposed transaction represents a reorganization of existing ownership interests in Bank, and Applicant has no other subsidiaries and is not under common control with any other banking organization, consummation of the proposal would not have any adverse effect upon competition nor would it increase the concentration of banking resources in any relevant area. Thus, the board concludes that the competitive effects of the proposal are consistent with approval of the application.

[1] Deposits are as of June 30, 1978. Other banking data are as of September 30, 1977.

[2] The relevant banking market is approximated by Rock County and the southwestern corner of Pipestone County.

The financial and managerial resources and future prospects of Applicant, which are dependent upon those of Bank, are satisfactory. By its Order dated April 15, 1977, the board denied Applicant's previous application to become a bank holding company.[3] However, the operations of Bank have now improved under the management of Applicant's principals, and it appears that Applicant would be able to service the debt to be incurred in connection with this proposal without an adverse effect on the financial condition of Bank. In light of the facts of record, the board concludes that considerations relating to banking factors are consistent with approval of the subject application.

While no major changes are contemplated in Bank's services, considerations relating to convenience and needs of the community to be served are consistent with approval. Accordingly, it is the board's judgment that Applicant's proposal to form a bank holding company is consistent with the public interest and that the application should be approved.

On the basis of the record, the application is approved for the reasons summarized above. The transaction shall not be made before the thirtieth calendar day following the effective date of this Order or later than three months after the effective date of this Order, unless such period is extended for good cause by the board, or by the Federal Reserve Bank of Minneapolis pursuant to delegated authority.

By order of the Board of Governors, effective February 2, 1979.

Voting for this action: Chairman Miller and Governors Wallich, Coldwell, Partee, and Teeters.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

Mercantile Texas Corporation,
Dallas, Texas

Order Approving Acquisition of Bank

Mercantile Texas Corporation, Dallas, Texas, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire 100 percent of the voting shares (less directors' qualifying shares) of Citizens National Bank of Austin, Austin, Texas ("Bank").

Notice of the application, affording opportunity for interested persons to submit comments and views, has been given in accordance with section 3(b) of the Act. The time for filing comments and views has expired, and the board has considered the application and all comments received in light of the factors set forth in section 3(c) of the Act (12 U.S.C. § 1842(c)).

Applicant, the fifth largest banking organization in Texas, controls eight banks with total deposits of approximately $2.4 billion, representing approximately 4.1 percent of the total deposits in commercial banks in the state.[1] Acquisition of Bank (deposits of approximately $33.6 million), the 241st largest commercial banking organization in Texas, would increase Applicant's share of commercial bank deposits in the state by approximately 0.06 percent and would have no appreciable effect upon the concentration of banking resources in Texas.

Bank is the eighth largest of 21 commercial banking organizations located in the Austin banking market[2] and holds approximately 1.8 percent of total commercial bank deposits in the market. Applicant has one banking subsidiary in the relevant banking market and is the fourth largest banking organization in the market, controlling approximately 12.7 percent of market deposits. Upon consummation of the proposed acquisition, Applicant's share of commercial bank deposits in the market would increase to 14.5 percent and Applicant's rank in the market would not change. Inasmuch as Applicant and Bank operate in the same relevant market, the proposed acquisition would eliminate some existing competition. However, the board believes that this effect is mitigated by the unusual circumstances of the weak performance and declining role of Bank in the market in recent years. Further, the board's view of the competitive effects was influenced by the Austin market's banking structure, including the fact that the five largest banking organizations in Texas are among the larger banking organizations in the market. While consummation of the proposal would reduce the number of independent banking organizations located in the Austin banking mar-

[3] 42 *Federal Register* 20663 (April 21, 1977).

[1] All banking data are as of December 31, 1977, and reflect bank holding company acquisitions and applications approved by the board as of October 31, 1978.

[2] The relevant banking market is approximated by the Austin RMA.

ket, the facts of record reveal that there will remain a number of other entry vehicles into the market after consummation of the proposal. In light of the above and other facts of record, the board concludes that the proposed acquisition would have only slightly adverse effects on competition, and in light of the considerations discussed below, the board does not view such effects as being so serious as to require denial of this proposal.

The financial and managerial resources and future prospects of Applicant, its subsidiary banks, and Bank are regarded as satisfactory and consistent with approval of the application. Applicant intends to expand Bank's consumer installment and small business lending and provide other services not currently available to Bank's customers. Affiliation of Bank with Applicant should make Bank a more viable competitor in the market. Thus, considerations relating to the convenience and needs of the community to be served lend weight toward approval of the application and, in the board's judgment, are sufficient to outweigh any slightly adverse effects on competition that might result from consummation of the proposal. It is the board's judgment that approval of the application would be in the public interest and that the application should be approved.

On the basis of the record, the application is approved for the reasons summarized above. The transaction shall not be made before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order unless such period is extended for good cause by the board, or by the Federal Reserve Bank of Dallas pursuant to delegated authority.

By order of the Board of Governors, effective February 5, 1979.

Voting for this action: Chairman Miller and Governors Wallich, Coldwell, Partee, and Teeters.

(Signed) JOHN M. WALLACE,
[SEAL] *Assistant Secretary of the Board.*

Security Bancshares of Montana, Inc., Billings, Montana

Order Approving Acquisition of Bank

Security BancShares of Montana, Inc., Billings, Montana, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire all of the voting shares (less directors' qualifying shares) of Rimrock Bank of Billings, Billings, Montana ("Bank").

Notice of the application, affording opportunity for interested persons to submit comments and views, has been given in accordance with section 3(b) of the Act. The time for filing comments and views has expired, and the board has considered the application and all comments received in light of the factors set forth in section 3(c) of the Act (12 U.S.C. § 1842(c)).

Applicant, the fourth largest banking organization in Montana, controls three bank subsidiaries with aggregate deposits of $197.7 million, representing approximately 5.6 percent of total deposits in commercial banks in Montana.[1] Applicant's acquisition of Bank ($4.2 million in deposits) would increase Applicant's share of total deposits by only 0.1 percent and would not result in a significant increase in the concentration of banking resources in the state or change Applicant's rank among other banking organizations in Montana.

Bank is the smallest of 10 banks operating in the Yellowstone County, Montana, banking market (the relevant market), and controls 0.8 percent of the market's total commercial bank deposits. One of Applicant's subsidiary banks, Security Bank, N.A., Billings, Montana ("Security Bank"), is also located in the relevant market. Security Bank is the second largest commercial banking organization in the market, and holds deposits representing 30.2 percent of market deposits.

The board normally considers the elimination of existing competition as an adverse factor in acting upon an application for approval of a proposed acquisition. However, in its consideration of this proposal the board notes that Bank, which opened for business in February 1977, was organized *de novo* by principals of Applicant who hold approximately 70 percent of Bank's outstanding voting shares. Furthermore, the president of Bank is a director of Applicant and each of its subsidiary banks. Thus, this proposal essentially represents a reorganization of Bank's current ownership interests. Because of this common control and management and the structure of the relevant market, the board has determined that the elimination of

[1] All banking data are as of March 31, 1978, and reflect bank holding company formations and acquisitions approved as of December 31, 1978.

existing competition between the two banks does not warrant denial of this application. Although approval of this application may lessen the possibility that the two banks would become independent of each other in the future, there is no evidence in the record to indicate that denial of the application would increase the likelihood of such a possibility in the foreseeable future.

Applicant's other two Montana banks, Security Bank of Colstrip, Colstrip, and Big Horn Bank, Hardin, are located in separate banking markets, 125 miles and 46 miles, respectively, from Bank. Principals of Applicant are also principals of B.O.C. Corporation, Sheridan, Wyoming, a holding company that controls two banks in Wyoming, neither of which operates in the relevant market. On the basis of all the facts of record, the board concludes that the proposed acquisition of Bank by Applicant would not have significantly adverse effects on competition.

The financial and managerial resources of Applicant, its subsidiaries and Bank are regarded as satisfactory and the future prospects for each appear favorable. Thus, banking factors are consistent with approval. Affiliation with Applicant would enable Bank to expand its banking facilities and offer a wider range of banking services in the future. These considerations relating to convenience and needs may not be substantial, but they do lend some weight toward approval of the application and, in the board's view, outweigh any slightly adverse effects on competition that might result from consummation of this proposal. Therefore, it is the board's judgment that the proposed acquisition of Bank would be in the public interest and that the application should be approved.

On the basis of the record, the application is approved for the reasons summarized above. The transaction shall not be made before the thirtieth calendar day following the effective date of this Order or later than three months after the effective date of this Order, unless such period is extended for good cause by the board, or by the Federal Reserve Bank of Minneapolis pursuant to delegated authority.

By order of the Board of Governors, effective February 21, 1979.

Voting for this action: Chairman Miller and Governors Coldwell, Partee, and Teeters. Absent and not voting: Governor Wallich.

(Signed) JOHN M. WALLACE,
[SEAL] *Assistant Secretary of the Board.*

ORDERS UNDER SECTION 4 of BANK HOLDING COMPANY ACT

BankAmerica Corporation,
San Francisco, California

Order Denying Petition for Review and Amending Denial Order

BankAmerica Corporation, San Francisco, California ("BankAmerica"), has requested review by the board of action at delegated level denying request for reconsideration of the Order of the Board of Governors, dated December 26, 1978 ("December 26 Order").[1] In its December 26 Order the board denied BankAmerica's application filed pursuant to section 4(c)(8) of the Bank Holding Company Act (12 U.S.C. § 1843(c)(8)) and section 225.4(b) of the board's Regulation Y (12C.F.R. § 225.4(b)) for board approval to continue to engage in commercial finance activities through FinanceAmerica Commercial Corporation, Allentown, Pennsylvania ("FACC"), a direct subsidiary of FinanceAmerica Corporation, Allentown, Pennsylvania, a direct subsidiary of BankAmerica.

BankAmerica's petition for review is equivalent to a request for reconsideration by the board of its December 26 Order. Under the board's Rules of Procedure (12 C.F.R. § 262.3(i)), the board will not grant any request for reconsideration of its actions on a bank holding company application unless the request presents relevant facts that, for good cause shown, were not previously presented to the board, or unless it otherwise appears to the board that reconsideration would be appropriate. The board has considered BankAmerica's petition for review and request for reconsideration and finds that they do not present any relevant facts that, for good cause shown, were not previously presented to the board or that reconsideration of the December 26 Order would be appropriate. However, based upon a review of all the material of record, it appears that the last two sentences in the sixth paragraph of the December 26 Order

[1] Under section 262.3(i) of the board's Rules of Procedure (12 C.F.R. § 262.3(i)), parties to an application may request that the board reconsider its action on an application by filing a request with the Secretary of the board within fifteen days of the board's action. Pursuant to the board's delegation rules (12 C.F.R. § 265.2(b)(7)) the board's General Counsel is authorized to determine whether or not the request for reconsideration should be granted. The determination was made that the request should not be granted and BankAmerica is petitioning the board to review that action pursuant to section 265.3 of the board's delegation rules (12 C.F.R. § 265.3).

could incorrectly be interpreted to reflect on the integrity of the management of BankAmerica. The board does not view such sentences as being material to its disposition of the application and, therefore, the December 26 Order is amended by deleting the last two sentences in the sixth paragraph of that Order. A copy of the board's Order as amended by this deletion is attached.

Accordingly, in light of the above considerations, BankAmerica's petition for review of the denial of its request for reconsideration of the board's December 26 Order should be, and is hereby, denied.

By order of the Board of Governors, effective February 9, 1979.

Voting for this action: Chairman Miller and Governors Wallich, Partee, and Teeters. Absent and not voting: Governor Coldwell.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

BankAmerica Corporation,
San Francisco, California

Order Denying Continuation of Commercial Finance Activities and Commencement of Loan Servicing, Leasing, and Credit-related Insurance Agency Activities

BankAmerica Corporation, San Francisco, California, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the board's approval, under § 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8) and § 225.4(b)(1) of the board's Regulation Y (12 C.F.R. § 225.4(b)(1)), to continue[1] to engage in commercial finance activities through FinanceAmerica Commercial Corporation ("FACC"), Allentown, Pennsylvania, a direct subsidiary of FinanceAmerica Corporation, Allentown, Pennsylvania, which is a direct subsidiary of Applicant. Such activities include inventory and accounts receivable financing, lease financing, equipment financing, insurance premium financing, making loans to non-affiliated finance and leasing companies secured by pledges of accounts receivable of such companies, making loans secured by real and personal property, and purchasing retail installment sales contracts. FACC also proposes to engage in additional activities of servicing extensions of credit for itself and others, leasing real and personal property, and offering credit-related life, accident and disability, and property insurance in connection with extensions of credit made or acquired by FACC. Such activities have been determined by the board to be closely related to banking (12 C.F.R. §§ 225.4(a)(1), (3), (6), and (9)).

Notice of the application, affording opportunity for interested persons to submit comments and views on the public interest factors, has been duly published (43 *Federal Register* 24912 (1978)). The time for filing comments and views has expired and the board has considered the application and all comments received in the light of the public interest factors set forth in § 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)).

Applicant is the largest banking organization in the United States and controls Bank of America, N. T. & S. A., San Francisco, California, which holds deposits of approximately $66.66 billion.[2] In addition, Applicant directly controls twelve nonbanking subsidiaries.

FACC (total assets of $23 million as of December 31, 1977) has for four years, without prior board approval, engaged in a range of commercial lending activities. These activities have been conducted from an office in Allentown, Pennsylvania, and were commenced in violation of the board's Regulation Y. FACC has terminated the solicitation of new business during the pendency of the instant application. Upon approval of the application, Applicant proposes to have FACC recommence the activities terminated and to expand its activities to include servicing extensions of credit for itself and others, leasing real and personal property, and offering credit-related life, accident and disability, and property insurance in connection with extensions of credit made or acquired by FACC.

Consummation of this proposal would not eliminate existing or potential competition. The markets for the services offered by FACC do not appear highly concentrated. FACC proposes to solicit business in 36 states and the District of Columbia and expects to compete principally with large commercial banks and finance companies.

[1] On January 1, 1974, Applicant acquired shares of FinanceAmerica Corporation, formerly GAC Finance, Inc., with the prior approval of the board. At all times relevant hereto prior to September 3, 1974, FACC was an inactive corporation. On that date, Applicant and FinanceAmerica caused FACC to commence general commercial finance activities in violation of the Act and Regulation Y. During the pendency of this application, FACC has terminated the active solicitation of business.

[2] All banking data are as of March 31, 1978.

On the basis of the facts of record, the board concludes that consummation of the subject proposal would not have any significant adverse competitive effects.

As indicated above, the application presents an after-the-fact request for the board's approval to conduct operations commenced in violation of the board's Regulation Y. Last year the board considered and approved a somewhat similar domestic case in which Applicant had engaged in nonbank activities in violation of Regulation Y.[3] In the international area, the board has considered several applications by Applicant that have involved violations of the board's regulations. Due in part to the board's concern about such violations, Applicant instituted an extensive compliance program to ensure that all of its activities were conducted in conformity with the substantive and procedural requirements of law and the Board's regulations. After evaluating the merits of each of the cases where a violation had occurred, the board concluded that approval was appropriate. With respect to the subject proposal, however, the board does not believe that approval of Applicant's conduct, which was in violation of the Board's Regulation Y, would be appropriate.

While the subject proposal does not represent a significant activity to an organization of the size and complexity of Applicant, the board does not regard such factors as relieving an organization from legal duties and obligations to which it and competing organizations of lesser size and complexity are subject. The effectiveness of an organization's management in ensuring compliance with the legal duties to which it is subject are matters of paramount concern to the board in acting on applications. It is the board's judgment, based upon all the facts of record in this matter, that approval of the application would be inappropriate, and in order to ensure that Applicant does not benefit from actions that were commenced as a result of a violation, Applicant should be required to divest itself promptly of the illegally acquired assets of FACC.

Accordingly, based upon the foregoing and other considerations reflected in the record, the board has determined that the subject application should be denied.[4] Applicant is hereby directed to divest itself of the assets of FACC that were acquired in violation of the board's Regulation Y no later than ninety days from the effective date of this Order.

By order of the Board of Governors, effective December 26, 1978.

Voting for this action: Governors Wallich, Partee, and Teeters. Present and not voting: Governor Coldwell. Absent and not voting: Chairman Miller.

(Signed) THEODORE E. ALLISON,
[SEAL] *Secretary of the Board.*

Barnett Banks of Florida, Inc.,
Jacksonville, Florida

Order Approving
Acquisition of Verifications, Inc.

Barnett Banks of Florida, Inc., Jacksonville, Florida, a bank holding company within the meaning of the Bank Holding Company Act ("Act"), has applied for the board's approval pursuant to section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.4(b)(2) of the board's Regulation Y (12 C.F.R. § 225.4(b)(2)), to engage *de novo*, through a new nonbank subsidiary, Verifications, Inc., Jacksonville, Florida ("Verifications"), in the activity of check verification, i.e., for a fee authorizing acceptance by subscribing merchants of certain personal checks tendered by the merchant's customers in payment of goods and services. In addition, Verifications will purchase a validly authorized check from the merchant in the event it is subsequently dishonored. This activity has not been specified by the board in section 225.4(a) of Regulation Y as permissible for bank holding companies.

Notice of the application, as well as proposed rulemaking to amend the board's Regulation Y to add the activity of check verification to the list of activities permissible for bank holding companies pursuant to section 4(c)(8) of the Act,[1] has been given (43 *Fed. Reg.* 31936) in order to afford an opportunity for interested persons to submit comments and views on whether the proposed

[3] BankAmerica Corporation (Data processing activities of FinanceAmerica) 63 FEDERAL RESERVE BULLETIN 687 (1977).

[4] In acting on this application the board has considered comments from an individual from Providence, Rhode Island, in opposition to approval of Applicant's proposal, questioning whether Applicant's sale of property insurance would serve the interests of the people of that state. The board has examined the protest, and, in light of the protestant's failure to cite any supporting facts, concludes that there exists no basis in fact for the individual's concern.

[1] The board has determined not to amend Regulation Y at this time by adding the proposed new activity to the list of those that are generally permissible for bank holding companies; however, the board has proceeded to consider the application on its merits.

activity is so closely related to banking or managing or controlling banks as to be a proper incident thereto and on the public interest factors with respect to the application. The time for filing comments has expired. While no request for a hearing on this application has been received, the Board has received a number of comments, and has considered the application and those comments in light of the considerations specified in section 4(c)(8) of the Act (12 U.S.C. § 1843).

Applicant, the second largest banking organization in Florida, controls 35 banks holding commercial bank deposits aggregating $2.4 billion.[2] Applicant engages in a variety of permissible nonbank activities through eight nonbank subsidiaries. Applicant's nonbank activities include trust functions, consumer and sales financing, insurance agency activities directly related to extensions of credit made by Applicant's subsidiaries, and mortgage banking activities.

In order to authorize a bank holding company to engage in a nonbanking activity pursuant to section 4(c)(8) of the Act, the board must first determine whether the activity is closely related to banking or managing or controlling banks.[3] From the record it appears that the proposed activity is similar to activities currently engaged in by national banks under a recent interpretive letter from the Office of the Comptroller of the Currency.[4] Furthermore, various aspects of the proposed activity are similar to normal bank functions and services currently engaged in or provided by banks, such as check processing, credit data file maintenance, data processing, and overdraft protection. Also, it has been pointed out that many banks have historically provided check verification service for their customers and merchants on a request basis. In light of the fact that banks generally provide similar services, and the proposed services are operationally and functionally related to activities engaged in by banks, the board has determined that providing check verification services as proposed by Applicant is closely related to banking.

In order to approve the subject application, the board must also find that the performance of the activity by a nonbank affiliate of Applicant "can reasonably be expected to produce benefits to the public such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices."

Applicant's proposed check verification service would benefit merchants by providing a convenient means for decreasing bad-check losses. Similarly, mail order sales operations would have a convenient means to verify out-of-state checks. The convenience of individual consumers would be enhanced by the proposed activity since their personal checks would be more readily accepted for the purchase of goods and services from merchants. Use of a national data file as proposed by Applicant would make the system particularly convenient to out-of-state tourists, military personnel, and new residents of Florida. The entry of Applicant into competition between check authorization systems already in operation would be increased by the addition of a new competitor. Accordingly, the board has concluded that the performance of the proposed activity by Applicant is likely to produce significant benefits to the public.

With respect to possible adverse effects, nothing in the record indicates that Applicant's proposal would result in any undue concentration of resources. The board recognizes that there is some potential in the proposal for unfair competition or conflicts of interest with respect to the verification of checks not drawn on subsidiary banks of Applicant. However, the board relies on Applicant's commitment that Verifications will verify checks drawn on all banks. Further, Applicant is fully aware of section 106 of the Bank Holding Company Act Amendments of 1970 and the board's Regulation Y, section 225.4(c), which prohibit a bank holding company and its subsidiaries from engaging in impermissible tie-in arrangements in connection with extensions of credit or sales of property or the furnishing of services.

Based upon the foregoing and upon other con-

[2] All banking data are as of December 31, 1977.

[3] The courts have set forth the following general guidelines for determining whether an activity may be found to be closely related to banking: (1) banks generally have in fact provided the proposed services; (2) banks generally provide services that are operationally or functionally so similar to the proposed services as to equip them particularly well to provide the proposed service; or (3) banks generally provide services that are so integrally related to the proposed services as to require their provision in a specialized form. *National Courier Association* v. *Board of Governors of the Federal Reserve System*, 516 F.2d 1229 (D.C. Cir., 1975).

[4] See *CCH Fed Banking Law Reports* ¶ 85,001, letter of the Chief Counsel, Office of the Comptroller of the Currency, August 2, 1977. 12 C.F.R. § 7.7015. In this connection the board notes that Applicant is currently performing the proposed services through one of its subsidiary lead banks.

siderations reflected in the record, the board has determined that the balance of the public interest factors that section 4(c)(8) of the Act requires the board to consider is favorable, and that the application should be approved. Accordingly, the application is hereby approved. Applicant shall cause Verifications to commence the proposed activity not later than three months after the effective date of this Order, unless such period is extended for good cause by the Federal Reserve Bank of Atlanta pursuant to delegated authority. This determination is subject to the considerations set forth in section 225.4(c) of the board's Regulation Y and to the board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the board finds necessary to assure compliance with, or to prevent evasion of, the provisions and purposes of the Act and the regulations and Orders issued thereunder by the board.

By order of the Board of Governors, effective February 2, 1979.

Voting for this action: Chairman Miller and Governors Wallich, Coldwell, Partee, and Teeters.

(Signed) JOHN M. WALLACE,
[SEAL] *Assistant Secretary of the Board.*

Citicorp,
New York, New York

Order Approving the Sale of Money Orders, Travelers Checks, and U.S. Savings Bonds, and the Provision of Financial Management Courses

Citicorp, New York, New York, a bank holding company, has applied pursuant to section 4(c)(8) of the Bank Holding Company Act (12 U.S.C. § 1843(c)(8)) and section 225.4(b)(2) of the board's Regulation Y (12 C.F.R. § 225.4(b)(2)), for permission to sell at retail at eight locations in Utah of its subsidiary, Citicorp Person-to-Person Financial Centers, money orders, travelers checks, and U.S. savings bonds, and to provide at those locations consumer-oriented financial management courses, counseling, and related instructional material. The board has not previously determined these activities to be permissible for bank holding companies.

Notice of receipt of this application, and of Citicorp's associated request that the board amend its Regulation Y to add the activities to the list of those permissible for bank holding companies, was given in accordance with section 4 of the Act (43 *Fed. Reg.* 7440 (1978)), and the time for filing views and comments has expired. The board has considered the application and all comments received in light of the considerations specified in section 4(c)(8) of the Act.

Citicorp, with two subsidiary banks having total domestic deposits of $55.7 billion, is the second largest banking organization in the United States and the largest in New York.[1] It controls two banks and a number of domestic nonbank subsidiaries engaged in such activities as consumer, sales, and commercial finance, factoring, mortgage banking, sale and underwriting of credit-related insurance, and leasing. Its subsidiary, Nationwide Financial Services Corporation, St. Louis, Missouri, the parent of the company through which the new services would be offered, provides consumer loans, credit-related insurance, mobile-home financing, and other sales-finance products through offices in 27 states.

In order to authorize a bank holding company to engage in a nonbank activity pursuant to section 4(c)(8) of the Act, the board must first determine whether the activity is closely related to banking or managing or controlling banks. None of the public comments received in this matter has made a substantive argument that any of the proposed activities is not closely related to banking, and from the record it appears that banks have generally sold U.S. savings bonds and the types of payment instruments that are the subject of this application. In the case of financial management courses and counseling, the record reflects that furnishing money management and financial advice has been an important function of banks, and they have generally provided substantially similar services under a variety of circumstances. In addition, it appears that consumer financial education calls upon the necessary skills and resources possessed by bank holding companies, and they are particularly suited to provide such services in the form proposed. On the basis of the record the board has determined that the proposed activities are closely related to banking.[2]

To approve this application the board must also find that the performance of these activities by Citicorp's subsidiary can reasonably be expected

[1] Banking data are as of December 31, 1977.

[2] In a separate action, the board has amended its Regulation Y to add the retail sale of money orders, travelers checks, and U.S. savings bonds to the list of activities in which bank holding companies may engage.

to produce benefits to the public such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices.

At the outset the board notes that this proposal is one involving relatively minor services that would not entail any detrimental diversion of Citicorp's financial or managerial resources.

It appears that the participation of a bank holding company affiliate in the sale of U.S. savings bonds is likely to result in a slight increase in convenience to the public, and there are no identifiable adverse effects associated with that participation. Citicorp's retail sale of travelers checks and money orders from locations of its subsidiary is likewise expected to result in some increased convenience to the public and may stimulate competition and ultimately result as well in a reduction of service charges in connection with the sale of those instruments. Because of the ease of entry into this business and its character as a relatively minor service ancillary to the primary functions of Citicorp's offices, bank holding company participation cannot be expected to result in unfair or decreased competition or an undue concentration of resources.

Although Citicorp has stipulated that its subsidiaries would not be precluded from offering other instruments on sale, the board recognizes that Citicorp's offices are likely to sell instruments issued by the Citicorp organization rather than those issued by competitors, and that potential might be characterized as a conflict of interest. However, because of the large number of retail outlets for money orders and travelers checks, the board considers that this likelihood is at most an adverse effect that is not significant when balanced against the enhanced convenience and competition that the proposal entails. In addition, the proposal would facilitate the sale of money orders and travelers checks of supervised issuers and to some extent reduce risks of loss to the public using money orders and travelers checks.

There is no indication in the record that approval of this proposal would result in unsound banking practices. The retail sale of money orders by bank holding companies is proposed as a consumer service, and to insure that it retains that character, the board by regulation has imposed on their sale the same limit of $1,000 maximum face value that it has previously imposed on their issuance by bank holding companies.[3] Subject to that limitation, the board finds that the balance of public interest factors it must consider under section 4(c)(8) of the Act is favorable and that this part of the application should be approved.

Bank holding companies already provide financial management advice, counseling, and various educational materials of a similar nature as necessary in connection with their other banking and financial activities. The approval of that part of Citicorp's application relating to financial management courses would essentially permit Citicorp to formalize those advisory services and to charge a fee for them. Entry by Citicorp into this area is expected to promote competition and innovation and may raise the quality and convenient availability of consumer financial education. The board believes that the public interest favors measures that will tend to improve economic decisionmaking by individuals and to facilitate a wider availability of reliable consumer financial information and that, subject to Citicorp's representations and undertakings, this proposal is consistent with that public interest. In addition, the substitution of a fee for services for which the cost has been traditionally included in general service charges appears to be a useful step toward a more equitable pricing system for banking and financial services.

There are, however, some identifiable concerns associated with bank holding company entry into formal consumer financial education that may be characterized broadly as questions of business ethics. The first of these is that a bank holding company affiliate offering such courses could attempt to influence the customer to use financial services of affiliates and the board has reservations about the propriety of this where, because of the nature of the service, the customer may have the reasonable expectation that he is receiving disinterested advice about the ordering of his financial affairs. The second concern involves the possible misuse of confidential customer information obtained during the course of the educational relationship. Because these considerations could entail significant adverse effects, and because comments on this activity have not thoroughly explored appropriate industry-wide limits on educational activities, the board has in a separate action declined to add the activity of furnishing consumer-oriented financial management courses to Regulation Y's

[3] *Republic of Texas Corporation* and *Citicorp*, 63 FEDERAL RESERVE BULLETIN 414, 416 (1977).

list of activities generally permissible for bank holding companies. The board will instead consider specific proposals by bank holding companies to furnish such courses on a case-by-case basis.

Citicorp's specific application, however, adequately addresses the board's concerns, and the board is persuaded that the balance of public interest factors it must consider under section 4(c)(8) of the Act is favorable and that this part of the application should be approved. Citicorp does not propose itself to prepare the courses it will offer, but will act as sales agent for an independent supplier of financial courses, and will specifically advise every customer that he is not required to purchase any service from Citicorp affiliates. In addition, a review of the sample course materials submitted by Citicorp discloses that the materials do not in fact promote Citicorp financial services but, on the contrary and as appropriate for basic consumer financial education, they stress that there are many alternative sources for a given financial service and that consumers should shop for financial services, comparing price and other advantages of numerous suppliers, in much the same manner as they shop for other goods and services. The board understands that course material will necessarily change over time, but the samples included by Citicorp in its application have been submitted as representative, and Citicorp has agreed to maintain a strict separation between educational and promotional activities in, and to insure the objectivity of, the materials it will use. Moreover, Citicorp has undertaken to insure that any confidential information obtained by it or any of its subsidiaries in connection with its courses will be obtained only with the customer's consent and will not be made available to any other Citicorp affiliate or any third party for any purpose whatsoever.

Having once reviewed Citicorp's proposal, the conditions under which it would be provided, and its sample materials and determined that the public interest considerations of section 4(c)(8) favor approval of that proposal, the board has determined that further applications by Citicorp to extend the same consumer-oriented financial management educational activities to additional offices of its subsidiaries may be processed in the same manner as other *de novo* applications under the provisions of section 225.4(b)(1) of Regulation Y (12 C.F.R. § 225.4(b)(1)), and authority is hereby delegated to the Federal Reserve Bank of New York to accept and take action on such notices properly filed as there prescribed.

In determining that the balance of public interest factors favors approval of this application, the board has considered the comments received that did not favor approval. Initially three organizations, Securities Industry Association, Independent Bankers Association of America, and National Association of Mutual Savings Banks, requested that the board hold formal hearings on a variety of questions concerning this application. On November 13, 1978, representatives of those organizations and Citicorp and members of the board's staff met and agreed that the issues of concern and on which the protesting organizations believed hearings would be useful would be narrowed to three: the sale of variable denominated instruments other than money orders, the provision of financial management courses for small businesses, and the loss of deposit insurance for travelers checks. On November 27, 1978, Citicorp amended its application to delete its request for authority to sell variable denominated instruments and to provide financial management courses for small businesses, and it is accordingly unnecessary to consider the questions raised by the protesting organizations concerning those proposals.

The board does not consider the third question to be relevant to this application. In its letter of April 13, 1978, to the board, the Independent Bankers Association of America observed that:

> Traditionally, bank money orders and bank travelers checks were insured deposits under the Federal Deposit Insurance Act. *In issuing these instruments* through the holding company, the bank can avoid meeting the reserve requirements for that category of deposits.
>
> * * *
>
> The public is clearly entitled to a hearing to weigh the potential adverse effects of the loss of deposit insurance. [Emphasis added.]

It has been the board's view that the questions of both deposit insurance and reserve requirements applicable to money orders and travelers checks are germane to an application for the *issuance* of those instruments by bank holding companies, and the board has considered those questions carefully when in the past it has had before it applications by bank holding companies to issue payment instruments. This application does not involve the issuance of any instrument, but rather the retail sale of instruments that have been authorized to be made available to the public under the conditions of applicable law. Approval of the proposal would not expand the range or characteristics of

any payment instrument now available to the public, and consequently it would not result in the loss of deposit insurance for any instrument.

The board has accordingly denied the requests for hearings that were filed in connection with this application.

Apart from those matters on which hearings were requested, the Securities Industry Association and the National Association of Mutual Savings Banks have urged that the board not adopt the proposed amendment to Regulation Y regarding financial management courses because of the broad and unpredictable range of activities that might be justified under it, but rather to evaluate concrete proposals on a case-by-case basis, and for the reasons set forth above the board has adopted that suggestion.

Among the other adverse comments received that did not, after the meeting of November 13, 1978, entail a hearing request, were the suggestions that board approval of the sale of payment instruments might permit bank holding companies to circumvent state licensing requirements for vendors of those instruments and that the performance of the activity might constitute unlawful interstate branch banking. With respect to the first suggestion, the board believes it is important to stress that authorization of any activity under section 4(c)(8) in no way exempts a bank holding company from complying with all state and federal laws governing the performance of that activity. With respect to the second suggestion, since none of the proposed services involves a collection of deposits, lending of money, or paying of checks such as might raise a question under federal branch banking restrictions, or the acceptance of deposits withdrawable on demand and the making of commercial loans such as might raise a question under section 3(d) of the Act, the board must conclude that it is not this narrow application that has prompted these comments, but rather the prospect that bank holding companies may in the future apply for other and broader powers. The objection does not bear on the activities sought to be authorized at this time.

Based on the record and for the reasons summarized above the application is hereby approved. The determination as to Citicorp's nonbank activities is subject to the conditions set forth in this Order and in section 225.4(c) of Regulation Y, and the board's authority to require reports by and make examinations of bank holding companies and their subsidiaries, and to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the board finds necessary to assure compliance with the provisions and purposes of the Act and the board's Orders and regulations issued thereunder, or to prevent evasion thereof.

By order of the Board of Governors, effective February 26, 1979.

Voting for this action: Chairman Miller and Governors Wallich, Coldwell, Partee, and Teeters.

(Signed) THEODORE E. ALLISON,
[SEAL] *Secretary of the Board.*

Colonial American Bankshares Corporation, Roanoke, Virginia

Order Approving Retention of the Lynchburg, Virginia Office of Colonial American Mortgage Corporation

Colonial American Bankshares Corporation, Roanoke, Virginia, a bank holding company within the meaning of the Bank Holding Company Act ("Act"), has applied for the board's approval, under § 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and § 225.4(b)(2) of the board's Regulation Y (12 C.F.R. § 225.4(b)(2)), to retain the Lynchburg, Virginia, office of its wholly owned subsidiary, Colonial American Mortgage Corporation, Roanoke, Virginia, a company that engages in the activities of making, acquiring and serving loans secured primarily by second mortgages on real property and acting as agent in the sale of credit life and credit accident and health insurance in connection with those loans. These activities have been determined by the board to be closely related to banking (12 C.F.R. §§ 225.4(a)(1), (3), and (9)(ii)).

Notice of the application, affording opportunity for interested persons to submit comments and views on the public interest factors, has been duly published (43 Federal Register 47012). The time for filing comments and views has expired, and the board has considered the application and all comments received in the light of the public interest factors set forth in § 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)).

Applicant, a one bank holding company, is the thirteenth largest banking organization in Virginia with $196.5 million in total commercial bank deposits, representing 1.1 per cent of the deposits in commercial banks in the state.[1] Applicant's

[1] All financial data are as of June 30, 1978.

banking offices are located in Roanoke, Virginia.

Applicant's wholly owned subsidiary, Colonial American Mortgage Company ("Mortgage Company") ($3.7 million in assets), makes second mortgage loans and acts as agent for the sale of credit related life, accident, and health insurance in connection with those loans. Mortgage Company operated exclusively in Roanoke, Virginia, until October 3, 1977, when it opened, on a *de novo* basis, an additional office in Lynchburg, Virginia, without the prior approval of the board. By this application, Applicant seeks to bring the operation of that office into conformance with the requirements of law.

In acting on an application pursuant to § 4(c)(8) of the Act to retain offices engaged in activities that are permissible for bank holding companies, in situations where the necessary prior board approval was not obtained for those offices or activities, the board applies the same standards that it applies in acting upon an application to establish such offices and commence such activities initially. In addition, the board analyzes the competitive effects of such proposals as of the time that the offices were established or the activity commenced.

The operation, thus far, of the Lynchburg office of Mortgage Company has had a minimal impact on the market for second mortgage loans in the Lynchburg SMSA, the relevant mortgage banking market. Given applicant's ranking among commercial banking organizations in Virginia, its action in opening a *de novo* office in a market located 53 miles from Roanoke had no adverse effects on competition. Indeed, the continued operation of the Lynchburg office should result in increased competition in the Lynchburg SMSA and result in greater convenience to the public by providing an additional source of second mortgage loans. Further, in connection with this proposal, Applicant has injected additional equity capital into Mortgage Company. There is no evidence of record to indicate that Applicant's second mortgage or insurance activities will result in undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices.

Upon examination of all the facts and circumstances surrounding the establishment of the Lynchburg office without prior board approval it appears that the violation does not warrant denial of this application. The Applicant has taken steps to conform its operations to the Act and the board's Regulation Y by filing this application, and Applicant's management had adopted clearly defined procedures to prevent violations from occurring in the future. Considering these steps by Applicant and other evidence in the record evidencing Applicant's intention to comply with the requirements of the Act and the board's Regulation Y, the board has determined that the circumstances of the above violation do not warrant denial of the application.

Based upon the foregoing and other considerations reflected in the record, the board has determined that the balance of the public interest factors the board is required to consider under § 4(c)(8) is favorable. Accordingly, the application is hereby approved. This determination is subject to the conditions set forth in § 225.4(c) of Regulation Y and to the board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the board finds necessary to assure compliance with the provisions and purposes of the Act and the board's regulations and orders issued thereunder, or to prevent evasion thereof.

The transaction shall be made not later than three months after the effective date of this Order, unless such period is extended for good cause by the board or by the Federal Reserve Bank of Richmond.

By order of the Board of Governors, effective February 2, 1979.

Voting for this action: Chairman Miller and Governors Wallich, Coldwell, Partee, and Teeters.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

First Hawaiian, Inc.,
Honolulu, Hawaii

Order Approving Continuation of Credit-Related Insurance Activities Through Hawaii Thrift & Loan, Incorporated

First Hawaiian, Inc., Honolulu, Hawaii ("Applicant"), a bank holding company within the meaning of the Bank Holding Company Act ("Act"), has applied for the board's approval, under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and § 225.4(b)(2) of the board's Regulation Y (12 C.F.R. § 225.4(b)(2)), to continue to engage in the sale of credit-related life, accident and health insurance in connection with

extensions of credit made by its wholly owned subsidiary, Hawaii Thrift & Loan, Incorporated, Honolulu, Hawaii ("HTL"). Such activity has been determined by the board to be closely related to banking (12 C.F.R. § 225.4(a)(9)(ii)).

Notice of the application, affording opportunity for interested persons to submit comments and views on the public interest factors, has been duly published (43 *Federal Register* 56940). The time for filing comments and views has expired, and the board has considered the application and all comments received in the light of the public interest factors set forth in section 4(c)(8) of the Act (12 U.S.C. § 1842(c)(8)).

Applicant, with total assets of $1.4 billion,[1] is the second largest banking organization in the state of Hawaii and controls one bank, First Hawaiian Bank, Honolulu, Hawaii. Applicant's wholly owned subsidiary, HTL, is engaged in industrial loan activities. HTL accepts thrift deposits in the form of investment certificates and debentures and with the proceeds of such deposits makes real estate, consumer, and commercial loans. HTL has its main office in Honolulu and maintains eleven other offices on the islands of Oahu, Kauai, Maui and Hawaii.

By Order dated June 18, 1975, the board approved Applicant's proposal to acquire certain assets and to assume certain liabilities of HTL. This Order was limited to approval for Applicant to engage through HTL in industrial loan activities. In addition to industrial loan activities, HTL also engaged in credit life, accident and health insurance agency activities that were not included in Applicant's proposal to acquire HTL and that have not been approved by the board.[2] The instant application requests board approval for continuation of Applicant's insurance agency activities through HTL.

In acting on an application pursuant to section 4(c)(8) of the Act and Regulation Y to continue to engage in activities that are permissible for bank holding companies, in situations where the necessary prior board approval was not obtained for such activities, the board applies the same standards that it applies to an application to commence such activities initially. The board analyzes the competitive effects of such proposals both at the time of the acquisition of the company engaged in the activity and at the time of the application to continue to engage in the activity.

At the time that it approved Applicant's application to acquire HTL, the board found that, because of HTL's financial situation, HTL was no longer an effective competitor and consummation of the proposed acquisition would not have any adverse effects on potential or existing competition at that time. As HTL's insurance activities are limited to acting as the agent in the sale of credit insurance related to loans it originates, Applicant's acquisition of HTL's insurance agency activities, similarly, did not have any adverse effects on potential or existing competition. Further, it does not appear that Applicant's continuation of insurance agency activities through HTL would have any significant adverse effect on competition. In addition, it would provide benefits to the public by offering a continued and additional convenient source of credit-related insurance in the area. Moreover, there is no evidence in the record indicating that continuation would result in any undue concentration of resources, unfair competition, conflicts of interest, unsound banking practices or other adverse effects on the public interest.

As indicated above, the subject application is an after-the-fact request for board approval to engage in activities that were commenced in violation of the Act and the board's Regulation Y. Upon examination of all the facts and circumstances of the subject application, it is the board's view that the violation was inadvertent. In acting on this application the board has taken into consideration the fact that Applicant, upon becoming aware of the existence of the violation, took steps to conform its operations to the Act by filing the subject application. In addition, Applicant's management has taken steps to prevent violations from occurring in the future, including the initiation of a compliance program under the direction of one of its officers to ensure that the management of Applicant and HTL is aware of its responsibilities under the Act. The board expects that these actions will assist Applicant in avoiding a recurrence of similar violations. In light of the above and other information in the record evidencing Applicant's intent to comply with the requirements of the Bank Holding Company Act, the board has determined that the circumstances of the above violation do not warrant denial of the application.

Based upon the foregoing and other considerations reflected in the record, the board has determined that the balance of the public interest

[1] All financial data are as of June 30, 1978.

[2] Section 4 of the Act and section 225.4 of Regulation Y prohibit a bank holding company from engaging in any nonbanking activity without the board's prior approval.

factors the board is required to consider under section 4(c)(8) is favorable. Accordingly, the application is hereby approved. This determination is subject to the conditions set forth in section 225.4(c) of Regulation Y and to the board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the board finds necessary to assure compliance with the provisions and purposes of the Act and the board's regulations and orders issued thereunder or to prevent evasion thereof.

By order of the Board of Governors, effective February 9, 1979.

Voting for this action: Governors Wallich, Coldwell, Partee, and Teeters. Absent and not voting: Chairman Miller.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

Maryland National Corporation,
Baltimore, Maryland

Order Denying Formation of GECC and MN Leasing Corporation

Maryland National Corporation, Baltimore, Maryland, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the board's approval, under § 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and § 225.4(b)(2) of the board's Regulation Y (12 C.F.R. § 225.4(b)(2)), for its subsidiary, Maryland National Leasing Corporation ("MNLC"), to form a joint venture with General Electric Credit Corporation ("GECC"), and to acquire voting shares in GECC and MN Leasing Corporation ("Company"), Stamford, Connecticut, a *de novo* corporation that would engage in the activities of leasing personal and real property. Such activities have been determined by the board to be closely related to banking (12 C.F.R. § 225.4(a)(6)).

Notice of the application, affording opportunity for interested persons to submit comments and views on the public interest factors, has been duly published (43 *Fed. Reg.* 47013). The time for filing comments and views has expired, and the board has considered the application and all comments received in the light of the public interest factors set forth in § 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)).

Applicant, the largest banking organization in Maryland, is a one-bank holding company with deposits of approximately $2 billion, representing 18.9 percent of total deposits in commercial banks in Maryland (as of March 31, 1978). Through its principal nonbank subsidiaries, Applicant is engaged in mortgage banking, second mortgage lending, consumer lending, commercial financing and leasing.

Applicant's leasing subsidiary, NMLC (with assets of approximately $32.4 million as of June 30, 1978) was organized *de novo* in 1974 and engages primarily in leasing transactions valued between $250,000 and $10 million, "middle market" leasing. Middle market transactions reflect the underlying tax considerations whereby the lessor purchases the lease property and shares the advantages of an investment tax credit with the lessee by leasing the property at a cost lower than the net purchase cost if the tax credit advantage of ownership were not available. In light of Applicant's income, MNLC has recently been unable to expand its middle market lease transactions by making use of further tax credit; thus, MNLC began to broker its lease originations and these brokered transactions now dominate its leasing activities.

GECC is a wholly owned subsidiary of General Electric Company, one of the major industrial corporations in the United States with consolidated total assets, not including GECC, of $13.7 billion and net income of $1.1 billion (for the year ending December 31, 1977). GECC, currently the fourth largest domestic non-captive finance company with assets of approximately $6.1 billion (as of June 30, 1978), was organized in 1932 as a consumer sales finance company, and has since evolved into a major general finance company engaged in commercial and industrial financing, consumer financing and insurance operations. GECC's commercial and industrial financing activities include middle market leasing, which represents approximately 6 percent of GECC's lease receivables.

Applicant has proposed that MNLC would acquire 20 percent of the equity in Company with the remaining 80 percent to be owned by GECC. Company would engage generally in structuring, originating, buying, selling and servicing chattel mortgages, conditional sales contracts, and leases of personal and real property. Applicant's primary purpose in participating in this joint venture with GECC would be to take advantage of GECC's much greater tax base and thereby expand its origination of tax motivated leases.

Both GECC and MNLC are currently engaged in the same type of leasing activities that would be conducted by the joint venture. The agreement between MNLC and GECC stipulates that the joint venture shall in no way limit or restrict the ability of MNLC or GECC to continue to conduct such business in their own names and for their own accounts. Nevertheless, in light of the fact that GECC is already engaged in some middle market leasing and there are no apparent limitations to its expanding its activity in this market absent the joint venture, the board finds that the proposed transaction would have a detrimental effect on probable future competition.

The board has examined carefully Applicant's proposal and concludes that the benefits to be gained by the proposed joint venture could be achieved without the formation of Company. There is no evidence in the record that GECC, which already engages in some middle market leasing, is not fully capable of developing by itself the capabilities that would be made possible by the formation of a joint venture. The record indicates that GECC has substantial financial resources that would enable GECC to develop independently the personnel to be provided by MNLC through the joint venture. Moreover, the record indicates that GECC has substantial expertise in middle market leasing through its participation of leases to small and medium size banks, and that GECC is expanding its activity in this area without the assistance of an existing competitor.

Accordingly, the board does not find any tangible public benefits associated with the proposed transaction. While Applicant indicates that the combined resources of GECC and MNLC would produce "administrative savings" which would provide customers with a "preferential rate," the record does not indicate that such savings or rate reductions would be sufficient to produce public benefits warranting approval of this application. Furthermore, Applicant's claim that consummation of the proposal would increase competition by placing an additional competitor in the leasing market cannot be granted great weight by the board since both participants in the joint venture are present in the market. Since the board finds that the same result can be achieved absent the formation of a joint venture, with its potential for concentration of resources and lessening of competition in the product market in which the two parties to the joint venture compete, the joint venture formation should not be approved.

Based upon the foregoing and the other facts of record, it is the board's judgment that approval of the application would not be in the public interest and that the application should be, and hereby is, denied.

By order of the Board of Governors, effective February 23, 1979.

Voting for this action: Chairman Miller and Governors Wallich, Coldwell, Partee, and Teeters.

(Signed) THEODORE E. ALLISON,
[SEAL] *Secretary of the Board.*

National Detroit Corporation,
Detroit, Michigan

Order Approving Acquisition of Certain Assets of James Talcott, Inc.

National Detroit Corporation, Detroit, Michigan, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the board's approval, under § 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and § 225.4(b)(2) of the Board's Regulation Y (12 C.F.R. § 225.4(b)(2)), to acquire, through its subsidiary, Instaloan Financial Services, Inc. ("Instaloan"), certain assets of James Talcott, Inc., New York, New York ("Talcott"), and to engage in its commercial finance activities.[1] Such activities have been determined by the board to be closely related to banking (12 C.F.R. § 225.4(a)(1)).

Notice of the application, affording opportunity for interested persons to submit comments and views on the public interest factors, has been duly published (43 *Federal Register* 59435). The time for filing comments and views has expired, and the board has considered the application and all comments received in the light of the public interest factors set forth in § 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)).

Applicant, the largest banking organization in Michigan, controls seven commercial banks in that state with aggregate deposits of $5.6 billion, representing 15.7 percent of total deposits in commercial banks in Michigan.[2] Applicant currently engages through subsidiaries in insurance, mortgage banking, and consumer finance activities.

[1] In particular, Applicant proposes to acquire certain loans receivable, and the furniture, furnishings, and equipment of the Detroit office of Talcott's Business Finance Division.

[2] Banking data as of December 31, 1977.

Talcott's Detroit office ("Talcott-Detroit") engages in commercial finance activities including the making of business loans secured by accounts receivable, inventory, machinery and equipment, and real estate. On July 31, 1978, Talcott-Detroit had loans outstanding of $19.1 million, and gross revenues of $2.4 million. Talcott-Detroit, which obtains business from the lower peninsula of Michigan and the state of Ohio, derives most of its business from the Detroit, Cleveland, and Grand Rapids SMSAs. Applicant's banking subsidiaries also originate business loans in the lower peninsula of Michigan and the state of Ohio, and on June 30, 1978, Applicant had a total of $504.8 million in business loans outstanding in the Detroit SMSA.[3] However, it appears that neither Applicant nor Talcott-Detroit controls a significant portion of the commercial loan market in this area, inasmuch as the Detroit area is served by over 70 commercial finance companies operating a total of 157 offices, including offices of many of the nation's largest commercial finance companies. Thus, while consummation of the proposal would eliminate some competition existing between Applicant and Talcott-Detroit office, it appears that the amount of competition that would be eliminated is slight.

In this connection, the board notes that Talcott has experienced financial difficulties, which have caused it to contract its overall operations. This development is reflected in a decline since 1973 of Talcott-Detroit's gross revenues and loans outstanding. In view of the difficulties faced by Talcott and its future prospects, it does not appear likely that Talcott-Detroit will remain a viable independent competitor in the Detroit area.[4] In view of these facts, the board concludes that consummation of the proposal would have only slightly adverse effects on competition. When balanced against the public benefits expected to result from this transaction, these adverse effects are not so serious as to warrant denial of the proposal.

By acquiring the assets of Talcott-Detroit, Applicant will ensure the continued availability of commercial loans to Talcott-Detroit's customers at its present location. The board views this factor as particularly significant in light of Talcott's reduction of its overall operations in recent years and the difficulty Talcott-Detroit has experienced in obtaining access to borrowed funds at competitive rates. Furthermore, affiliation with Applicant should enable Talcott-Detroit to become a more effective competitor in the areas where it operates.

On the basis of these and other facts of record, the board concludes that the benefits to the public that can reasonably be expected to result from Applicant's acquisition of the assets of Talcott-Detroit are sufficient to outweigh the slight adverse effects on competition that would result from the proposal. Furthermore, there is no evidence in the record to indicate that consummation of the proposed transaction would result in unfair competition, conflicts of interest, unsound banking practice, or any other effects that would be adverse to the public interest.

Based upon the foregoing and other considerations reflected in the record, the board has determined that the balance of the public interest factors the board is required to consider under § 4(c)(8) is favorable. Accordingly, the application is hereby approved. This determination is subject to the conditions set forth in § 225.4(c) of Regulation Y and to the board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the board finds necessary to assure compliance with the provisions and purposes of the Act and the board's regulations and orders issued thereunder, or to prevent evasion thereof.

The transaction shall be made not later than three months after the effective date of this Order, unless such period is extended for good cause by the board or by the Federal Reserve Bank of Chicago, pursuant to delegated authority.

By order of the Board of Governors, effective February 26, 1979.

Voting for this action: Chairman Miller and Governors Wallich, Coldwell, Partee, and Teeters.

(Signed) JOHN M. WALLACE,
[SEAL] *Assistant Secretary of the Board.*

[3] The Detroit SMSA is approximated by Macomb, Oakland, and Wayne Counties and portions of St. Clair, Lapeer, Livingston, Washtenaw, and Monroe counties, all in the State of Michigan.

[4] The board also notes that Talcott has announced its intention to sell the assets of its Business Finance Division, including Talcott-Detroit, in order to obtain additional revenues.

Prior and Final Certifications Pursuant to the Bank Holding Company Tax Act of 1976

Prior and final certifications are continued on the following page.

Shelter Resources, Inc.
Cleveland, Ohio

Prior Certification Pursuant to the Bank Holding Company Tax Act of 1976 [Docket No. 76-125]

Shelter Resources, Inc., Cleveland, Ohio ("Shelter"), has requested a prior certification pursuant to section 6158(a) of the Internal Revenue Code (the "Code"), as amended by section 3(a) of the Bank Holding Company Tax Act of 1976 (the "Tax Act"), that its sale on April 23, 1973, of 61,579 outstanding shares of Capital National Bank, Cleveland, Ohio ("Bank"), indirectly owned and controlled by it through its wholly owned subsidiary, Capital Bancorporation, Cleveland, Ohio ("Bancorporation"), to BancOhio Corporation, Cleveland, Ohio ("BancOhio"), was necessary or appropriate to effectuate the policies of the Bank Holding Company Act (12 U.S.C. § 1841 *et seq.* ("BHC Act")). Shelter has also requested a final certification pursuant to section 6158(c)(2) of the Code that it has (before the expiration of the period prohibited property is permitted under the BHC Act to be held by a bank holding company) ceased to be a bank holding company.[1]

In connection with these requests, the following information is deemed relevant for purposes of issuing the requested certifications:[2]

1. Shelter is a corporation organized under the laws of the state of Delaware on February 11, 1970, as the successor by merger to Electronics Capital Corporation, a corporation organized in 1959 under the laws of the state of Massachusetts. Since Shelter was organized under an internal reorganization plan of Electronics Capital Corporation, for purposes of this application corporate actions described as taken by Shelter prior to its organization are understood to be actions taken by Electronics Capital Corporation. Bancorporation is a corporation organized under the laws of the state of Ohio on October 18, 1961. Shelter acquired 98.42 percent of the outstanding voting shares of Bancorporation on January 28, 1969.

2. On January 28, 1969, Shelter acquired indirect ownership and control, through Bancorporation, of 43,305 shares of Bank, representing 98.42 percent of the then total outstanding voting shares of Bank (a split of Bank's shares in 1971 increased the number of Bank's outstanding shares to 61,600 shares, of which Shelter indirectly owned or controlled 61,579).

3. Shelter became a bank holding company on December 31, 1970, as a result of the 1970 Amendments to the BHC Act, by virtue of its direct ownership and control at that time of more than 25 percent of the outstanding voting shares of Bancorporation, and by virtue of its indirect ownership and control at that time, through Bancorporation, of more than 25 percent of the outstanding voting shares of Bank, and it registered as such with the board on February 17, 1972.[3] Shelter would have been a bank holding company on July 7, 1970, if the BHC Act Amendments of 1970 had been in effect on such date by virtue of its direct and indirect ownership and control on that date of more than 25 percent of the outstanding voting shares of Bancorporation and Bank, respectively.

4. On July 2, 1971, Shelter filed an irrevocable declaration with the board, that it would cease to be a bank holding company by divesting of its interest in Bank by January 1, 1981.

5. On January 2, 1973, the board issued an Order pursuant to section 3(a)(3) of the BHC Act approving the application of BancOhio to acquire 100 percent (less directors' qualifying shares) of the voting shares of Bank, and on April 23, 1973, Shelter sold all of the 61,579 shares of Bank owned or controlled by it, through Bancorporation, to BancOhio for cash.

6. On April 23, 1973, Shelter held property acquired by it on or before July 7, 1970, the disposition of which would, but for Shelter's declaration under section 4(c)(12) of the BHC Act, have been necessary or appropriate to effectuate

[1] Pursuant to sections 2(d)(2) and 3(e)(2) of the Tax Act, in the case of any sale that takes place on or before December 31, 1976 (the 90th day after the date of the enactment of the Tax Act), the certification described in section 6158(a) shall be treated as made before the close of the calendar year following the calendar year in which the last sale occurred, if application for such certification was made before the close of December 31, 1976. Shelter's application for such certification was received by the board in January, 1977, but postmarked December 31, 1976, thereby complying with the statutory time limit on filing of applications.

[2] This information derives from Shelter's correspondence with the board concerning its request for certification, and Registration Statements filed with the board by Shelter and Bancorporation pursuant to the BHC Act, and other records of the board.

[3] Bancorporation similarly became a bank holding company on December 31, 1970, as a result of the 1970 Amendments to the BHC Act, by virtue of its direct ownership and control of more than 25 percent of the outstanding voting shares of Bank, and it registered as such with the board on February 2, 1972.

section 4 of the BHC Act if Shelter were to remain a bank holding company beyond December 31, 1980, and which property is "prohibited property" within the meaning of sections 6158(f)(2) and 1103(c) of the Code.

7. Neither Shelter nor any subsidiary of Shelter holds any interest in Bank, BancOhio, or any company that controls a bank.

8. Neither BancOhio nor any subsidiary of BancOhio, including Bank, holds any interest in Shelter or any subsidiary of Shelter.

9. No officer, director (including honorary or advisory director) or employee with policy-making functions of Shelter or any subsidiary of Shelter also holds any such position with BancOhio, or any subsidiary of BancOhio, including Bank, or with any other bank or company that controls a bank.

10. Shelter does not control in any manner the election of a majority of directors, or exercise a controlling influence over the management or policies, of BancOhio or any subsidiary of BancOhio, including Bank, or of any other bank or company that controls a bank.

On the basis of the foregoing information, it is hereby certified that:

(A) at the time of its sale, through Bancorporation, of the 61,579 shares of Bank to BancOhio, Shelter was a qualified bank holding corporation, within the meaning of section 6158(f)(1) and subsection (b) of section 1103 of the Code, and satisfied the requirements of that subsection;

(B) the shares of Bank that Shelter sold to BancOhio through Bancorporation were all or part of the property by reason of which Shelter controlled (within the meaning of section 2(a) of the BHC Act) a bank or bank holding company;

(C) the sale of the shares of Bank was necessary or appropriate to effectuate the policies of the BHC Act;

(D) Shelter has (before the expiration of the period prohibited property is permitted under the BHC Act to be held by a bank holding company) ceased to be a bank holding company; and

(E) Shelter has disposed of all banking property.

This certification is based upon the representations made to the board by Shelter and upon the facts set forth above. In the event the board should hereafter determine that facts material to this certification are otherwise than as represented by Shelter, or that Shelter has failed to disclose to the board other material facts, it may revoke this certification.

By order of the Board of Governors, acting through its General Counsel, pursuant to delegated authority (12 C.F.R. § 265.2(b)(3)), effective February 27, 1979.

(Signed) THEODORE E. ALLISON,
[SEAL] *Secretary of the Board.*

Republic of Texas Corporation,
Dallas, Texas

Prior Certification Pursuant to the Bank Holding Company Tax Act of 1976 [Docket No. TCR 76-107]

Republic of Texas Corporation, Dallas, Texas ("Republic") has requested a prior certification pursuant to § 6158(a) of the Internal Revenue Code (the "Code"), as amended by § 3(a) of the Bank Holding Company Tax Act of 1976 (the "Tax Act"), that the proposed sale by Westgate Company, a subsidiary of Republic, of 4.474 acres of certain real property located in Irving, Texas ("Westgate Property"), is necessary or appropriate to effectuate § 4 of the Bank Holding Company Act (12 U.S.C. § 1843 *et seq.*) ("BHC Act"). Westgate proposes to sell the Westgate Property to two individual purchasers for cash.

In connection with this request, the following information is deemed relevant for purposes of issuing the requested certification: [1]

1. On July 7, 1970, Republic National Bank of Dallas ("Old Republic Bank"), a national banking association, indirectly controlled 29.9 percent of the outstanding voting shares of Oak Cliff Bank and Trust Company, Dallas, Texas ("Oak Cliff Bank").

2. On July 7, 1970, Old Republic Bank indirectly controlled, through the Howard Corporation ("Howard"), a trusteed affiliate, property the disposition of which would be necessary or appropriate to effectuate § 4 of the BHC Act if Old Republic Bank were to continue to be a bank holding company beyond December 31, 1980, which property is "prohibited property" within the meaning of § 1103(c) of the Code.

3. Old Republic Bank became a bank holding company on December 31, 1970, as a result of the 1970 Amendments to the BHC Act, by virtue of its indirect control at that time of more than

[1] This information derives from Republic's correspondence with the board concerning its request for this certification, Republic's Registration Statement filed with the board pursuant to the BHC Act as well as the Registration Statement of Republic National Bank and other records of the board.

25 percent of the outstanding voting shares of Oak Cliff Bank, and it registered as such with the board on September 24, 1971.

4. Republic is a corporation that was organized under the laws of the state of Delaware on July 12, 1972, for the purpose of effecting the reorganization of Old Republic Bank into a subsidiary of Republic.

5. On September 10, 1973, the board ruled that in the event Republic were to become a bank holding company through the acquisition of the successor by merger to Old Republic Bank, Republic would not be regarded as a "successor" to Old Republic as defined in § 2(e) of the BHC Act for the purposes of § 2(a)(6) of the BHC Act, or as a "company covered in 1970," as that term is defined in the BHC Act, and that Republic was not entitled to the benefit of any grandfather privileges that Old Republic Bank may have possessed pursuant to the proviso in § 4(a)(2) of the BHC Act.

6. By Order dated October 25, 1973, the board approved Republic's application under § 3(a)(1) of the BHC Act to become a bank holding company through the acquisition of 100 percent of the voting shares (less directors' qualifying shares) of the successor by merger to Old Republic Bank and the indirect acquisition of control of 29.9 percent of the voting shares of Oak Cliff Bank. Pursuant to the provisions of § 4(a)(2) of the BHC Act, Republic was required by that order to divest itself, within two years from the date as of which it would become a bank holding company, of the impermissible nonbanking interests that would be directly or indirectly controlled by the successor by merger to Old Republic Bank, including such impermissible interests held by Howard.

7. On May 9, 1974, in a transaction described in § 368(a)(1)(A) and § 368(a)(2)(D) of the Code, Old Republic Bank was merged into the present Republic National Bank of Dallas ("New Republic Bank"), a national banking association which was a wholly owned subsidiary (except for directors' qualifying shares) of Republic. New Republic Bank thereby acquired substantially all of the properties of Old Republic Bank and Republic thereupon became a bank holding company. By virtue of three one-year extensions granted by the board, Republic presently has until May 9, 1979, to complete the divestitures required by the board's Order of October 25, 1973.

8. As part of the same transaction by which Republic became a bank holding company, in a transaction to which § 351 of the Code applied, Republic acquired beneficial interests in the shares of Howard held by trustees for the benefit of shareholders of New Republic Bank, which shares are shares described in § 2(g)(2) of the BHC Act.

9. The Westgate Property was acquired by Howard on November 13, 1969, and is a part of the property of Howard in which Republic acquired a beneficial interest pursuant to § 2(g)(2) of the BHC Act.

On the basis of the foregoing information, it is hereby certified that:

(A) Prior to May 9, 1974, Old Republic Bank was a "qualified bank holding corporation," within the meaning of subsection (b) of § 1103 of the Code, and satisfied the requirements of that subsection.

(B) New Republic Bank is a corporation that acquired substantially all of the properties of a qualified bank holding corporation, and as such is treated as a qualified bank holding corporation for the purposes of § 6158 of the Code, pursuant to § 3(d) of the Tax Act.

(C) Republic is a corporation in control (within the meaning of § 2(a)(2) of the BHC Act) of New Republic Bank, and as such is treated as a qualified bank holding corporation for the purposes of § 6158 of the Code, pursuant to § 3(d) of the Tax Act.

(D) Howard is a subsidiary (within the meaning of § 2(d) of the BHC Act) of Republic, and as such is treated as a qualified bank holding corporation for the purposes of § 6158 of the Code, pursuant to § 3(d) of the Tax Act.

(E) The Westgate Property is "prohibited property" for the purposes of § 6158 of the Code; and

(F) the sale of the Westgate Property is necessary or appropriate to effectuate § 4 of the BHC Act.

This certification is based upon the representations made to the board by Republic and upon the facts set forth above. In the event the board should hereafter determine that facts material to this certification are otherwise than as represented by Republic, or that Republic has failed to disclose to the board other material facts, it may revoke this certification.

By order of the Board of Governors acting through its General Counsel, pursuant to delegated authority (12 C.F.R. § 265.2(B)(3)), effective February 14, 1979.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

The Sperry and Hutchinson Company,
New York, New York

Prior Certification Pursuant to the Bank Holding Company Tax Act of 1976 [Docket No. TCR 76—171]

The Sperry and Hutchinson Company, New York, New York ("S&H") has requested a prior certification pursuant to section 1101(c)(3) of the Internal Revenue Code ("Code"), as amended by section 2(a) of the Bank Holding Company Tax Act of 1976, that its proposed divestiture of all of the 1,382,815 shares of State National Bank of Connecticut, Bridgeport, Connecticut ("Bank"), presently held by S&H, through the *pro rata* distribution to S&H's common stockholders of the stock of state National Bancorp, Inc. ("Bancorp"), a corporation created and availed of solely for the purpose of receiving S&H's Bank shares, is necessary or appropriate to effectuate the policies of the Bank Holding Company Act (12 U.S.C. § 1841 *et seq*) ("BHC Act"). S&H proposes to exchange the 1,382,815 shares of Bank that it presently owns for all of the shares of Bancorp, and immediately thereafter to distribute all of Bancorp's shares *pro rata* to the holders of common stock of S&H.[1]

In connection with this request, the following information is deemed relevant, for purposes of issuing the requested certification:[2]

1. S&H is a corporation organized under the laws of New Jersey on October 19, 1900.

2. Between September 30, 1968, and April 27, 1970, S&H acquired ownership and control of 551,100 shares, representing approximately 99 percent of the outstanding voting shares, of Bank.

3. S&H became a bank holding company on December 31, 1970, as a result of the 1970 Amendments to the BHC Act, by virtue of its ownership and control at that time of more than 25 percent of the outstanding voting shares of Bank, and registered as such with the board on July 1, 1971. S&H would have been a bank holding company on July 7, 1970, if the BHC Act Amendments of 1970 had been in effect on that date by virtue of its ownership and control on that date of more than 25 percent of the outstanding voting shares of Bank. S&H presently owns and controls 1,382,815 shares, representing 99.3 percent of the outstanding voting shares, of Bank.[3]

4. S&H holds property acquired by it on or before July 7, 1970, the disposition of which would be required by section 4 of the BHC Act, if S&H were to continue to be a bank holding company beyond December 31, 1980, and which property is "prohibited property" within the meaning of section 1103(c) of the Code.

5. S&H has committed to the board that it will terminate all interlocking relationships between S&H and Bank by April 30, 1979.[4]

On the basis of the foregoing information, it is hereby certified that:

[1] The board has received a protest to this proposal from a group of individuals owning approximately five percent of S&H's preferred shares ("Protestants"). Protestants claim that the proposed divestiture is not in the best interests of S&H's minority shareholders because it will reduce S&H's net assets by approximately 20 percent with no corresponding benefit to S&H. Moreover, they say, the proposal will not result in a true divestiture because the same stockholders that currently control S&H will control Bancorp and Bank after the spinoff. Finally, Protestants assert that S&H has made no serious effort to sell Bank even though it was approached on several occasions by potential purchasers of Bank.

The facts that a preferred shareholder may not receive any direct benefits from a spinoff and that, after a spinoff, shareholders of a bank holding company and a divested company are identical, are both results of a divestiture method clearly sanctioned by Congress. Section 1101(b)(2) of the Code authorizes spinoffs to holders of a bank holding company's common shares without any participation in the transaction by the holders of the company's preferred shares. Under section 1101(a)(3), such spinoffs must be made on a *pro rata* basis unless the company has 10 or fewer shareholders. Since a spinoff is clearly a permissible divestiture method, the existence of potential purchasers for Bank would not be determinative for purposes of assessing the adequacy of the proposed divestiture. (See note 4 below for further discussion of the adequacy of the proposed divestiture.)

[2] This information derives from S&H's correspondence with the board concerning its request for this certification, S&H's Registration Statement filed with the board pursuant to the BHC Act, and other records of the board.

[3] Bank declared a 150 percent stock dividend in 1974 and S&H consequently received an additional 826,650 shares of Bank on the basis of the 551,100 shares acquired prior to July 7, 1970. Under section 1101(c)(1) of the Code, property acquired after July 7, 1970, generally does not qualify for the tax benefits of section 1101(b) when distributed by an otherwise qualified bank holding company. However, where such property is acquired by a qualified bank holding company in a transaction in which gain is not recognized under section 305(a) of the Code then section 1101(b) is applicable. S&H has indicated that these shares of Bank were acquired in a transaction in which gain was not recognized under section 305(a) of the Code. Accordingly, even though such shares were acquired after July 7, 1970, those shares would nevertheless qualify as property eligible for the tax benefits provided in section 1101(b) of the Act, by virtue of section 1101(c), if they were in fact received in a transaction in which gain was not recognized under section 305(a) of the Act.

The remaining 5,065 shares of Bank now held by S&H were acquired through cash purchase after July 7, 1970, or through stock dividends with respect to such shares. These shares are not eligible for the tax benefits of section 1101(b) since none of the exceptions to section 1101(c) is applicable to them.

[4] It is noted that S&H has controlled Bank for approximately 10 years and owns 99 percent of Bank's shares. During that time, Bank selected most of its officer/directors, but obtained

(A) S&H is a qualified bank holding corporation within the meaning of section 1103(b) of the Code, and satisfies the requirements of that section;

(B) the shares of Bank that S&H proposes to exchange for shares of Bancorp are all or part of the property by reason of which S&H controls (within the meaning of section 2(a) of the BHC Act) a bank or bank holding company; and

(C) exchange of the shares of Bank for the shares of Bancorp and the distribution to the common shareholders of S&H of the shares of Bancorp are necessary or appropriate to effectuate the policies of the BHC Act.

This certification is based upon the representations made to the board by S&H and upon the facts set forth above. In the event the board should hereafter determine that facts material to this certification are otherwise than as represented by S&H or that S&H has failed to disclose to the board other material facts, it may revoke this certification. This certification is also granted on the condition that after April 30, 1979, no person holding an office or position (including an advisory or honorary position) with S&H or any of its subsidiaries as an officer, director, policy-making employee or management consultant, or who performs (directly, or through an agent, representative or nominee) functions comparable to those normally associated with such office or position, will hold any such office or position or perform any such function with Bancorp, Bank, or any of their subsidiaries or affiliates.

By order of the Board of Governors, acting through its General Counsel, under delegated authority (12 C.F.R. § 265.2(b)(3)), effective February 16, 1979.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

prior approval of such decisions from S&H. Four of Bank's officer/directors are also officer/directors of S&H, and were selected by S&H to become members of Bank's management. S&H is a publicly held corporation. 58 percent of its voting shares are owned by members of the Beinecke family. This stock ownership is dispersed among 70 holders, however. The largest number of shares that could be attributed to one person on the basis of the "immediate family" rule of Regulation Y (section 225.2(b)(2)) is the approximately 28 percent of S&H's shares owned by William Beinecke and members of his immediate family. Of seven Beinecke family members that sit on S&H's 21-member board of directors, 5 are not members of William Beinecke's immediate family. Thus, it does not appear that S&H is subject to the control of any one individual, and termination of the interlocking relationships appears necessary to further a complete divestiture of S&H's control over Bank since these corporate interlocks are among the principal means by which S&H might maintain control over bank.

Sloan State Corporation,
Sloan, Iowa

Prior Certification Pursuant to the Bank Holding Company Tax Act of 1976 [Docket No. TCR 76-168]

Sloan State Corporation, Sloan, Iowa ("Sloan"), has requested a prior certification pursuant to section 1101(a)(1) of the Internal Revenue Code ("Code"), as amended by section 2(a) of the Bank Holding Company Tax Act of 1976, that its proposed divestiture of approximately 75 acres of real property ("Seventy-five Acres")[1] through the distribution of such property to shareholders of Sloan as tenants in common is necessary or appropriate to effectuate the policies of the Bank Holding Company Act (12 U.S.C. § 1841 *et seq.*) ("BHC Act").

In connection with this request, the following information is deemed relevant:[2]

1. Sloan is a corporation organized under the laws of the state of Iowa on September 12, 1968.

2. In September, 1968, Sloan acquired ownership and control of 910 common shares, representing 91 percent of the outstanding voting shares, of Sloan State Bank, Sloan, Iowa ("Bank").

3. Sloan became a bank holding company on December 31, 1970, as a result of the enactment of the 1970 Amendments to the BHC Act, by virtue of its ownership and control at that time of more than 25 percent of the outstanding common shares of Bank, and it registered as such with the board on October 12, 1971. Sloan would have been a bank holding company on July 7, 1970, if the 1970 Amendments to the BHC Act had been in effect on such date by virtue of its direct

[1] The legal description of Seventy-five Acres is as follows: All that part of the Southeast Quarter of Section 32 lying East of the Right-of-way of the Chicago & Northwestern Railway Company, in Township 86 North, Range 46, West of the 5th P.M., except a tract of land described as follows: Commencing at the Northeast Corner of the Southeast quarter of Section 32, Township 86, Range 46, thence running South along the half section line a distance of 1326 feet to the point of beginning; thence West and parallel with the half section line a distance of 410 feet; thence South parallel with the east section line a distance of 610 feet; thence East and parallel with the South section line a distance of 410 feet; thence North along the East section line a distance of 610 feet to the place of beginning, containing 75 acres more or less, in Woodbury County, Iowa.

[2] This information derives from Sloan's communications with the board concerning its request for this certification and Sloan's registration statement filed with the board pursuant to the BHC Act.

ownership and control on that date of more than 25 percent of the outstanding common shares of Bank. Sloan presently owns and controls 91 percent of the outstanding common shares of bank.

4. Sloan purchased Seventy-five Acres on September 12, 1969, and has owned such property continuously since that date.

5. Sloan does not engage in any nonbanking activities other than the holding of certain real property. Sloan has proposed to divest all of its real property.

6. Sloan acquired Seventy-five Acres before July 7, 1970. The disposition of Seventy-five Acres would be necessary or appropriate to effectuate section 4 of the BHC Act if Sloan were to continue to be a bank holding company beyond December 31, 1980, and such property is "prohibited property" within the meaning of section 1103(c) of the Code.

On the basis of the foregoing information, it is hereby certified that:

A. Sloan is a qualified bank holding corporation within the meaning of section 1103(b) of the Code, and satisfies the requirements of that section;

B. The distribution of Seventy-five acres is necessary or appropriate to effectuate the policies of the BHC Act.

This certification is based upon the representations made to the board by Sloan and upon the facts set forth above. In the event the board should hereafter determine that the facts material to this certification are otherwise than as represented by Sloan or that Sloan has failed to disclose to the board other material facts, the board may revoke this certification.

By order of the Board of Governors, acting through its General Counsel pursuant to delegated authority (12 C.F.R. § 265.2(b)(3)), effective February 27, 1979.

(Signed) THEODORE E. ALLISON,
[SEAL] *Secretary of the Board.*

ORDERS APPROVED UNDER BANK HOLDING COMPANY ACT

By the Board of Governors

During February 1979, the Board of Governors approved the applications listed below. Copies are available upon request to Publications Services, Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Section 3

Applicant	*Bank(s)*	*Board action (effective date)*
Bowman Capital Co., Omaha, Nebraska	First National Bank of Bowman, Bowman, North Dakota	February 23, 1979
First National Corporation, Appleton, Wisconsin	The Oshkosh National Bank, Oshkosh, Wisconsin	February 12, 1979
Marsh Investments, N.V. Curacao, Netherlands Antilles Marsh Investments, B.V. Rotterdam, the Netherlands M.F.G. Investments, Inc. Hialeah, Florida	First National Bank of Greater Miami, Hialeah, Florida	February 12, 1979
Metropolitan Bancorporation, Tampa, Florida	Metropolitan Bank and Trust Company, Tampa, Florida Holiday Bank, Holiday, Florida	February 22, 1979
Texas American Bancshares, Inc. Fort Worth, Texas	The Citizens National Bank of Denison, Denison, Texas	February 12, 1979

By Federal Reserve Banks

Recent applications have been approved by the Federal Reserve Banks as listed below. Copies of the orders are available upon request to the Reserve Banks.

Section 3

Applicant	*Bank(s)*	*Reserve Bank*	*Effective date*
Society Corporation, Cleveland, Ohio	First National Bank of Clermont County, Bethal, Ohio	Cleveland	February 7, 1979

Orders Approved Under Bank Merger Act

Applicant	Bank(s)	*Reserve Bank*	*Effective date*
The Central Trust Company, Reynoldsburg, Ohio	The Central Trust Company of Zanesville, Zanesville, Ohio	Cleveland	February 14, 1979

Pending Cases Involving the Board of Governors

Does not include suits against the Federal Reserve Banks in which the Board of Governors is not named a party.

California Life Corporation v. *Board of Governors*, filed January 1979, U.S.C.A. for the District of Columbia.

Hunter Holding Company v. *Board of Governors*, filed December 1978, U.S.C.A. for the Eighth Circuit.

Consumers Union of the United States v. *G. William Miller, et al.*, filed December 1978, U.S.D.C. for the District of Columbia.

Commercial National Bank, et al., v. *Board of Governors*, filed December 1978, U.S.C.A. for the District of Columbia.

Ella Jackson et al., v. *Board of Governors*, filed November 1978, U.S.C.A. for the Fifth Circuit.

Metro-North State Bank, Kansas City v. *Board of Governors*, filed October 1978, U.S.C.A. for the Eighth Circuit.

Manchester-Tower Grove Community Organization/ACORN v. *Board of Governors*, filed September 1978, U.S.C.A. for the District of Columbia.

Beckley v. *Board of Governors*, filed July 1978, U.S.D.C. for the Northern District of Illinois.

Independent Bankers Association of Texas v. *First National Bank in Dallas, et al.*, filed July 1978, U.S.C.A. for the Northern District of Texas.

Mid-Nebraska Bancshares, Inc. v. *Board of Governors*, filed July 1978, U.S.C.A. for the District of Columbia.

NCNB Corporation v. *Board of Governors*, filed June 1978, U.S.C.A. for the Fourth Circuit.

United States League of Savings Associations v. *Board of Governors*, filed May 1978, U.S.D.C. for the District of Columbia.

Security Bancorp and Security National Bank v. *Board of Governors*, filed March 1978, U.S.C.A. for the Ninth Circuit.

Michigan National Corporation v. *Board of Governors*, filed January 1978, U.S.C.A. for the Sixth Circuit.

Wisconsin Bankers Association v. *Board of*

Governors, filed January 1978, U.S.C.A. for the District of Columbia.

Vickars-Henry Corp. v. *Board of Governors*, filed December 1977, U.S.C.A. for the Ninth Circuit.

Emch v. *The United States of America, et al.*, filed November 1977 for the Eastern District of Wisconsin.

Central Bank v. *Board of Governors*, filed October 1977, U.S.C.A. for the District of Columbia.

Investment Company Institute v. *Board of Governors*, filed September 1977, U.S.D.C. for the District of Columbia.

BankAmerica Corporation v. *Board of Governors*, filed May 1977, U.S.D.C. for the Northern District of California.

BankAmerica Corporation v. *Board of Governors*, filed May 1977, U.S.C.A. for the Ninth Circuit.

Roberts Farms, Inc. v. *Comptroller of the Currency, et al.*, filed November 1975, U.S.D.C. for the Southern District of California.

Florida Association of Insurance Agents, Inc. v. *Board of Governors*, and *National Association of Insurance Agents, Inc.* v. *Board of Governors*, filed August 1975, actions consolidated in U.S.C.A. for the Fifth Circuit.

David R. Merrill, et al., v. *Federal Open Market Committee of the Federal Reserve System*, filed May 1975, U.S.D.C. for the District of Columbia.

Bankers Trust New York Corporation v. *Board of Governors*, filed May 1973, U.S.C.A. for the Second Circuit.

Directors of Federal Reserve Banks and Branches

Following is a list of the directorates of the Federal Reserve Banks and Branches as at present constituted. The list shows, in addition to the name of each director, his principal business affiliation, the class of directorship, and the date when his term expires. Each Federal Reserve Bank has nine directors; three Class A and three Class B directors, who are elected by the stockholding member banks, and three Class C directors, who are appointed by the Board of Governors of the Federal Reserve System. All Federal Reserve Bank directors are chosen without discrimination on the basis of race, creed, color, sex, or national origin. Class A directors are representative of the stockholding member banks. Class B directors represent the public and are elected with due but not exclusive consideration to the interests of agriculture, commerce, industry, services, labor, and consumers, and may not be officers, directors, or employees of any bank.

For the purpose of electing Class A and Class B directors, the member banks of each Federal Reserve district are classified by the Board of Governors of the Federal Reserve System into three groups, each of which consists of banks of similar capitalization, and each group elects one Class A and one Class B director. Class C directors are selected to represent the public with due but not exclusive consideration to the interests of agriculture, commerce, industry, services, labor, and consumers, and may not be officers, directors, employees, or stockholders of any bank. One Class C director is designated by the Board of Governors as Chairman of the Board of Directors and Federal Reserve Agent and another is appointed Deputy Chairman. Federal Reserve Branches have either five or seven directors, of whom a majority are appointed by the Board of Directors of the parent Federal Reserve Bank; the others are appointed by the Board of Governors of the Federal Reserve System. One of the directors appointed by the Board of Governors at each Branch is designated annually as Chairman of the Board in such a manner as the Federal Reserve Bank may prescribe.

In this list of the directorates, names followed by footnote 1 ([1]) are Chairmen, those by footnote 2 ([2]) are Deputy Chairmen, and those by footnote 3 ([3]) indicate new appointments.

District 1—Boston

		Term expires Dec. 31
Class A		
John Hunter, Jr.	President, Vermont National Bank, Brattleboro, Vt.	1979
Richard D. Hill	Chairman of the Board, First National Boston Corporation, Boston, Mass.	1980
Fred A. White[3]	President, Dartmouth National Bank of Hanover, Hanover, N.H.	1981
Class B		
Carol R. Goldberg	President, Stop & Shop Manufacturing Company, Boston, Mass.	1979
Weston P. Figgins	Chairman of the Board, Wm. Filene's Sons Company, Boston, Mass.	1980
Robert D. Kilpatrick[3]	President & Chief Executive Officer, Connecticut General Life Insurance Co., Hartford, Conn.	1981

District 1—Boston—Continued

Class C		Term expires Dec. 31
Kenneth I. Guscott	President, Ken Guscott Associates, Boston Mass.	1979
Robert M. Solow[1]	Institute Professor, Massachusetts Institute of Technology Cambridge, Mass.	1980
Robert P. Henderson[2,3]	President & Chief Executive Officer, Itek Corp., Lexington, Mass.	1981

District 2—New York

Class A		
Ellmore C. Patterson	Chairman of the Executive Committee, Morgan Guaranty Trust Company of New York, New York, N.Y.	1979
Raymond W. Bauer	Chairman and President, United Counties Trust Company, Elizabeth, N.J.	1980
James Whelden	President, Ballston Spa National Bank, Ballston Spa, N.Y.	1981
Class B		
Maurice F. Granville	Chairman of the Board, Texaco, Inc., White Plains, N.Y.	1979
William S. Sneath	Chairman of the Board, Union Carbide Corporation, New York, N.Y.	1980
John R. Mulhearn	President, New York Telephone Company, New York, N.Y.	1981
Class C		
Boris Yavitz[2]	Dean, Graduate School of Business, Columbia University, New York, N.Y.	1979
Robert H. Knight[1]	Partner, Shearman and Sterling, Attorneys, New York, N.Y.	1980
Gertrude Michelson	Senior Vice President, Macy's New York, New York, N.Y.	1981

—*Buffalo Branch*

Appointed by Federal Reserve Bank		
M. Jane Dickman	Partner, Touche Ross & Co., Buffalo, N.Y.	1979
William B. Webber	Vice Chairman of the Board, Lincoln First Bank, N.A., Rochester, N.Y.	1979
William S. Gavitt	President, The Lyons National Bank, Lyons, N.Y.	1980
Robert J. Donough	President and Chief Executive Officer, Liberty National Bank and Trust Co., Buffalo, N.Y.	1981
Appointed by Board of Governors		
Frederick D. Berkeley[1]	Chairman of the Board and President, Graham Manufacturing Company, Inc., Batavia, N.Y.	1979
John R. Burwell[3]	President, Rollins Container Corporation, Rochester, N.Y.	1980
George L. Wessel[3]	President, Buffalo AFL-CIO Council, Buffalo, N.Y.	1981

District 3—Philadelphia

		Term expires Dec. 31
Class A		
Donald J. Seebold	President, The First National Bank of Danville, Danville, Pa.	1979
John R. Biechler[3]	President and Chief Executive Officer, The Commonwealth National Bank, Harrisburg, Pa.	1980
Robert H. Deacon[3]	President, The Bank of Mid-Jersey, Bordentown, N.J.	1981
Class B		
William S. Masland	President and Chief Executive Officer, C.H. Masland & Sons, Carlisle, Pa.	1979
Jack K. Busby	Chairman and Chief Executive Officer, Pennsylvania Power & Light Co., Allentown, Pa.	1980
Richard P. Hauser[3]	Chairman and Chief Executive Officer, John Wanamaker, Philadelphia, Pa.	1981
Class C		
Jean Crockett	Chairman, Dept. of Finance, Wharton School, University of Pennsylvania, Philadelphia, Pa.	1979
Werner C. Brown[2]	Chairman, Hercules Incorporated, Wilmington, Del.	1980
John W. Eckman[1]	Chairman and President, Rorer Group, Inc., Fort Washington, Pa.	1981

District 4—Cleveland

Class A		
John W. Alford	President, The Park National Bank, Newark, Ohio	1979
John A. Gelbach	Chairman of the Board, Central National Bank of Cleveland, Cleveland, Ohio	1980
Everett L. Maffett[3]	President and Chief Executive Officer, Eaton National Bank and Trust Co., Eaton, Ohio	1981
Class B		
Charles Y. Lazarus	Chairman, The F. & R. Lazarus Co., Columbus, Ohio	1979
Hays T. Watkins	Chairman and President, Chessie System, Cleveland, Ohio	1980
Walter J. Robb, Sr.[3]	Chairman and Senior Partner, Proctor, Robb & Company, Granville, Ohio	1981
Class C		
Robert E. Kirby[1]	Chairman and Chief Executive Officer, Westinghouse Electric Corp., Pittsburgh, Pa.	1979
Arnold R. Weber[2]	Provost, Carnegie-Mellon University, Pittsburgh, Pa.	1980
J. L. Jackson[3]	President, Falcon Coal Company Inc., Lexington, Ky.	1981

—*Cincinnati Branch*

Appointed by Federal Reserve Bank		
William N. Liggett	Chairman of the Board and Chief Executive Officer, The First National Bank of Cincinnati, Cincinnati, Ohio	1979

DISTRICT 4—CLEVELAND—Continued

—CINCINATTI BRANCH—Continued

		Term expires Dec. 31
Appointed by Federal Reserve Bank		
Walter W. Hillenmeyer, Jr.	Chairman and Chief Executive Officer, First Security National Bank & Trust Co., Lexington, Ky.	1980
Lawrence C. Hawkins	Senior Vice President, University of Cincinnati, Cincinnati, Ohio	1981
Elden Houts[3]	President, The Citizens Commercial Bank and Trust Company, Celina, Ohio	1981
Appointed by Board of Governors		
Sister Michael Leo Mullaney[3]	President, St. Joseph Hospital, Lexington, Ky.	1979
Lawrence H. Rogers II[1]	President and Chief Executive Officer, Omega Communications, Inc., Cincinnati, Ohio	1980
Martin B. Friedman	President, Formica Corporation, Cincinnati, Ohio	1981

—PITTSBURGH BRANCH

Appointed by Federal Reserve Bank		
Peter Mortensen	President, F.N.B. Corporation, Sharon, Pa.	1979
William E. Bierer	President, Equibank N.A., Pittsburgh, Pa.	1980
Robert W. Fiscus[3]	President and Chief Executive Officer, The Savings & Trust Company of Pennsylvania, Indiana, Pa.	1981
R. Burt Gookin	Vice Chairman and Chief Executive Officer, H. J. Heinz Co., Pittsburgh, Pa.	1981
Appointed by Board of Governors		
G. Jackson Tankersley[1]	President, Consolidated Natural Gas Company, Pittsburgh, Pa.	1979
Lloyd M. McBride	President, United Steelworkers of America, Pittsburgh, Pa.	1980
William H. Knoell	President, Cyclops Corporation, Pittsburgh, Pa.	1981

DISTRICT 5—RICHMOND

Class A

Frank B. Robards, Jr.	President, Rock Hill National Bank, Rock Hill, S.C.	1979
Frederic H. Phillips	President, New Bank of Roanoke, Roanoke, Va.	1980
Vincent C. Burke, Jr.[3]	Chairman and Chief Executive Officer, The Riggs National Bank of Washington, D.C., Washington, D.C.	1981

Class B

Andrew L. Clark	President, Andy Clark Ford, Inc., Princeton, W.Va.	1979
Thomas A. Jordan	Secretary-Treasurer, Stuart Furniture Industries, Inc., Asheboro, N.C.	1980
Paul G. Miller[3]	Chairman, President, and Chief Executive Officer, Commercial Credit Company, Baltimore, Md.	1981

District 5—Richmond—Continued

Class C		Term expires Dec. 31
E. Angus Powell[1]	Partner, Midlothian Company, Midlothian, Va.	1979
Steven Muller	President, The Johns Hopkins University, Baltimore, Md.	1980
Maceo A. Sloan[2]	Executive Vice President, North Carolina Mutual Life Insurance Co., Durham, N.C.	1981

—*Baltimore Branch*

Appointed by Federal Reserve Bank

Lacy I. Rice, Jr.	President, The Old National Bank of Martinsburg, Martinsburg, W. Va.	1979
A. R. Reppert	President, The Union National Bank of Clarksburg, Clarksburg, W. Va.	1979
Joseph M. Gough, Jr.	President, The First National Bank of St. Mary's, Leonardtown, Md.	1980
Pearl C. Brackett	Assistant/Deputy Manager, Baltimore Regional Chapter of American Red Cross, Baltimore, Md.	1981

Appointed by Board of Governors

I. E. Killian[1]	President, Killian Enterprises, Inc., Gibson Island, Md.	1979
Catherine Byrne Doehler	Baltimore, Md.	1980
Joseph H. McLain	President, Washington College, Chestertown, Md.	1981

—*Charlotte Branch*

Appointed by Federal Reserve Bank

Thomas L. Benson	President, The Conway National Bank, Conway, S.C.	1979
W. B. Apple, Jr.	President, First National Bank of Reidsville, Reidsville, N.C.	1979
John T. Fielder	President, J. B. Ivey and Company, Charlotte, N.C.	1980
Hugh M. Chapman[3]	Chairman of the Board, The Citizens & Southern National Bank of South Carolina, Columbia, S.C.	1981

Appointed by Board of Governors

Naomi G. Albanese	Dean, School of Home Economics, University of North Carolina at Greensboro, Greensboro, N.C.	1979
Robert E. Elberson[1]	President, Chief Executive Officer and Director, Hanes Corporation, Winston-Salem, N.C.	1980
Henry Ponder[3]	President, Benedict College, Columbia, S.C.	1981

District 6—Atlanta

Class A

John T. Oliver, Jr.	President, First National Bank of Jasper, Jasper, Ala.	1979
Hugh M. Willson	President, Citizens National Bank, Athens, Tenn.	1980
Guy W. Botts[3]	Chairman of the Board, Barnett Banks of Florida, Inc. Jacksonville, Fla.	1981

DISTRICT 6—ATLANTA —Continued

		Term expires Dec. 31
Class B		
Jean McArthur Davis	President, McArthur Dairy, Inc., Miami, Fla.	1979
Ulysses V. Goodwyn	Executive Vice President, Southern Natural Resources Inc., Birmingham, Ala.	1980
Floyd W. Lewis[3]	President, Middle South Utilities, Inc., New Orleans, La.	1981
Class C		
Clifford M. Kirtland, Jr.[1]	President, Cox Broadcasting Corporation, Atlanta, Ga.	1979
William A. Fickling, Jr.[2]	President and Chairman, Charter Medical Corporation, Macon, Ga.	1980
Fred Adams, Jr.	President, Cal-Maine Foods, Inc., Jackson, Miss.	1981

—*BIRMINGHAM BRANCH*

Appointed by Federal Reserve Bank		
Drury Flowers	Chairman, First Alabama Bank of Dothan, Dothan, Ala.	1979
Martha H. Simms	Huntsville, Ala.	1979
George S. Shirley	President, The First National Bank of Tuscaloosa, Tuscaloosa, Ala.	1980
Guy H. Caffey, Jr.[3]	Chairman and Chief Executive Officer, Southern Bancorporation of Alabama, Birmingham, Ala.	1981
Appointed by Board of Governors		
William H. Martin, III[1]	President and Chief Executive Officer, Martin Industries, Inc., Florence, Ala.	1979
Harold B. Blach, Jr.	President, Blach's, Inc., Birmingham, Ala.	1980
Louis J. Willie[3]	Executive Vice President, Booker T. Washington Insurance Co., Birmingham, Ala.	1981

—*JACKSONVILLE BRANCH*

Appointed by Federal Reserve Bank		
Richard E. Ehlis	President, Florida National Bank at Lakeland, Lakeland, Fla.	1979
William E. Arnold, Jr.	President, William E. Arnold Company, Jacksonville, Fla.	1979
DuBose Ausley	President and Chief Executive Officer, Capital City First National Bank, Tallahassee, Fla.	1980
Robert E. Warfield, Jr.[3]	Chairman and President, The First National Bank and Trust Co., Eustis, Fla.	1981
Appointed by Board of Governors		
Copeland D. Newbern[1]	Chairman of the Board, Newbern Groves, Inc., Tampa, Fla.	1979
Joan W. Stein	Partner, Regency Square Shopping Center, Jacksonville, Fla.	1980
Jerome P. Keuper[3]	President, Florida Institute of Technology, Melbourne, Fla.	1981

DISTRICT 6—ATLANTA—Continued

—MIAMI BRANCH

		Term expires Dec. 31
Appointed by Federal Reserve Bank		
Aristides R. Sastre	President, Republic National Bank, Miami, Fla.	1979
Tully F. Dunlap[3]	Chairman, Florida National Bank, Miami, Fla.	1980
Jane C. Cousins	President, Cousins Associates, Inc., Miami, Fla.	1981
Alfred W. Roepstorff[3]	President, National Bank of Collier County, Marco Island, Fla.	1981
Appointed by Board of Governors		
Castle W. Jordan[1]	President, Aegis Corporation, Coral Gables, Fla.	1979
David G. Robinson	President, Edison Community College, Fort Myers, Fla.	1980
Roy W. Vandergrift[3]	President, Vandergrift-Williams Farms, Inc., Pahokee, Fla.	1981

—NASHVILLE BRANCH

Appointed by Federal Reserve Bank		
Virgil H. Moore, Jr.	President, First Farmers and Merchants National Bank, Columbia, Tenn.	1979
Frank C. Thomas	President, Stearns Coal and Lumber Company, Knoxville, Tenn.	1979
James R. Austin	Chairman and Chief Executive Officer, Peoples National Bank, Shelbyville, Tenn.	1980
Ruth W. Ellis[3]	President, Mountain Empire Bank, Johnson City, Tenn.	1981
Appointed by Board of Governors		
Cecelia Adkins	Executive Director, Sunday School Publishing Board, Nashville, Tenn.	1979
Robert C. H. Mathews, Jr.	President, R. C. Mathews, Contractor, Inc., Nashville, Tenn.	1980
John C. Bolinger[1]	Management Consultant, Knoxville, Tenn.	1981

—NEW ORLEANS BRANCH

Appointed by Federal Reserve Bank		
Martin C. Miler	Chairman of the Board and President, The Hibernia National Bank, New Orleans, La.	1979
George P. Hopkins, Jr.	President, George P. Hopkins, Inc., Gulfport, Miss.	1979
William E. Howard, Jr.	Chairman of the Board, Commercial National Bank and Trust Company of Laurel, Laurel, Miss.	1980
Robert H. Bolton[3]	President, Rapides Bank and Trust Company in Alexandria, Alexandria, La.	1981
Appointed by Board of Governors		
Levere C. Montgomery[1]	President, Time Saver Stores, Inc., New Orleans, La.	1979
George C. Cortright, Jr.	Partner, George C. Cortright Company, Rolling Fork, Miss.	1980

District 6—Atlanta—Continued

—New Orleans Branch—Continued

		Term expires Dec. 31
Appointed by Board of Governors		
Horatio C. Thompson[3]	President, Horatio Thompson Investment Company, Baton Rouge, La.	1981

District 7—Chicago

Class A		
Jay J. DeLay	President, Huron Valley National Bank, Ann Arbor, Mich.	1979
John F. Spies	President, Iowa Trust and Savings Bank, Emmetsburg, Iowa	1980
A. Robert Abboud	Chairman of the Board, The First National Bank of Chicago, Chicago, Ill.	1981
Class B		
Mary Garst[3]	Manager of Cattle Division, Garst Company, Coon Rapids, Iowa	1979
Arthur J. Decio	Chairman of the Board and Chief Executive Officer, Skyline Corporation, Elkhart, Ind.	1980
Dennis W. Hunt[3]	President, Hunt Truck Lines, Inc., Rockwell City, Iowa	1981
Class C		
Robert H. Strotz[1]	President, Northwestern University, Evanston, Ill.	1979
John Sagan[2]	Vice President—Treasurer, Ford Motor Company, Dearborn, Mich.	1980
Edward F. Brabec	Business Manager, Chicago Journeymen Plumbers, Local 130, Chicago, Ill.	1981

—Detroit Branch

Appointed by Federal Reserve Bank		
Rodkey Craighead	Chairman and Chief Executive Officer, Detroitbank Corporation, Detroit, Mich.	1979
Lawrence A. Johns	President, Isabella Bank and Trust, Mount Pleasant, Mich.	1980
Charles R. Montgomery	President, Michigan Consolidated Gas Company, Detroit, Mich.	1981
James H. Duncan[3]	Chairman, First National Bank and Trust Company of Michigan, Kalamazoo, Mich.	1981
Appointed by Board of Governors		
Jordan B. Tatter[1]	President and Chief Executive Officer, Southern Michigan Cold Storage Co., Benton Harbor, Mich.	1979
Howard F. Sims	President, Sims-Varner Associates, Inc., Detroit, Mich.	1980

District 7—Chicago—Continued

Term expires Dec. 31

—Detroit Branch—Continued

Appointed by Board of Governors

Herbert H. Dow	Director and Secretary, The Dow Chemical Company, Midland, Mich.	1981

District 8—St. Louis

Class A

Raymond C. Burroughs	President and Chief Executive Officer, The City National Bank of Murphysboro, Murphysboro, Ill.	1979
Donald N. Brandin	Chairman and Chief Executive Officer, the Boatmen's National Bank of St. Louis, St. Louis, Mo.	1980
George M. Ryrie[3]	President and Chief Executive Officer, First National Bank & Trust Company, Alton, Ill.	1981

Class B

Virginia M. Bailey	Owner, Eldo Properties, Little Rock, Ark.	1979
Ralph C. Bain	Vice President, Wabash Plastics, Inc., Evansville, Ind.	1980
Tom K. Smith, Jr.	Senior Vice President, Monsanto Company, St. Louis, Mo.	1981

Class C

Armand C. Stalnaker[1]	Chairman of the Board, General American Life Insurance Co., St. Louis, Mo.	1979
William H. Stroube	Associate Dean of Faculty Programs, Western Kentucky University, Bowling Green, Ky.	1980
William B. Walton[2]	Vice Chairman of the Board, Holiday Inns, Inc., Memphis, Tenn.	1981

—Little Rock Branch

Appointed by Federal Reserve Bank

B. Finley Vinson	Vice Chairman of the Board, The First National Bank in Little Rock, Little Rock, Ark.	1979
Thomas E. Hays, Jr.	President and Chief Executive Officer, The First National Bank of Hope, Hope, Ark.	1980
Gordon E. Parker[3]	President and Chief Executive Officer, The First National Bank of El Dorado, El Dorado, Ark.	1981
Shirley J. Pine[3]	Professor, Speech Communication, University of Arkansas at Little Rock, Little Rock, Ark.	1981

Appointed by Board of Governors

E. Ray Kemp, Jr.	Vice Chairman of the Board and Chief Administrative Officer, Dillard Department Stores, Inc., Little Rock, Ark.	1979

District 8—St. Louis—Continued

		Term expires Dec. 31
—Little Rock Branch—Continued		
Appointed by Board of Governors		
Ronald W. Bailey	Executive Vice President and General Manager, Producers Rice Mill, Inc. Stuttgart, Ark.	1980
G. Larry Kelley[1]	President, Pickens-Bond Construction Co., Little Rock, Ark.	1981
—Louisville Branch		
Appointed by Federal Reserve Bank		
Howard Brenner	Vice Chairman of the Board, Tell City National Bank, Tell City, Ind.	1979
J. David Grissom	Chairman and Chief Executive Officer, Citizens Fidelity Bank and Trust Co., Louisville, Ky.	1980
Fred B. Oney	President, The First National Bank of Carrollton, Carrollton, Ky.	1981
Sister Eileen M. Egan[3]	President, Spalding College, Louisville, Ky.	1981
Appointed by Board of Governors		
James F. Thompson[1]	Professor of Economics, Murray State University, Murray, Ky.	1979
Richard O. Donegan	Vice President and Group Executive, Major Appliance Business Group, General Electric Company, Louisville, Ky.	1980
Wendell G. Rayburn[3]	Dean of University College, University of Louisville, Louisville, Ky.	1981
—Memphis Branch		
Appointed by Federal Reserve Bank		
Earl L. McCarroll	President, The Farmers Bank & Trust Co., Blytheville, Ark.	1979
Charles S. Youngblood	President and Chief Executive Officer, First Columbus National Bank, Columbus, Miss.	1980
Stallings Lipford	President, First-Citizens National Bank of Dyersburg, Dyersburg, Tenn.	1981
Bruce E. Campbell, Jr.[3]	Chairman and President, National Bank of Commerce, Memphis, Tenn.	1981
Appointed by Board of Governors		
Walter L. Walker[3]	President, LeMoyne-Owen College, Memphis, Tenn.	1979
Frank A. Jones, Jr.[1]	President, Cook Industries, Inc., Memphis, Tenn.	1980
Benjamin P. Pierce[3]	President, Tyrone Hydraulics, Inc., Corinth, Miss.	1981

District 9—Minneapolis

		Term expires Dec. 31
Class A		
Nels E. Turnquist	President, National Bank of South Dakota, Sioux Falls, S. Dak.	1979
James H. Smaby	President, Commercial National Bank & Trust Co., Iron Mountain, Mich.	1980
Donald L. Scothorn[3]	President, First State Bank, Stevensville, Mont.	1981
Class B		
Warren B. Jones	Secretary-Treasurer, Two Dot Land & Livestock Co., Harlowton, Mont.	1979
Donald P. Helgeson	Secretary and Vice President, Jack Frost, Inc., St. Cloud, Minn.	1980
Russell G. Cleary	Chairman and President, G. Heileman Brewing Company, LaCrosse, Wis.	1981
Class C		
Sister Generose Gervais	Administrator, St. Mary's Hospital, Rochester, Minn.	1979
Stephen F. Keating[1]	Vice Chairman of the Board, Honeywell, Inc., Minneapolis, Minn.	1980
William G. Phillips[2,3]	Chairman and Chief Executive Officer, International Multifoods, Minneapolis, Minn.	1981

—*Helena Branch*

Appointed by Federal Reserve Bank		
Lynn D. Grobel	President, First National Bank of Glasgow, Glasgow, Mont.	1979
William B. Andrews	President, Northwestern Bank of Helena, Helena, Mont.	1980
Jase O. Norsworthy[3]	President, The N.R.G. Company, Billings, Mont.	1980
Appointed by Board of Governors		
Norris E. Hanford	Wheat & Barley Operator, Fort Benton, Mont.	1979
Patricia P. Douglas[1]	Vice President-Fiscal Affairs, University of Montana, Missoula, Mont.	1980

District 10—Kansas City

Class A		
Philip Hamm	President, First National Bank & Trust Co., Eldorado, Kans.	1979
Craig Bachman	President, First National Bank of Centralia, Centralia, Kans.	
John D. Woods[3]	Chairman & Chief Executive Officer, The Omaha National Bank, Omaha, Neb.	1981

District 10—Kansas City—Continued

		Term expires Dec. 31
Class B		
John A. McKinney	President and Chief Executive Officer, Johns-Manville Corporation, Denver, Colo.	1979
James G. Harlow, Jr.	President, Oklahoma Gas and Electric Co., Oklahoma City, Okla.	1980
Alan R. Sleeper	Rancher, Alden, Kans.	1981
Class C		
Paul H. Henson	Chairman, United Telecommunications, Inc., Westwood, Kans.	1979
Joseph H. Williams[2]	Chairman and Chief Executive Officer, The Williams Companies, Tulsa, Okla.	1980
Harold W. Andersen[1]	President, Omaha World-Herald Company, Omaha, Nebr.	1981

—*Denver Branch*

Appointed by Federal Reserve Bank		
Felix Buchenroth, Jr.	President, The Jackson State Bank, Jackson, Wyo.	1979
William H. Vernon	Director, and Former Chairman and Chief Executive Officer, Santa Fe National Bank, Santa Fe, N.M.	1980
Delano E. Scott	President and Chairman, The Routt County National Bank of Steamboat Springs, Steamboat Springs, Colo.	1980
Appointed by Board of Governors		
A. L. Feldman[1]	President and Chief Executive Officer, Frontier Airlines, Denver, Colo.	1979
Doris M. Drury[3]	Professor and Chairman, Department of Economics, University of Denver, Denver, Colo.	1980

—*Oklahoma City Branch*

Appointed by Federal Reserve Bank		
J. A. Maurer	Chairman, Security National Bank & Trust Co., Duncan, Okla.	1979
W. L. Stephenson, Jr.	Chairman of the Board and Chief Executive Officer, Central National Bank & Trust Co. of Enid, Enid, Okla.	1980
V. M. Thompson, Jr.	Chairman and Chief Executive Officer, Utica National Bank and Trust Co., Tulsa, Okla.	1980
Appointed by Board of Governors		
Christine H. Anthony[1]	Oklahoma City, Okla.	1979
Samuel R. Noble[3]	Chairman of the Board, Noble Affiliates, Inc., Ardmore, Okla.	1980

District 10—Kansas City—Continued

		Term expires Dec. 31
	—Omaha Branch	
Appointed by Federal Reserve Bank		
Roy G. Dinsdale	Chairman of the Board, Farmers National Bank of Central City, Central City, Nebr.	1979
Joe J. Huckfeldt	President, Gering National Bank & Trust Co., Gering, Nebr.	1979
F. Phillips Giltner	President, First National Bank of Omaha, Omaha, Nebr.	1980
Appointed by Board of Governors		
Durward B. Varner[1]	Chairman and Chief Executive Officer, University of Nebraska Foundation, Lincoln, Nebr.	1979
Robert G. Lueder[3]	President, Lueder Construction Company, Omaha, Nebr.	1980

District 11—Dallas

Class A		
Gene D. Adams	President, The First National Bank of Seymour, Seymour, Tex.	1979
Frank Junell	Chairman of the Board, The Central National Bank of San Angelo, San Angelo, Tex.	1980
Lewis H. Bond[3]	Chairman and Chief Executive Officer, Texas American Bancshares, Inc., Ft. Worth, Tex.	1981
Class B		
Stewart Orton	Chairman of the Board and Chief Executive Officer, Foley's, Division of Federated Dept. Stores, Inc., Houston, Tex.	1979
Vacancy		1980
J. Wayland Bennett[3]	Associate Dean for Industry Relations and Professor of Agricultural Economics, College of Agricultural Sciences, Texas Tech University, Lubbock, Tex.	1981
Class C		
Margaret S. Wilson	Chairman of the Board and Chief Executive Officer, Scarbroughs Stores, Austin, Tex.	1979
Irving A. Mathews[1]	Chairman of the Board and Chief Executive Officer, Frost Bros., Inc., San Antonio, Tex.	1980
Gerald D. Hines[2]	Owner, Gerald D. Hines Interests, Houston, Tex.	1981
	—El Paso Branch	
Appointed by Federal Reserve Bank		
Arthur L. Gonzales	President, First City National Bank of El Paso, El Paso, Tex.	1979
Claude E. Leyendecker	President, Mimbres Valley Bank, Deming, N. Mex.	1980

DISTRICT 11—DALLAS—Continued

—EL PASO BRANCH—Continued

		Term expires Dec. 31
Appointed by Federal Reserve Bank		
Arnold B. Peinado, Jr.	Partner, AVC Development, El Paso, Tex.	1981
Charles A. Joplin[3]	President, Security National Bank of Roswell, Roswell, N. Mex.	1981
Appointed by Board of Governors		
A. J. Losee[1]	Shareholder, Losee, Carson, & Dickerson, P.A., Artesia, N. Mex.	1979
Chester J. Kesey	C. J. Kesey Enterprises, Pecos, Tex.	1980
Josefina A. Salas-Porras	Executive Director, BI Language Services, El Paso, Tex.	1981

—HOUSTON BRANCH

Appointed by Federal Reserve Bank		
Page K. Stubblefield	Chairman of the Board, Victoria Bank & Trust Company, Victoria, Tex.	1979
Raymond L. Britton[3]	Labor Aribitrator and Professor of Law, University of Houston, Houston, Tex.	1980
John T. Cater[3]	President, Bank of the Southwest National Association, Houston, Tex.	1981
Ralph E. David[3]	President, First Freeport National Bank, Freeport, Tex.	1981
Appointed by Board of Governors		
Jerome L. Howard	Chairman of the Board and Chief Executive Officer, Mortgage & Trust, Inc., Houston, Tex.	1979
Gene M. Woodfin[1]	Chairman of the Board and Chief Executive Officer, Marathon Manufacturing Company, Houston, Tex.	1980
Granville M. Sawyer[3]	President, Texas Southern University, Houston, Tex.	1981

—SAN ANTONIO BRANCH

Appointed by Federal Reserve Bank		
Ben R. Low	President, National Bank of Commerce, San Antonio, Tex.	1979
John H. Garner	President and Chief Executive Officer, Corpus Christi National Bank, Corpus Christi, Tex.	1980
John H. Holcomb	Owner-Manager, Progreso Haciendas Company, Progreso, Tex.	1981
Charles E. Cheever, Jr.[3]	President, Broadway National Bank, San Antonio, Tex.	1981
Appointed by Board of Governors		
Pat Legan[1]	Owner, Legan Properties, San Antonio, Tex.	1979
John J. McKetta	E.P. Schoch Professor of Chemical Engineering, University of Texas, Austin, Tex.	1980
Carlos A. Zuniga	Partner, Zuniga Storage and Forwarding Company, Laredo, Tex.	1981

District 12—San Francisco

		Term expires Dec. 31
Class A		
Frederick G. Larkin, Jr.	Chairman of the Executive Committee, Security Pacific National Bank, Los Angeles, Calif.	1979
Ole R. Mettler	President and Chairman of the Board, Farmers & Merchants Bank of Central California, Lodi, Calif.	1980
Robert A. Young[3]	Chairman and President, Northwest National Bank, Vancouver, Wash.	1981
Class B		
Clair L. Peck, Jr.	Chairman of the Board, C.L. Peck Contractor, Los Angeles, Calif.	1979
J.R. Vaughan	Chairman and Chief Executive Officer, Knudsen Corporation, Los Angeles, Calif.	1980
Malcolm T. Stamper	President, The Boeing Company, Seattle, Wash.	1981
Class C		
Dorothy Wright Nelson	Dean and Professor of Law, University of Southern California Law Center, Los Angeles, Calif.	1979
Cornell C. Maier[2]	Chairman, President and Chief Executive Officer, Kaiser Aluminum & Chemical Corp., Oakland, Calif.	1980
Joseph F. Alibrandi[1]	President and Chief Executive Officer, Whittaker Corp., Los Angeles, Calif.	1981

—*Los Angeles Branch*

Appointed by Federal Reserve Bank		
Joseph J. Pinola	Chairman and Chief Executive Officer, Western Bancorporation, Los Angeles, Calif.	1979
Fern Jellison	General Manager, Social Service Department, City of Los Angeles, Los Angeles, Calif.	1979
James D. McMahon	President, Santa Clarita National Bank, Newhall, Calif.	1980
Harvey J. Mitchell	President, First National Bank of San Diego County, Escondido, Calif.	1981
Appointed by Board of Governors		
Togo W. Tanaka[3]	President, Gramercy Enterprises, Los Angeles, Calif.	1979
Caroline Ahmanson[1]	Chairman of the Board, Caroline Leonetti, Ltd., Beverly Hills, Calif.	1980
Harvey A. Proctor	Chairman of the Board, Southern California Gas Company, Los Angeles, Calif.	1981

—*Portland Branch*

Appointed by Federal Reserve Bank		
Merle G. Bryan	President, Forest Grove National Bank, Forest Grove, Oreg.	1979
Kenneth Smith	General Manager, The Confederated Tribes of Warm Springs, Warm Springs, Oreg.	1980

District 12—San Francisco—Continued

—Portland Branch—Continued

		Term expires Dec. 31
Appointed by Federal Reserve Bank		
Jack W. Gustavel[3]	President and Chief Executive Officer, First National Bank of North Idaho, Coeur d' Alene, Idaho	1981
Robert F. Wallace	Chairman of the Board, First National Bank of Oregon, Portland, Oreg.	1981
Appointed by Board of Governors		
Phillip W. Schneider	Northwest Regional Executive, National Wildlife Federation, Portland, Oreg.	1979
Loran L. Stewart[1]	Director, Bohemia Inc., Eugene, Oreg.	1980
Jean Mater	Partner and General Manager, Mater Engineering, Corvallis, Oreg.	1981

—Salt Lake City Branch

Appointed by Federal Reserve Bank		
Fred H. Stringham	President, Valley Bank and Trust Company, South Salt Lake, Utah	1979
Mary S. Knox	Chairman, Idaho State Bank, Glenns Ferry, Idaho	1980
Robert E. Bryans	Chairman of the Board and Chief Executive Officer, Walker Bank & Trust Company, Salt Lake City, Utah	1981
David P. Gardner	President, University of Utah, Salt Lake City, Utah	1981
Appointed by Board of Governors		
Robert A. Erkins	White Arrow Ranch, Bliss, Idaho	1979
J. L. Terteling	Terteling Company, Inc., Boise, Idaho	1980
Wendell J. Ashton[1,3]	Publisher, Deseret News Publishing Company, Salt Lake City, Utah	1981

—Seattle Branch

Appointed by Federal Reserve Bank		
Donald L. Mellish	Chairman of the Board, National Bank of Alaska, Anchorage, Alaska	1979
Rufus C. Smith	Chairman, The First National Bank of Enumclaw, Enumclaw, Wash.	1980
Douglas S. Gamble	President and Chief Executive Officer, Pacific Gamble Robinson Co., Seattle, Wash.	1981
C. M. Berry[3]	President, Seattle First National Bank, Seattle, Wash.	1981
Appointed by Board of Governors		
Merle D. Adlum	Vice President, Seafarer's International Union of North America, AFL-CIO, Seattle, Wash.	1979
Virginia L. Parks	Vice President—Business and Finance, Seattle University, Seattle, Wash.	1980
Lloyd E. Cooney[1]	President and General Manager, KIRO—Radio & Television, Seattle, Wash.	1981

Financial and Business Statistics

CONTENTS

1.10 MONETARY AGGREGATES AND INTEREST RATES

Item	1978				1978				1979
	Q1	Q2	Q3	Q4	Sept.	Oct.	Nov.	Dec.	Jan.
	Monetary and credit aggregates (annual rates of change, seasonally adjusted in per cent)[13]								
Member bank reserves									
1 Total	8.9	6.2	8.6	r2.3	8.6	r5.1	r−3.6	r−0.1	6.0
2 Required	8.8	6.7	8.6	r2.1	8.0	r6.0	r−5.4	r−0.4	6.6
3 Nonborrowed	14.5	0.6	6.6	r4.6	11.3	r−1.2	r 13.4	r−4.9	2.2
4 Monetary base[1]	9.9	7.6	9.3	8.4	13.4	8.0	5.7	7.9	8.6
Concepts of money[2]									
5 M-1	6.6	9.2	8.1	4.4	13.8	1.7	−2.0	1.7	−5.3
6 M-1+	5.0	7.2	6.0	2.5	12.1	0.8	−4.9	−1.4	−8.0
7 M-2	7.0	8.4	9.9	7.7	13.0	6.5	4.7	2.7	−1.2
8 M-3	8.1	8.4	10.4	r9.3	13.4	r8.8	6.7	r5.5	3.3
Time and savings deposits									
Commercial banks:									
9 Total	12.5	11.5	11.3	12.4	12.7	8.5	21.9	5.1	9.0
10 Savings	2.0	3.8	2.3	−0.9	9.7	−1.6	−9.6	−7.5	−13.0
11 Other time	11.7	11.4	18.5	19.2	14.8	19.3	24.5	12.0	12.7
12 Thrift institutions[3]	9.7	8.5	11.1	r11.6	14.0	12.0	r9.6	r9.3	9.6
13 Total loans and investments at commercial banks[4]	10.1	14.9	10.8	7.7	9.7	9.8	6.7	1.1	13.3

	1978				1978			1979	
	Q1	Q2	Q3	Q4	Oct.	Nov.	Dec.	Jan.	Feb.
	Interest rates (levels, per cent per annum)								
Short-term rates									
14 Federal funds[5]	6.76	7.28	8.09	9.58	8.96	9.76	10.03	10.07	10.06
15 Federal Reserve discount[6]	6.46	6.78	7.50	9.09	8.26	9.50	9.50	9.50	9.50
16 Treasury bills (3-month market yield)[7]	6.39	6.48	7.31	8.57	7.99	8.64	9.08	9.35	9.32
17 Commercial paper (90- to 119-day)[7,8]	6.76	7.16	8.03	9.83	8.98	10.14	10.37	10.25	9.95
Long-term rates									
Bonds:									
18 U.S. Government[9]	8.19	8.43	8.53	8.78	8.69	8.75	8.90	8.98	9.03
19 State and local government[10]	5.65	6.02	6.16	6.28	6.13	6.19	6.51	6.47	6.31
20 Aaa utility (new issue)[11]	8.70	8.98	8.94	9.23	9.17	9.27	9.28	9.54	9.53
21 Conventional mortgages[12]	9.23	9.58	9.80	10.12	9.95	10.10	10.30	10.30	10.35

[1] Includes total reserves (member bank reserve balances in the current week plus vault cash held two weeks earlier), currency in circulation (currency outside the U.S. Treasury, Federal Reserve Banks and the vaults of commercial banks), and vault cash of nonmember banks.

[2] M-1 equals currency plus private demand deposits adjusted.

M-1 + equals M-1 plus savings deposits at commercial banks, NOW accounts at banks and thrift institutions, credit union share draft accounts, and demand deposits at mutual savings banks.

M-2 equals M-1 plus bank time and savings deposits other than large negotiable certificates of deposit (CDs).

M-3 equals M-2 plus deposits at mutual savings banks, savings and loan associations, and credit union shares.

[3] Savings and loan associations, mutual savings banks, and credit unions.

[4] Quarterly changes calculated from figures shown in table 1.23.

[5] Seven-day averages of daily effective rates (average of the rates on a given date weighted by the volume of transactions at those rates).

[6] Rate for the Federal Reserve Bank of New York.

[7] Quoted on a bank-discount basis.

[8] Beginning Nov. 1977, unweighted average of offering rates quoted by five dealers. Previously, most representative rate quoted by these dealers.

[9] Market yields adjusted to a 20-year maturity by the U.S. Treasury.

[10] *Bond Buyer* series for 20 issues of mixed quality.

[11] Weighted averages of new publicly offered bonds rated Aaa, Aa, and A by Moody's Investors Service and adjusted to an Aaa basis. Federal Reserve compilations.

[12] Average rates on new commitments for conventional first mortgages on new homes in primary markets, unweighted and rounded to nearest 5 basis points, from Dept. of Housing and Urban Development.

[13] Unless otherwise noted, rates of change are calculated from average amounts outstanding in preceding month or quarter.

1.11 FACTORS AFFECTING MEMBER BANK RESERVES

Millions of dollars

Factors	Monthly averages of daily figures			Weekly averages of daily figures for weeks ending—						
	1978	1979		1979						
	Dec.	Jan.	Feb.p	Jan. 17	Jan. 24	Jan. 31	Feb. 7	Feb. 14	Feb. 21p	Feb. 28p
SUPPLYING RESERVE FUNDS										
1 **Reserve Bank credit outstanding**	**129,330**	**128,749**	**126,074**	**129,659**	**127,716**	**126,666**	**125,668**	**125,041**	**127,262**	**125,978**
2 *U.S. government securities*[1]	*109,255*	*105,287*	*103,335*	*107,131*	*104,725*	*102,629*	*105,548*	*104,308*	*102,384*	*101,098*
3 Bought outright	108,780	105,151	103,087	107,131	104,725	102,629	104,877	103,989	102,384	101,098
4 Held under repurchase agreements	475	136	248	.....	.....	.....	671	319	.....	.....
5 *Federal agency securities*	*8,089*	*7,905*	*7,528*	*7,892*	*7,889*	*7,832*	*7,578*	*7,560*	*7,487*	*7,487*
6 Bought outright	7,897	7,878	7,487	7,892	7,889	7,832	7,487	7,487	7,487	7,487
7 Held under repurchase agreements	192	27	41	.....	.....	.....	91	73	.....	.....
8 Acceptances	167	56	88	.....	.....	.....	170	181	.....	.....
9 Loans	874	994	973	896	923	1,428	817	1,054	937	1,084
10 Float	7,423	9,882	9,076	9,354	9,830	9,479	5,975	6,433	12,093	11,646
11 Other Federal Reserve assets	3,522	4,625	5,074	4,386	4,349	5,299	5,579	5,505	4,360	4,663
12 Gold stock	11,635	11,625	11,553	11,609	11,608	11,603	11,578	11,544	11,544	11,544
13 Special Drawing Rights certificate account	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
14 Treasury currency outstanding	11,826	11,867	11,948	11,864	11,875	11,888	11,911	11,931	11,969	11,983
ABSORBING RESERVE FUNDS										
15 Currency in circulation	113,395	112,340	110,950	112,599	111,437	110,549	110,564	111,019	111,153	111,054
16 Treasury cash holdings	260	251	303	247	249	264	289	296	312	326
Deposits, other than member bank reserves, with F.R. Banks:										
17 Treasury	3,931	3,379	3,502	3,302	3,420	3,477	3,667	3,145	3,534	3,660
18 Foreign	301	288	276	277	269	256	287	261	286	269
19 Other[2]	724	826	867	786	858	789	811	938	879	840
20 Other F.R. liabilities and capital	4,322	4,522	4,371	4,490	4,593	4,658	4,153	4,164	4,447	4,721
21 Member bank reserves with F.R. Banks	31,158	31,935	30,606	32,731	31,673	31,465	30,688	29,993	31,463	29,935

	End-of-month figures			Wednesday figures						
	1978	1979		1979						
	Dec.	Jan.	Feb.p	Jan. 17	Jan. 24	Jan. 31	Feb. 7	Feb. 14	Feb. 21p	Feb. 28p
SUPPLYING RESERVE FUNDS										
22 **Reserve bank credit outstanding**	**131,327**	**125,406**	**125,335**	**132,291**	**129,681**	**125,406**	**128,236**	**133,633**	**121,581**	**125,335**
23 *U.S. government securities*[1]	*110,562*	*101,279*	*103,486*	*102,373*	*105,724*	*101,279*	*105,023*	*106,784*	*95,833*	*103,486*
24 Bought outright	109,478	101,279	103,486	102,373	105,724	101,279	104,322	105,540	95,833	103,486
25 Held under repurchase agreements	1,084	.....	.....	.....	.....	.....	701	1,244	.....	.....
26 *Federal agency securities*	*8,029*	*7,507*	*7,487*	*7,892*	*7,886*	*7,507*	*7,633*	*7,851*	*7,487*	*7,487*
27 Bought outright	7,896	7,507	7,487	7,892	7,886	7,507	7,487	7,487	7,487	7,487
28 Held under repurchase agreements	133	.....	.....	.....	.....	.....	146	364	.....	.....
29 Acceptances	587	.....	.....	.....	.....	.....	434	708	.....	.....
30 Loans	1,174	4,366	1,604	2,043	1,082	4,366	512	1,129	1,018	1,604
31 Float	6,432	6,578	8,187	15,305	10,595	6,578	8,895	11,773	12,733	8,187
32 Other Federal Reserve assets	4,543	5,676	4,571	4,678	4,394	5,676	5,739	5,388	4,510	4,571
33 Gold stock	11,671	11,592	11,544	11,608	11,608	11,592	11,550	11,544	11,544	11,544
34 Special Drawing Rights certificate account	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
35 Treasury currency outstanding	11,831	11,912	11,992	11,870	11,882	11,912	11,922	11,969	11,969	11,992
ABSORBING RESERVE FUNDS										
36 Currency in circulation	114,645	110,662	111,316	112,294	111,158	110,662	111,076	111,396	111,437	111,316
37 Treasury cash holdings	240	289	331	244	249	289	286	308	325	331
Deposits, other than member bank reserves, with F.R. Banks:										
38 Treasury	4,196	3,522	3,443	3,061	3,432	3,522	2,219	3,276	3,185	3,443
39 Foreign	368	339	343	316	291	339	233	312	315	343
40 Other[2]	1,256	874	779	712	853	874	687	902	752	779
41 Other F.R. liabilities and capital	4,275	4,594	4,679	4,542	4,596	4,594	4,093	4,084	4,756	4,679
42 Member bank reserves with F.R. Banks	31,152	29,931	29,280	35,900	33,892	29,931	34,413	38,168	25,624	29,280

[1] *Includes* securities loaned—fully guaranteed by U.S. government securities pledged with Federal Reserve Banks—and *excludes* (if any) securities sold and scheduled to be bought back under matched sale-purchase transactions.

[2] Includes certain deposits of foreign-owned banking institutions voluntarily held with member banks and redeposited in full with Federal Reserve Banks.

NOTE. For amounts of currency and coin held as reserves, see table 1.12.

1.12 RESERVES AND BORROWINGS Member Banks

Millions of dollars

	Reserve classification	Monthly averages of daily figures									
		1977	1978							1979	
		Dec.	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.[p]
	All member banks										
	Reserves:										
1	At Federal Reserve Banks	27,057	27,840	28,570	28,079	28,010	28,701	29,853	31,158	31,935	30,606
2	Currency and coin	9,351	9,345	9,542	9,512	9,605	9,654	9,794	10,330	11,093	10,082
3	*Total held*[1]	*36,471*	*37,262*	*38,189*	*37,666*	*37,689*	*38,434*	*39,728*	*41,572*	*43,167*	*40,828*
4	Required	36,297	37,125	38,049	37,404	37,614	38,222	39,423	41,447	42,865	40,500
5	Excess[1]	174	137	140	262	75	212	305	125	302	328
	Borrowings at Federal Reserve Banks:[2]										
6	Total	558	1,111	1,286	1,147	1,068	1,261	722	874	994	973
7	Seasonal	54	120	143	188	191	221	185	134	112	114
	Large banks in New York City										
8	*Reserves held*	*6,244*	*6,341*	*6,606*	*6,334*	*6,182*	*6,428*	*6,682*	*7,120*	*7,808*	*6,840*
9	Required	6,279	6,376	6,581	6,290	6,251	6,349	6,658	7,243	7,690	6,976
10	Excess	−35	−35	25	44	−69	79	24	−123	118	−136
11	Borrowings[2]	48	54	129	58	78	157	48	99	117	.....
	Large banks in Chicago										
12	*Reserves held*	*1,593*	*1,668*	*1,708*	*1,648*	*1,655*	*1,672*	*1,791*	*1,907*	*2,011*	*1,812*
13	Required	1,613	1,670	1,707	1,646	1,650	1,649	1,765	1,900	2,010	1,823
14	Excess	−20	−2	1	2	5	23	26	7	1	−11
15	Borrowings[2]	26	20	20	3	35	14	4	10	23	10
	Other large banks										
16	*Reserves held*	*13,993*	*14,250*	*14,553*	*14,502*	*14,564*	*14,862*	*15,547*	*16,446*	*16,942*	*15,925*
17	Required	13,931	14,225	14,569	14,423	14,541	14,867	15,447	16,342	16,923	16,019
18	Excess	62	25	−16	79	23	−5	100	104	19	−94
19	Borrowings[2]	243	536	499	417	363	408	194	276	269	273
	All other banks										
20	*Reserves held*	*14,641*	*15,003*	*15,322*	*15,182*	*15,288*	*15,472*	*15,708*	*16,099*	*16,406*	*15,660*
21	Required	14,474	14,854	15,192	15,045	15,172	15,357	15,553	15,962	16,242	15,682
22	Excess	167	149	130	137	116	115	155	137	164	−22
23	Borrowings[2]	241	501	638	669	592	682	476	489	585	690

		Weekly averages of daily figures for weeks ending—									
		1978	1979								
		Dec. 27	Jan. 3	Jan. 10	Jan. 17	Jan. 24	Jan. 31	Feb. 7	Feb. 14	Feb. 21[p]	Feb. 28[p]
	All member banks										
	Reserves:										
24	At Federal Reserve Banks	31,018	32,765	31,133	32,731	31,673	31,465	30,688	29,993	31,463	29,935
25	Currency and coin	10,258	10,538	10,450	11,991	11,168	11,001	10,684	10,554	9,345	9,743
26	*Total held*[1]	*41,357*	*43,420*	*41,722*	*44,860*	*42,983*	*42,607*	*41,517*	*40,691*	*40,944*	*39,812*
27	Required	41,412	42,694	41,844	44,456	42,967	42,267	41,238	40,580	40,536	39,647
28	Excess[1]	−55	726	−122	404	16	340	279	111	408	165
	Borrowings at Federal Reserve Banks:[2]										
29	Total	1,413	1,183	686	896	923	1,428	817	1,054	937	1,084
30	Seasonal	131	119	93	98	105	112	102	110	121	123
	Large banks in New York City										
31	*Reserves held*	*6,871*	*7,933*	*7,204*	*8,472*	*7,605*	*7,327*	*7,435*	*6,977*	*7,233*	*6,322*
32	Required	7,025	7,734	7,360	8,379	7,658	7,345	7,294	7,064	7,050	6,497
33	Excess	−154	199	−156	93	−53	−18	141	−87	183	−175
34	Borrowings[2]	330	143	.....	169	14	299	.....	.....	.....	.....
	Large banks in Chicago										
35	*Reserves held*	*1,883*	*1,964*	*1,959*	*2,261*	*1,942*	*1,959*	*1,873*	*1,850*	*1,804*	*1,613*
36	Required	1,849	1,944	1,955	2,224	1,941	1,950	1,873	1,857	1,827	1,735
37	Excess	34	20	4	37	1	9	.....	−7	−23	−122
38	Borrowings[2]	29	9	3	.....	3	90	19	13	3	4
	Other large banks										
39	*Reserves held*	*16,391*	*17,120*	*16,459*	*17,545*	*16,951*	*16,886*	*16,230*	*16,149*	*16,060*	*15,639*
40	Required	16,439	16,846	16,519	17,488	16,974	16,745	16,218	16,113	16,010	15,736
41	Excess	−48	274	−60	57	−23	141	12	36	50	−97
42	Borrowings[2]	488	470	241	234	198	340	178	415	199	310
	All other banks										
43	*Reserves held*	*16,212*	*16,403*	*16,100*	*16,582*	*16,485*	*16,435*	*15,979*	*15,715*	*15,686*	*15,595*
44	Required	16,099	16,170	16,010	16,365	16,394	16,227	15,853	15,546	15,649	15,679
45	Excess	113	233	90	217	91	208	126	169	37	−84
46	Borrowings[2]	566	561	442	493	708	699	620	626	735	770

[1] Adjusted to include waivers of penalties for reserve deficiencies in accordance with board policy, effective Nov. 19, 1975, of permitting transitional relief on a graduated basis over a 24-month period when a nonmember bank merges into an existing member bank, or when a nonmember bank joins the Federal Reserve System. For weeks for which figures are preliminary, figures by class of bank do not add to total because adjusted data by class are not available.

[2] Based on closing figures.

1.13 FEDERAL FUNDS TRANSACTIONS Money Market Banks

Millions of dollars, except as noted

Type	1979, end of week								
	Jan. 3	Jan. 10	Jan. 17	Jan. 24	Jan. 31	Feb. 7	Feb. 14	Feb. 21	Feb. 28
	Total, 46 banks								
Basic reserve position									
1 Excess reserves[1]	331	−36	65	−11	46	150	4	104	1
LESS:									
2 Borrowings at Federal Reserve Banks	226	79	211	42	439	36	116	33	75
3 Net interbank federal funds transactions	14,813	17,623	17,052	15,248	12,928	14,316	16,084	16,222	15,586
EQUALS: Net surplus, or deficit (−)									
4 Amount	−14,708	−17,737	−17,199	−15,301	−13,321	−14,202	−16,197	−16,151	−15,660
5 *Percent of average required reserves*	*77.8*	*96.7*	*85.2*	*81.4*	*72.6*	*79.4*	*91.7*	*92.3*	*93.8*
Interbank federal funds transactions									
Gross transactions:									
6 Purchases	23,480	24,357	23,953	22,400	20,855	22,071	23,568	23,903	22,337
7 Sales	8,667	6,734	6,901	7,152	7,927	7,755	7,483	7,681	6,751
8 Two-way transactions[2]	6,329	5,421	5,471	5,315	6,370	5,671	5,908	6,202	5,799
Net transactions:									
9 Purchases of net buying banks	17,151	18,936	18,482	17,085	14,485	16,400	17,660	17,701	16,538
10 Sales of net selling banks	2,339	1,313	1,429	1,836	1,558	2,084	1,575	1,480	952
Related transactions with U.S. government securities dealers									
11 Loans to dealers[3]	3,062	5,101	3,114	3,988	4,697	3,249	3,074	4,491	4,654
12 Borrowing from dealers[4]	1,679	1,232	1,146	1,414	1,336	1,277	1,372	1,117	1,516
13 Net loans	1,382	3,869	1,968	2,573	3,361	1,971	1,702	3,374	3,138
	8 banks in New York City								
Basic reserve position									
14 Excess reserves[1]	169	−37	47	−9	−21	92	−15	52	−5
LESS:									
15 Borrowings at Federal Reserve Banks	143	.....	162	14	272	.....	.....	.....	.....
16 Net interbank federal funds transactions	4,214	4,145	4,226	2,480	2,050	2,674	3,093	2,654	2,227
EQUALS: Net surplus, or deficit (−)									
17 Amount	−4,188	−4,182	−4,341	−2,503	−2,344	−2,582	−3,108	−2,602	−2,232
18 *Percent of average required reserves*	*59.5*	*62.6*	*57.0*	*36.2*	*35.4*	*39.2*	*48.5*	*40.8*	*37.9*
Interbank federal funds transactions									
Gross transactions:									
19 Purchases	5,299	5,078	5,227	4,142	3,674	4,305	4,433	4,397	3,616
20 Sales	1,085	933	1,001	1,663	1,623	1,631	1,340	1,744	1,389
21 Two-way transactions[2]	1,085	933	1,001	1,224	1,449	1,141	1,340	1,260	1,262
Net transactions:									
22 Purchases of net buying banks	4,214	4,145	4,226	2,919	2,225	3,164	3,093	3,138	2,354
23 Sales of net selling banks	.....	.....	.....	439	175	490	.....	485	128
Related transactions with U.S. government securities dealers									
24 Loans to dealers[3]	1,896	3,206	1,790	2,366	2,987	1,843	1,616	2,638	2,855
25 Borrowing from dealers[4]	382	399	394	426	377	425	525	400	444
26 Net loans	1,514	2,807	1,396	1,940	2,610	1,419	1,091	2,238	2,411
	38 banks outside New York City								
Basic reserve position									
27 Excess reserves[1]	163	1	18	−2	67	58	19	52	6
LESS:									
28 Borrowings at Federal Reserve Banks	83	79	50	27	166	36	116	33	75
29 Net interbank federal funds transactions	10,600	13,478	12,826	12,769	10,878	11,642	12,991	13,568	13,359
EQUALS: Net surplus, or deficit (−)									
30 Amount	−10,520	−13,555	−12,858	−12,798	−10,977	−11,620	−13,088	−13,549	−13,427
31 *Percent of average required reserves*	*88.7*	*116.2*	*102.3*	*107.7*	*93.6*	*103.0*	*116.2*	*121.7*	*124.2*
Interbank federal funds transactions									
Gross transactions:									
32 Purchases	18,182	19,279	18,726	18,258	17,182	17,766	19,135	19,505	18,721
33 Sales	7,582	5,801	5,900	5,489	6,304	6,124	6,143	5,937	5,362
34 Two-way transactions[2]	5,245	4,488	4,470	4,092	4,921	4,529	4,568	4,942	4,537
Net transactions:									
35 Purchases of net buying banks	12,937	14,791	14,256	14,166	12,260	13,236	14,567	14,563	14,184
36 Sales of net selling banks	2,339	1,313	1,429	1,397	1,383	1,594	1,575	996	825
Related transactions with U.S. government securities dealers									
37 Loans to dealers[3]	1,166	1,895	1,324	1,622	1,710	1,406	1,458	1,853	1,799
38 Borrowing from dealers[4]	1,297	833	752	989	959	853	847	716	1,072
39 Net loans	−131	1,062	572	633	751	553	611	1,137	727

For notes see end of table.

1.13 Continued

Type	1979, end of week								
	Jan. 3	Jan. 10	Jan. 17	Jan. 24	Jan. 31	Feb. 7	Feb. 14	Feb. 21	Feb. 28
	5 banks in City of Chicago								
Basic reserve position									
40 Excess reserves[1]	37	17	45	22	17	5	−1	5	7
LESS:									
41 Borrowings at Federal Reserve Banks	.....	.....	.....	.....	80	.....	.....	.....	.....
42 Net interbank federal funds transactions	5,379	6,131	5,880	5,207	4,597	5,079	6,003	5,995	5,258
EQUALS: Net surplus, or deficit (−)									
43 Amount	−5,341	−6,114	−5,835	−5,184	−4,661	−5,074	−6,004	−5,990	−5,251
44 *Percent of average required reserves*	*293.3*	*333.9*	*278.1*	*284.9*	*255.1*	*289.5*	*345.4*	*350.3*	*324.6*
Interbank federal funds transactions									
Gross transactions:									
45 Purchases	6,746	7,309	7,168	6,708	6,123	6,626	7,437	7,370	6,756
46 Sales	1,368	1,179	1,288	1,501	1,525	1,548	1,435	1,375	1,498
47 Two-way transactions[2]	1,290	1,136	1,218	1,428	1,505	1,498	1,378	1,325	1,470
Net transactions:									
48 Purchases of net buying banks	5,456	6,173	5,950	5,280	4,618	5,128	6,060	6,044	5,286
49 Sales of net selling banks	77	42	69	73	20	49	57	50	28
Related transactions with U.S. government securities dealers									
50 Loans to dealers[3]	179	266	213	179	209	272	147	452	364
51 Borrowing from dealers[4]	298	4	58	9	125	160	64	7	81
52 Net loans	−119	262	155	171	84	112	83	445	283
	33 other banks								
Basic reserve position									
53 Excess reserves[1]	126	−16	−27	−25	51	53	20	48	−1
LESS:									
54 Borrowings at Federal Reserve Banks	83	79	50	27	86	36	116	33	75
55 Net interbank federal funds transactions	5,221	7,347	6,946	7,562	6,280	6,563	6,989	7,573	8,101
EQUALS: Net surplus, or deficit (−)									
56 Amount	−5,178	−7,441	−7,023	−7,614	−6,316	−6,546	−7,085	−7,559	−8,177
57 *Percent of average required reserves*	*51.6*	*75.7*	*67.0*	*75.7*	*63.8*	*68.7*	*74.4*	*80.2*	*88.9*
Interbank federal funds transactions									
Gross transactions:									
58 Purchases	11,436	11,970	11,558	11,550	11,059	11,139	11,697	12,136	11,965
59 Sales	6,215	4,623	4,612	3,987	4,779	4,576	4,709	4,563	3,864
60 Two-way transactions[2]	3,954	3,352	3,252	2,663	3,417	3,031	3,191	3,617	3,067
Net transactions:									
61 Purchases of net buying banks	7,482	8,618	8,306	8,886	7,642	8,108	8,507	8,519	8,898
62 Sales of net selling banks	2,262	1,271	1,360	1,324	1,362	1,545	1,518	946	797
Related transactions with U.S. government securities dealers									
63 Loans to dealers[3]	987	1,629	1,110	1,442	1,501	1,133	1,311	1,401	1,435
64 Borrowing from dealers[4]	999	829	694	980	834	692	783	710	992
65 Net loans	−12	800	417	462	667	441	528	691	444

[1] Based on reserve balances, including adjustments to include waivers of penalities for reserve deficiencies in accordance with changes in policy of the Board of Governors effective Nov. 19, 1975.

[2] Derived from averages for individual banks for entire week. Figure for each bank indicates extent to which the bank's average purchases and sales are offsetting.

[3] Federal funds loaned, net funds supplied to each dealer by clearing banks, repurchase agreements (purchases from dealers subject to resale), or other lending arrangements.

[4] Federal funds borrowed, net funds acquired from each dealer by clearing banks, reverse repurchase agreements (sales of securities to dealers subject to repurchase), resale agreements, and borrowings secured by U.S. government or other securities.

NOTE. Weekly averages of daily figures. For description of series, see August 1964 BULLETIN, pp. 944–53. Back data for 46 banks appear in the board's *Annual Statistical Digest, 1971–1975*, table 3.

1.14 FEDERAL RESERVE BANK INTEREST RATES

Per cent per annum

Current and previous levels

Federal Reserve Bank	Loans to member banks									Loans to all others under sec. 13, last par.[4]		
	Under secs. 13 and 13a[1]			Under sec. 10(b)[2]								
				Regular rate			Special rate[3]					
	Rate on 2/28/79	Effective date	Previous rate	Rate on 2/28/79	Effective date	Previous rate	Rate on 2/28/79	Effective date	Previous rate	Rate on 2/28/79	Effective date	Previous rate
Boston	9½	11/2/78	8½	10	11/2/78	9	10½	11/2/78	9½	12½	11/2/78	11½
New York	9½	11/1/78	8½	10	11/1/78	9	10½	11/1/78	9½	12½	11/1/78	11½
Philadelphia	9½	11/2/78	8½	10	11/2/78	9	10½	11/2/78	9½	12½	11/2/78	11½
Cleveland	9½	11/2/78	8½	10	11/2/78	9	10½	11/2/78	9½	12½	11/2/78	11½
Richmond	9½	11/2/78	8½	10	11/2/78	9	10½	11/2/78	9½	12½	11/2/78	11½
Atlanta	9½	11/3/78	8½	10	11/3/78	9	10½	11/3/78	9½	12½	11/3/78	11½
Chicago	9½	11/2/78	8½	10	11/2/78	9	10½	11/2/78	9½	12½	11/2/78	11½
St. Louis	9½	11/2/78	8½	10	11/2/78	9	10½	11/2/78	9½	12½	11/2/78	11½
Minneapolis	9½	11/1/78	8½	10	11/1/78	9	10½	11/1/78	9½	12½	11/1/78	11½
Kansas City	9½	11/2/78	8½	10	11/2/78	9	10½	11/2/78	9½	12½	11/2/78	11½
Dallas	9½	11/2/78	8½	10	11/2/78	9	10½	11/2/78	9½	12½	11/2/78	11½
San Francisco	9½	11/2/78	8½	10	11/2/78	9	10½	11/2/78	9½	12½	11/2/78	11½

Range of rates in recent years[5]

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1970	5½	5½
1971—Jan. 8	5¼–5½	5¼
15	5¼	5¼
19	5–5¼	5¼
22	5–5¼	5
29	5	5
Feb. 13	4¾–5	5
19	4¾	4¾
July 16	4¾–5	5
23	5	5
Nov. 11	4¾–5	5
19	4¾	4¾
Dec. 13	4½–4¾	4¾
17	4½–4¾	4½
24	4½	4½
1973—Jan. 15	5	5
Feb. 26	5–5½	5½
Mar. 2	5½	5½
Apr. 23	5½–5¾	5½
1973—May 4	5¾	5¾
11	5¾–6	6
18	6	6
June 11	6–6½	6½
15	6½	6½
July 2	7	7
Aug. 14	7–7½	7½
23	7½	7½
1974—Apr. 25	7½–8	8
30	8	8
Dec. 9	7¾–8	7¾
16	7¾	7¾
1975—Jan. 6	7¼–7¾	7¾
10	7¼–7¾	7¼
24	7¼	7¼
Feb. 5	6¾–7¼	6¾
7	6¾	6¾
Mar. 10	6¼–6¾	6¼
14	6¼	6¼
May 16	6–6¼	6
23	6	6
1976—Jan. 19	5½–6	5½
23	5½	5½
Nov. 22	5¼–5½	5¼
26	5¼	5¼
1977—Aug. 30	5¼–5¾	5¼
31	5¼–5¾	5¾
Sept. 2	5¾	5¾
Oct. 26	6	6
1978—Jan. 9	6–6½	6½
20	6½	6½
May 11	6½–7	7
12	7	7
July 3	7–7¼	7¼
10	7¼	7¼
Aug. 21	7¾	7¾
Sept. 22	8	8
Oct. 16	8–8½	8½
20	8½	8½
Nov. 1	8½–9½	9½
3	9½	9½
In effect Feb. 28, 1979	9½	9½

[1] Discounts of eligible paper and advances secured by such paper or by U.S. government obligations or any other obligations eligible for Federal Reserve Bank purchase.

[2] Advances secured to the satisfaction of the Federal Reserve Bank. Advances secured by mortgages on 1- to 4-family residential property are made at the section 13 rate.

[3] Applicable to special advances described in section 201.2(e)(2) of Regulation A.

[4] Advances to individuals, partnerships, or corporations other than member banks secured by direct obligations of, or obligations fully guaranteed as to principal and interest by, the U.S. government or any agency thereof.

[5] Rates under secs. 13 and 13a (as described above). For description and earlier data, see the following publications of the Board of Governors: *Banking and Monetary Statistics, 1914–1941, Banking and Monetary Statistics, 1941–1970, Annual Statistical Digest, 1971–75, 1972–76,* and *1973–77.*

1.15 MEMBER BANK RESERVE REQUIREMENTS[1]

Percent of deposits

Type of deposit, and deposit interval in millions of dollars	Requirements in effect February 28, 1979		Previous requirements	
	Percent	Effective date	Percent	Effective date
Net demand[2]				
0–2	7	12/30/76	3½	2/13/75
2–10	9½	12/30/76	10	2/13/75
10–100	11¾	12/30/76	12	2/13/75
100–400	12¾	12/30/76	13	2/13/75
Over 400	16¼	12/30/76	16½	2/13/75
Time and savings[2,3,4]				
Savings	3	3/16/67	3½	3/2/67
Time[5]				
0–5 by maturity				
30–179 days	3	3/16/67	3½	3/2/67
180 days to 4 years	2½	1/8/76	3	3/16/67
4 years or more	1	10/30/75	3	3/16/67
Over 5, by maturity				
30–179 days	6	12/12/74	5	10/1/70
180 days to 4 years	2½	1/8/76	3	12/12/74
4 years or more	1	10/30/75	3	12/12/74

	Legal limits	
	Minimum	Maximum
Net demand		
Reserve city banks	10	22
Other banks	7	14
Time	3	10
Borrowings from foreign banks	0	22

[1] For changes in reserve requirements beginning 1963, see board's *Annual Statistical Digest, 1971–1975* and for prior changes, see board's *Annual Report* for 1976, table 13.

[2] (a) Requirement schedules are graduated, and each deposit interval applies to that part of the deposits of each bank. Demand deposits subject to reserve requirements are gross demand deposits minus cash items in process of collection and demand balances due from domestic banks.

(b) The Federal Reserve Act specifies different ranges of requirements for reserve city banks and for other banks. Reserve cities are designated under a criterion adopted effective Nov. 9, 1972, by which a bank having net demand deposits of more than $400 million is considered to have the character of business of a reserve city bank. The presence of the head office of such a bank constitutes designation of that place as a reserve city. Cities in which there are Federal Reserve Banks or branches are also reserve cities. Any banks having net demand deposits of $400 million or less are considered to have the character of business of banks outside of reserve cities and are permitted to maintain reserves at ratios set for banks not in reserve cities. For details, see the board's Regulation D.

(c) Effective August 24, 1978, the Regulation M reserve requirements on net balances due from domestic banks to their foreign branches and on deposits that foreign branches lend to U.S. residents were reduced to zero from 4 percent and 1 percent, respectively. The Regulation D reserve requirement on borrowings from unrelated banks abroad was also reduced to zero from 4 percent.

(d) Effective with the reserve computation period beginning Nov. 16, 1978, domestic deposits of Edge Corporations are subject to the same reserve requirements as deposits of member banks.

[3] Negotiable order of withdrawal (NOW) accounts and time deposits such as Christmas and vacation club accounts are subject to the same requirements as savings deposits.

[4] The average reserve requirement on savings and other time deposits must be at least 3 percent, the minimum specified by law.

[5] Effective November 2, 1978, a supplementary reserve requirement of 2 percent was imposed on time deposits of $100,000 or more, obligations of affiliates, and ineligible acceptances.

NOTE. Required reserves must be held in the form of deposits with Federal Reserve Banks or vault cash.

1.16 MAXIMUM INTEREST RATES PAYABLE on Time and Savings Deposits at Federally Insured Institutions

Percent per annum

Type and maturity of deposit	Commercial banks				Savings and loan associations and mutual savings banks			
	In effect Feb. 28, 1979		Previous maximum		In effect Feb. 28, 1979		Previous maximum	
	Percent	Effective date	Percent	Effective date	Percent	Effective date	Percent	Effective date
1 Savings	5	7/1/73	4½	1/21/70	5¼	(7)	5	(8)
2 Negotiable order of withdrawal accounts[1]	5	1/1/74	(10)	.....	5	1/1/74	(10)	.....
3 Money market time deposits of less than $100,000[2]	(9)	(9)	(9)	(9)	(9)	(9)	(9)	(9)
Time (multiple- and single-maturity unless otherwise indicated)[3]								
30–89 days:								
4 Multiple-maturity	5	7/1/73	4¼	1/21/70	(10)	.....	(10)	.....
5 Single-maturity			5	9/26/66				
90 days to 1 year:								
6 Multiple-maturity	5½	7/1/73	5	7/20/66	[4]5¾	(7)	5¼	1/21/70
7 Single-maturity				9/26/66				
8 1 to 2 years[4]	6	7/1/73	5½	1/21/70	6½	(7)	5¾	1/21/70
9 2 to 2½ years[4]			5¾	1/21/70			6	1/21/70
10 2½ to 4 years[4]	6½	7/1/73	5¾	1/21/70	6¾	(7)	6	1/21/70
11 4 to 6 years[5]	7¼	11/1/73	(11)	.....	7½	11/1/73	(11)	.....
12 6 to 8 years[5]	7½	12/23/74	7¼	11/1/73	7¾	12/23/74	7½	11/1/73
13 8 years or more[5]	7¾	6/1/78	(10)	.....	8	6/1/78	(10)	.....
14 Issued to governmental units (all maturities)	8	6/1/78	7¾	12/23/74	8	6/1/78	7¾	12/23/74
15 Individual retirement accounts and Keogh (H.R. 10) plans[6]	8	6/1/78	7¾	7/6/77	8	6/1/78	7¾	7/6/77

[1] For authorized states only. Federally insured commercial banks, savings and loan associations, cooperative banks, and mutual savings banks in Massachusetts and New Hampshire were first permitted to offer negotiable order of withdrawal (NOW) accounts on Jan. 1, 1974. Authorization to issue NOW accounts was extended to similar institutions throughout New England on Feb. 27, 1976, and in New York State on Nov. 10, 1978.

[2] Must have a maturity of exactly 26 weeks and a minimum denomination of $10,000, and must be nonnegotiable.

[3] For exceptions with respect to certain foreign time deposits see the FEDERAL RESERVE BULLETIN for October 1962 (p. 1279), August 1965 (p. 1094), and February 1968 (p. 167).

[4] A minimum of $1,000 is required for savings and loan associations, except in areas where mutual savings banks permit lower minimum denominations. This restriction was removed for deposits maturing in less than 1 year, effective Nov. 1, 1973.

[5] $1,000 minimum except for deposits representing funds contributed to an Individual Retirement Account (IRA) or a Keogh (H.R. 10) Plan established pursuant to the Internal Revenue Code. The $1,000 minimum requirement was removed for such accounts in December 1975 and November 1976, respectively.

[6] 3-year minimum maturity.

[7] July 1, 1973, for mutual savings banks; July 6, 1973, for savings and loan associations.

[8] Oct. 1, 1966, for mutual savings banks; Jan. 21, 1970, for savings and loan associations.

[9] Commercial banks, savings and loan associations, and mutual savings banks were authorized to offer money market time deposits effective June 1, 1978. The ceiling rate for commercial banks is the discount rate on most recently issued 6-month U.S. Treasury bills. The ceiling rate for savings and loan associations and mutual savings banks is ¼ percent higher than the rate for commercial banks. The most recent rates and effective dates are as follows:

	Jan. 25	Feb. 1	Feb. 8	Feb. 15	Feb. 22
Banks	9.475	9.376	9.307	9.342	9.370
Thrifts	9.725	9.626	9.557	9.592	9.620

[10] No separate account category.

[11] Between July 1, 1973, and Oct. 31, 1973, there was no ceiling for certificates maturing in 4 years or more with minimum denominations of $1,000; however, the amount of such certificates that an institution could issue was limited to 5 percent of its total time and savings deposits. Sales in excess of that amount, as well as certificates of less than $1,000, were limited to the 6½ percent ceiling on time deposits maturing in 2½ years or more.

Effective Nov. 1, 1973, ceilings were reimposed on certificates maturing in 4 years or more with minimum denominations of $1,000. There is no limitation on the amount of these certificates that banks can issue.

NOTE. Maximum rates that can be paid by federally insured commercial banks, mutual savings banks, and savings and loan associations are established by the Board of Governors of the Federal Reserve System, the Board of Directors of the Federal Deposit Insurance Corporation, and the Federal Home Loan Bank Board under the provisions of 12 CFR 217, 329, and 526, respectively. The maximum rates on time deposits in denominations of $100,000 or more were suspended in mid-1973. For information regarding previous interest rate ceilings on all types of accounts, see earlier issues of the FEDERAL RESERVE BULLETIN, the Federal Home Loan Bank Board *Journal*, and the *Annual Report* of the Federal Deposit Insurance Corporation.

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS

Millions of dollars

	Type of transaction	1976	1977	1978	1978 July	1978 Aug.	1978 Sept.	1978 Oct.	1978 Nov.	1978 Dec.	1979 Jan.
	U.S. GOVERNMENT SECURITIES										
	Outright transactions (excluding matched sale–purchase transactions)										
	Treasury bills:										
1	Gross purchases	14,343	13,738	16,628	701	972	2,635	1,978	2,039	0	0
2	Gross sales	8,462	7,241	13,725	466	689	0	2,148	3,587	2,751	3,758
3	Redemptions	[2] 5,017	2,136	2,033	0	0	0	0	603	0	500
	Others within 1 year:[1]										
4	Gross purchases	472	3,017	1,184	0	171	168	73	139	0	0
5	Gross sales	0	0	0	0	0	0	0	0	0	0
6	Exchange, or maturity shift	792	4,499	−5,170	−241	−1,544	563	−385	−778	705	−673
7	Redemptions	0	2,500	0	0	0	0	0	0	0	0
	1 to 5 years:										
8	Gross purchases	[2] 3,202	2,833	4,188	0	424	350	507	628	0	0
9	Gross sales	177	0	0	0	0	0	0	0	0	0
10	Exchange, or maturity shift	−2,588	−6,649	−178	241	−490	−563	385	−657	−705	673
	5 to 10 years:										
11	Gross purchases	1,048	758	1,526	0	238	110	87	163	0	0
12	Gross sales	0	0	0	0	0	0	0	0	0	0
13	Exchange, or maturity shift	1,572	584	2,803	0	1,434	0	0	835	0	0
	Over 10 years:										
14	Gross purchases	642	553	1,063	0	113	122	139	108	0	0
15	Gross sales	0	0	0	0	0	0	0	0	0	0
16	Exchange, or maturity shift	225	1,565	2,545	0	600	0	0	600	0	0
	All maturities:[1]										
17	Gross purchases	[2] 19,707	20,898	24,591	701	1,919	3,386	2,785	3,075	0	0
18	Gross sales	8,639	7,241	13,725	466	689	0	2,148	3,587	2,751	3,758
19	Redemptions	[2] 5,017	4,636	2,033	0	0	0	0	603	0	500
	Matched sale–purchase transactions										
20	Gross sales	196,078	425,214	511,126	44,657	29,162	33,346	35,112	40,785	52,661	64,691
21	Gross purchases	196,579	423,841	510,854	44,712	29,641	33,130	36,106	40,546	51,586	60,750
	Repurchase agreements										
22	Gross purchases	232,891	178,683	151,618	15,822	16,286	10,724	18,976	7,719	8,133	3,117
23	Gross sales	230,355	180,535	152,436	17,374	15,140	10,353	20,565	8,383	7,049	4,201
24	Net change in U.S. government securities	9,087	5,798	7,743	−1,261	2,854	3,540	43	−2,017	−2,743	−9,283
	FEDERAL AGENCY OBLIGATIONS										
	Outright transactions:										
25	Gross purchases	891	1,433	301	0	0	0	0	0	0	0
26	Gross sales	0	0	173	0	173	0	0	0	0	379
27	Redemptions	169	223	235	4	13	28	12	39	3	10
	Repurchase agreements:										
28	Gross purchases	10,520	13,811	40,567	5,170	3,080	3,877	6,675	2,544	4,307	713
29	Gross sales	10,360	13,638	40,885	5,457	3,032	3,348	7,196	2,670	4,174	846
30	Net change in federal agency obligations	882	1,383	−426	−291	−138	501	−533	−165	130	−522
	BANKERS ACCEPTANCES										
31	Outright transactions, net	−545	−196	0	0	0	0	0	0	0	0
32	Repurchase agreements, net	410	159	−366	−753	28	419	−479	−236	587	−587
33	Net change in bankers acceptances	−135	−37	−366	−753	28	419	−479	−236	587	−587
34	**Total net change in System Open Market Account**	**9,833**	**7,143**	**6,951**	**−2,305**	**2,744**	**4,460**	**−969**	**−2,419**	**−2,026**	**−10,392**

[1] Both gross purchases and redemptions include special certificates created when the Treasury borrows directly from the Federal Reserve, as follows (millions of dollars): 1975, 3,549; 1976, none; Sept. 1977, 2,500.

[2] In 1975, the system obtained $421 million of 2-year Treasury notes in exchange for maturing bills. In 1976 there was a similar transaction amounting to $189 million. Acquisition of these notes is treated as a purchase; the run-off of bills, as a redemption.

NOTE. Sales, redemptions, and negative figures reduce holdings of the System Open Market Account; all other figures increase such holdings. Details may not add to totals because of rounding.

1.18 FEDERAL RESERVE BANKS Condition and F.R. Note Statements

Millions of dollars

	Account	Wednesday					End of month		
		1979					1978	1979	
		Jan. 31	Feb. 7	Feb. 14	Feb. 21[p]	Feb. 28[p]	Dec.	Jan.	Feb.[p]
		Consolidated condition statement							
	ASSETS								
1	Gold certificate account	11,592	11,550	11,544	11,544	11,544	11,671	11,592	11,544
2	Special Drawing Rights certificate account	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
3	Coin	316	324	336	340	344	274	316	344
	Loans:								
4	Member bank borrowings	4,366	512	1,129	1,018	1,604	1,174	4,366	1,604
5	Other	.....	.....	.....	.....	.....	.....	.....	.....
	Acceptances:								
6	Bought outright	.....	.....	.....	.....	.....	.....	.....	.....
7	Held under repurchase agreements	.....	434	708	.....	.....	587	.....	.....
	Federal agency obligations:								
8	Bought outright	7,507	7,487	7,487	7,487	7,487	7,896	7,507	7,487
9	Held under repurchase agreements	.....	146	364	.....	.....	133	.....	.....
	U.S. government securities								
	Bought outright:								
10	Bills	33,959	37,002	37,623	27,814	35,467	42,158	33,959	35,467
11	Certificates—Special	.....	.....	.....	.....	.....	.....	.....	.....
12	Other	.....	.....	.....	.....	.....	.....	.....	.....
13	Notes	54,855	54,855	55,392	54,662	54,662	54,855	54,855	54,662
14	Bonds	12,465	12,465	12,525	13,357	13,357	12,465	12,465	13,357
15	Total[1]	101,279	104,322	105,540	95,833	103,486	109,478	101,279	103,486
16	Held under repurchase agreements	.....	701	1,244	.....	.....	1,084	.....	.....
17	**Total U.S. government securities**	**101,279**	**105,023**	**106,784**	**95,833**	**103,486**	**110,562**	**101,279**	**103,486**
18	**Total loans and securities**	**113,152**	**113,602**	**116,472**	**104,338**	**112,577**	**120,352**	**113,152**	**112,577**
19	Cash items in process of collection	12,803	15,048	18,707	21,349	14,785	12,926	12,803	14,785
20	Bank premises	395	394	395	394	395	394	395	395
	Other assets:								
21	Denominated in foreign currencies[2]	2,528	2,427	2,211	2,219	2,266	1,606	2,528	2,266
22	All other	2,753	2,918	2,782	1,897	1,910	2,543	2,753	1,910
23	**Total assets**	**144,839**	**147,563**	**153,747**	**143,381**	**145,121**	**151,066**	**144,839**	**145,121**
	LIABILITIES								
24	Federal Reserve notes	99,354	99,765	100,071	100,133	99,999	103,325	99,354	99,999
	Deposits:								
25	Member bank reserves	29,931	34,413	38,168	25,624	29,280	31,152	29,931	29,280
26	U.S. Treasury—General account	3,522	2,219	3,276	3,185	3,443	4,196	3,522	3,443
27	Foreign	339	233	312	315	343	368	339	343
28	Other	874	687	902	752	779	1,256	874	779
29	**Total deposits**	**34,666**	**37,552**	**42,658**	**29,876**	**33,845**	**36,972**	**34,666**	**33,845**
30	Deferred availability cash items	6,225	6,153	6,934	8,616	6,598	6,494	6,225	6,598
31	Other liabilities and accrued dividends[3]	1,685	1,730	1,559	2,086	1,859	2,119	1,685	1,859
32	**Total liabilities**	**141,930**	**145,200**	**151,222**	**140,711**	**142,301**	**148,910**	**141,930**	**142,301**
	CAPITAL ACCOUNTS								
33	Capital paid in	1,085	1,085	1,087	1,088	1,088	1,078	1,085	1,088
34	Surplus	1,078	1,078	1,078	1,078	1,078	1,078	1,078	1,078
35	Other capital accounts	746	200	360	504	654	.....	746	654
36	**Total liabilities and capital accounts**	**144,839**	**147,563**	**153,747**	**143,381**	**145,121**	**151,066**	**144,839**	**145,121**
37	MEMO: Marketable U.S. govt. securities held in custody for foreign and intl. account	95,762	95,165	94,888	94,339	94,611	95,307	95,762	94,611
		Federal Reserve note statement							
38	F.R. notes outstanding (issued to Bank)	133,618	113,384	113,239	106,833	113,160	112,836	113,618	113,160
	Collateral held against notes outstanding:								
39	Gold certificate account	11,592	11,550	11,544	11,544	11,544	11,671	11,592	11,544
40	Special Drawing Rights certificate account	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
41	Eligible paper	2,726	465	1,050	872	1,424	907	2,726	1,424
42	U.S. government securities	98,000	100,069	99,345	93,167	98,892	98,958	98,000	98,892
43	**Total collateral**	**133,618**	**113,384**	**113,239**	**106,883**	**113,160**	**112,836**	**113,618**	**113,160**

[1] *Includes* securities loaned—fully guaranteed by U.S. govt. securities pledged with Federal Reserve Banks—and *excludes* (if any) securities sold and scheduled to be bought back under matched sale-purchase transactions.

[2] Beginning December 29, 1978, such assets are revalued monthly at market exchange rates.

[3] Includes exchange-translation account reflecting, beginning December 29, 1978, the monthly revaluation at market exchange rates of foreign-exchange commitments.

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holdings

Millions of dollars

Type and maturity	Wednesday					End of month		
	1979					1978	1979	
	Jan. 31	Feb. 7	Feb. 14	Feb. 21	Feb. 28	Dec. 31	Jan. 31	Feb. 28
1 **Loans**	**4,364**	**512**	**1,129**	**1,018**	**1,604**	**1,172**	**4,364**	**1,604**
2 Within 15 days	4,334	477	1,080	981	1,577	1,142	4,334	1,577
3 16 days to 90 days	30	35	49	37	27	30	30	27
4 91 days to 1 year	.....	.....	.....	.....	.....	.....	.....	.....
5 **Acceptances**	.....	**434**	**708**	.....	.....	**587**	.....	.....
6 Within 15 days	.....	434	708	.....	.....	587	.....	.....
7 16 days to 90 days	.....	.....	.....	.....	.....	.....	.....	.....
8 91 days to 1 year	.....	.....	.....	.....	.....	.....	.....	.....
9 **U.S. government securities**	**101,279**	**105,023**	**106,784**	**95,833**	**103,486**	**110,562**	**101,279**	**103,486**
10 Within 15 days[1]	3,961	4,146	5,735	1,957	3,084	4,297	3,961	3,084
11 16 days to 90 days	14,369	17,799	18,124	9,474	16,546	19,800	14,369	16,546
12 91 days to 1 year	25,980	26,109	25,405	26,778	25,864	29,465	25,980	25,864
13 Over 1 year to 5 years	31,577	31,577	32,003	34,181	34,549	31,608	31,577	34,549
14 Over 5 years to 10 years	14,717	14,717	14,781	11,875	11,875	14,717	14,717	11,875
15 Over 10 years	10,675	10,675	10,736	11,568	11,568	10,675	10,675	11,568
16 **Federal agency obligations**	**7,507**	**7,633**	**7,851**	**7,487**	**7,487**	**8,029**	**7,507**	**7,487**
17 Within 15 days[1]	16	146	696	355	114	217	16	114
18 16 days to 90 days	507	537	205	182	344	482	507	344
19 91 days to 1 year	1,188	1,154	1,154	1,154	1,098	1,286	1,188	1,098
20 Over 1 year to 5 years	3,475	3,475	3,475	3,475	3,553	3,723	3,475	3,553
21 Over 5 years to 10 years	1,511	1,511	1,511	1,511	1,568	1,511	1,511	1,568
22 Over 10 years	810	810	810	810	810	810	810	810

[1] Holdings under repurchase agreements are classified as maturing within 15 days in accordance with maximum maturity of the agreements.

1.20 BANK DEBITS AND DEPOSIT TURNOVER

Debits are shown in billions of dollars, turnover as ratio of debits to deposit. Monthly data are at annual rates.

Bank group, or type of customer	1975	1976	1977	1978				
				Aug.[r]	Sept.[r]	Oct.[r]	Nov.[r]	Dec.
	Debits to demand deposits [2] (seasonally adjusted)							
1 All commercial banks	25,028.5	29,180.4	34,322.8	42,819.1	41,896.6	42,942.5	42,941.5	42,307.5
2 Major New York City banks	9,670.7	11,467.2	13,860.6	16,435.0	15,500.0	15,437.8	15,673.6	15,100.2
3 Other banks	15,357.8	17,713.2	20,462.2	26,384.1	26,396.6	27,504.7	27,267.9	27,207.3
	Debits to savings deposits [3] (not seasonally adjusted)							
4 All customers	.....	.....	174.0	434.6	424.4	467.6	446.0	438.0
5 Business [1]	.....	.....	21.7	58.5	62.0	67.2	66.8	61.4
6 Others	.....	.....	152.3	376.1	362.4	400.4	379.1	376.6
	Demand deposit turnover [2] (seasonally adjusted)							
7 All commercial banks	105.3	116.8	129.2	146.5	141.9	144.1	145.1	141.6
8 Major New York City banks	356.9	411.6	503.0	577.6	549.6	530.1	559.8	535.9
9 Other banks	72.9	79.8	85.9	100.0	98.8	102.3	101.8	100.5
	Savings deposit turnover [3] (not seasonally adjusted)							
10 All customers	.....	.....	1.6	2.0	1.9	2.1	2.0	2.0
11 Business [1]	.....	.....	4.1	5.2	5.4	5.8	5.8	5.4
12 Others	.....	.....	1.5	1.8	1.7	1.9	1.8	1.8

[1] Represents corporations and other profit-seeking organizations (excluding commercial banks but including savings and loan associations, mutual savings banks, credit unions, the Export-Import Bank, and federally sponsored lending agencies).

[2] Represents accounts of individuals, partnerships, and corporations, and of states and political subdivisions.

[3] Excludes negotiable order of withdrawal (NOW) accounts and special club accounts, such as Christmas and vacation clubs.

NOTE. Historical data—estimated for the period 1970 through June 1977, partly on the basis of the debits series for 233 SMSAs, which were available through June 1977—are available from Publications Services, Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington, D.D. 20551. Debits and turnover data for savings deposits are not available prior to July 1977.

1.21 MONEY STOCK MEASURES AND COMPONENTS

Billions of dollars, averages of daily figures

Item	1975 Dec.	1976 Dec.	1977 Dec.	1978 Dec.	1978 Aug.	1978 Sept.	1978 Oct.	1978 Nov.	1978 Dec.	1979 Jan.
	Seasonally adjusted									
MEASURES[1]										
1 M-1	295.4	313.8	338.7	361.5	357.0	361.1	361.6	361.0	361.5	359.9
2 M-1+	456.8	517.2	560.6	586.7	583.5	589.4	589.8	587.4	586.7	582.8
3 M-2	664.8	740.6	809.4	876.3	856.9	866.2	870.9	874.3	876.3	875.4
4 M-3	1,092.4	1,235.6	1,374.3	r1,500.6	1,458.4	1,474.7	r1,485.5	r1,493.8	r1,500.6	1,504.7
5 M-4	745.8	803.0	883.1	r972.9	944.5	954.8	959.6	969.7	r972.9	975.9
6 M-5	1,173.5	1,298.0	1,448.0	r1,597.3	1,546.0	1,563.2	r1,574.1	r1,589.2	r1,597.3	1,605.2
COMPONENTS										
7 Currency	73.8	80.8	88.6	97.5	93.9	95.2	95.8	96.6	97.5	98.2
Commercial bank deposits:										
8 Demand	221.7	233.0	250.1	264.1	263.0	265.9	265.8	264.4	264.1	261.7
9 *Time and savings*	*450.3*	*489.2*	*544.4*	*611.4*	*587.5*	*593.7*	*597.9*	r*608.8*	*611.4*	*616.0*
10 Savings	160.7	202.1	219.7	r222.0	223.7	225.5	225.2	223.4	r222.0	219.6
11 Negotiable CDs[2]	81.0	62.4	73.7	96.6	87.6	88.5	88.6	95.4	96.6	100.5
12 Other time	208.6	224.7	251.0	292.8	276.2	279.6	284.1	289.9	292.8	295.9
13 Nonbank thrift institutions[3]	427.7	495.0	c564.9	c624.3	c601.5	c608.5	c614.6	c619.5	c624.3	629.3
	Not seasonally adjusted									
MEASURES[1]										
14 M-1	303.9	322.6	348.2	371.6	354.4	359.0	361.4	363.0	371.6	365.7
15 M-1+	463.6	524.2	568.0	594.7	580.9	585.4	587.9	587.6	594.7	587.7
16 M-2	670.0	745.8	814.9	882.0	853.8	861.7	868.2	871.6	882.0	880.1
17 M-3	1,095.0	1,238.3	1,377.2	r1,503.3	1,455.5	1,469.2	1,481.6	r1,487.8	r1,503.3	1,507.8
18 M-4	753.5	810.0	890.8	981.6	941.8	952.0	959.0	968.0	981.6	981.2
19 M-5	1,178.4	1,302.6	1,453.2	r1,602.9	1,543.5	1,559.5	r1,572.4	r1,584.2	r1,602.9	1,608.9
COMPONENTS										
20 Currency	c75.1	c82.1	c90.1	c99.1	94.2	94.9	95.6	97.2	99.1	97.4
Commercial bank deposits:										
21 *Demand*	c*228.8*	c*240.5*	c*258.1*	c*272.5*	*260.2*	*264.1*	*265.8*	*265.7*	*272.5*	*268.3*
22 Member	c162.8	c169.4	c177.5	c182.9	176.2	178.3	179.3	178.3	182.9	179.2
23 Domestic nonmember	c62.6	c67.5	c76.2	c85.6	80.1	81.9	82.7	83.7	85.6	84.9
24 *Time and savings*	c*449.6*	c*487.4*	c*542.6*	c*609.9*	*587.5*	*593.1*	*597.6*	*605.0*	*609.9*	*615.5*
25 Savings	c159.1	c200.2	c217.7	c219.9	223.7	223.6	223.5	221.5	219.9	218.8
26 Negotiable CDs[2]	c83.5	c64.3	c75.9	c99.5	88.0	90.3	90.8	96.4	99.5	101.1
27 Other time	c207.1	c222.9	c249.0	c290.5	275.7	279.2	283.3	287.1	290.5	295.6
28 Other checkable deposits[4]	c0.7	c1.4	c2.1	c3.2	2.8	2.8	2.9	3.1	3.2	3.3
29 Nonbank thrift institutions[3]	c424.9	c492.5	c562.3	c621.3	601.7	607.5	613.4	r616.2	r621.3	627.7
30 U.S. government deposits (all commerical banks)	c4.1	c4.4	c5.1	c10.2	3.6	6.2	4.3	8.0	10.2	12.0

[1] Composition of the money stock measures is as follows:

M-1: Averages of daily figures for (1) demand deposits at commercial banks other than domestic interbank and U.S. government, less cash items in process of collection and Federal Reserve float; (2) foreign demand balances at Federal Reserve Banks; and (3) currency outside the Treasury, Federal Reserve Banks, and vaults of commercial banks.

M-1+: M-1 plus savings deposits at commercial banks, NOW accounts at banks and thrift institutions, credit union share draft accounts, and demand deposits at mutual savings banks.

M2-: M-1 plus savings deposits, time deposits open account, and time certificates of deposit (CDs) other than negotiable CDs of $100,000 or more at large weekly reporting banks.

M-3: M-2 plus the average of the beginning- and end-of-month deposits of mutual savings banks, savings and loan shares, and credit union shares (nonbank thrift).

M-4: M-2 plus large negotiable CDs.

M-5: M-3 plus large negotiable CDs.

[2] Negotiable time CDs issued in denominations of $100,000 or more by large weekly reporting commercial banks.

[3] Average of the beginning- and end-of-month figures for deposits of mutual savings banks, for savings capital at savings and loan associations, and for credit union shares.

[4] Includes NOW accounts at thrift institutions, credit union share draft accounts, and demand deposits at mutual savings banks.

NOTE. Latest monthly and weekly figures are available from the board's 508 (H.6) release. Back data are available from the Banking Section, Division of Research and Statistics.

NOTES TO TABLE 1.23:

[1] Adjusted to exclude domestic commercial interbank loans.

[2] Loans sold are those sold outright to a bank's own foreign branches, nonconsolidated nonbank affiliates of the bank, the bank's holding company (if not a bank), and nonconsolidated nonbank subsidiaries of the holding company. Prior to Aug. 28, 1974, the institutions included had been defined somewhat differently, and the reporting panel of banks was also different. On the new basis, both "Total loans" and "Commerical and industrial loans" were reduced by about $100 million.

[3] Data beginning June 30, 1974, include one large mutual savings bank that merged with a nonmember commercial bank. As of that date there were increases of about $500 million in loans, $100 million in "Other" securities and $600 million in "Total loans and investments."

As of Oct. 31, 1974, "Total loans and investments" of all commercial banks were reduced by $1.5 billion in connection with the liquidation of one large bank. Reductions in other items were: "Total loans," $1.0 billion (of which $0.6 billion was in "Commercial and industrial loans"), and "Other securities," $0.5 billion. In late November "Commercial and industrial loans" were increased by $0.1 billion as a result of loan reclassifications at another large bank.

[4] Reclassification of loans reduced these loans by about $1.2 billion as of Mar. 31, 1976.

[5] Reclassification of loans at one large bank reduced these loans by about $200 million as of Dec. 31, 1977.

NOTE. Data are for last Wednesday of month except for June 30 and Dec. 31; data are partly or wholly estimated except when June 30 and Dec. 31 are call dates.

1.22 AGGREGATE RESERVES AND DEPOSITS Member Banks

Billions of dollars, averages of daily figures

Item	1975 Dec.	1976 Dec.	1977 Dec.	1978 June	1978 July	1978 Aug.	1978 Sept.	1978 Oct.	1978 Nov.	1978 Dec.	1979 Jan.
	Seasonally adjusted										
1 **Reserves**[1]	**34.67**	**34.89**	**36.10**	**37.63**	**38.11**	**37.93**	**38.21**	**38.38**	**39.75**	**41.27**	**41.48**
2 Nonborrowed	34.54	34.84	35.53	36.53	36.80	36.79	37.15	37.10	39.05	40.40	40.48
3 Required	34.40	34.61	35.91	37.45	37.92	37.77	38.02	38.22	39.53	41.04	41.28
4 Monetary base	106.7	118.4	127.8	133.5	134.7	135.3	136.8	137.8	139.9	142.4	143.4
5 **Deposits subject to reserve requirements**[2]	**504.2**	**528.6**	**568.6**	**595.8**	**600.5**	**602.7**	**607.0**	**608.9**	**616.9**	**616.7**	**621.1**
6 Time and savings	336.8	354.1	386.7	407.4	410.8	413.0	416.8	418.3	427.5	429.4	433.5
Demand											
7 Private	164.5	171.5	178.5	184.6	186.1	186.5	186.2	187.2	187.0	185.1	185.6
8 U.S. government	2.9	3.0	3.5	3.8	3.6	3.3	4.0	3.5	2.3	2.3	1.9
	Not seasonally adjusted										
9 Monetary base	108.3	120.3	129.8	133.5	135.7	135.2	136.2	137.5	140.5	144.6	144.4
10 **Deposits subject to reserve requirements**[2]	**510.9**	**534.8**	**575.3**	**596.8**	**600.6**	**599.2**	**605.9**	**608.4**	**615.1**	**624.0**	**627.1**
11 Time and savings	337.2	353.6	386.4	408.6	411.1	412.8	416.6	418.5	425.2	429.6	433.8
Demand											
12 Private	170.7	177.9	185.1	183.7	186.4	183.9	184.7	186.9	188.0	191.9	191.5
13 U.S. government	3.1	3.3	3.8	4.5	3.2	2.5	4.6	3.0	2.0	2.5	1.9

[1] Series reflects actual reserve requirement percentages with no adjustment to eliminate the effect of changes in Regulations D and M. There are breaks in series because of changes in reserve requirements effective Dec. 12, 1974; Feb. 13, May 22, and Oct. 30, 1975; Jan. 8 and Dec. 30, 1976. In addition, effective Jan. 1, 1976, statewide branching in New York was instituted. The subsequent merger of a number of banks raised required reserves because of higher reserve requirements on aggregate deposits at these banks.

[2] Includes total time and savings deposits and net demand deposits as defined by Regulation D. Private demand deposits include all demand deposits except those due to the U.S. govt., less cash items in process of collection and demand balances due from domestic commercial banks.

NOTE. Back data and estimates of the impact on required reserves and changes in reserve requirements are shown in Table 14 of the Board's *Annual Statistical Digest, 1971–1975.*

1.23 LOANS AND INVESTMENTS All Commercial Banks

Billions of dollars; last Wednesday of month except for June 30 and Dec. 31

Category	1974 Dec. 31[3]	1975 Dec. 31	1976 Dec. 31	1977 Dec. 31	1978 July 26[p]	1978 Aug. 30[p]	1978 Sept. 27[p]	1978 Oct. 25[p]	1978 Nov. 29[p]	1978 Dec. 31[p]
	Seasonally adjusted									
1 **Loans and investments**[1]	**691.1**	**721.8**	**785.1**	**870.6**	**940.7**	**944.6**	**952.4**	**960.9**	**966.5**	**967.3**
2 Including loans sold outright[2]	695.9	726.2	788.9	875.5	945.3	949.3	957.0	964.8	970.2	971.1
Loans:										
3 Total	500.2	496.9	538.9	617.0	675.1	680.2	687.3	696.8	706.8	709.0
4 Including loans sold outright[2]	505.0	501.3	542.7	621.9	679.7	684.9	691.9	700.7	710.5	712.8
5 Commercial and industrial	183.5	176.2	[4]179.7	[5]201.4	220.8	222.8	224.6	227.0	228.9	228.9
6 Including loans sold outright[2]	186.2	178.7	[4]182.1	[5]204.2	223.1	225.2	226.9	228.9	230.8	230.7
Investments:										
7 U.S. Treasury	51.1	80.1	98.0	95.6	100.6	97.9	97.2	95.2	90.3	88.4
8 Other	139.8	144.8	148.2	158.0	165.0	166.5	167.9	168.9	169.4	169.9
	Not seasonally adjusted									
9 **Loans and investments**[1]	**705.6**	**737.0**	**801.6**	**888.9**	**936.6**	**942.0**	**951.4**	**958.4**	**969.3**	**987.6**
10 Including loans sold outright[2]	710.4	741.4	805.4	893.8	941.2	946.7	956.1	962.3	973.0	991.4
Loans:										
11 Total[1]	510.7	507.4	550.2	629.9	675.6	681.0	688.6	696.6	707.2	723.9
12 Including loans sold outright[2]	515.5	511.8	554.0	634.8	680.2	685.7	693.3	700.5	710.9	727.7
13 Commercial and industrial	186.8	179.3	[4]182.9	[5]205.0	220.9	221.7	223.9	226.5	228.9	233.0
14 Including loans sold outright[2]	189.5	181.8	[4]185.3	[5]207.8	232.2	224.1	226.2	228.4	230.8	234.8
Investments:										
15 U.S. Treasury	54.5	84.1	102.5	100.2	96.1	94.8	95.0	93.5	92.6	93.0
16 Other	140.5	145.5	148.9	158.8	164.9	166.2	167.7	168.3	169.5	170.7

For notes see bottom of opposite page.

1.24 COMMERCIAL BANK ASSETS AND LIABILITIES Last-Wednesday-of-Month Series

Billions of dollars except for number of banks

	Account	1977	1978[3]									
		Dec.	Mar.	Apr.	May	June	July[p]	Aug.[p]	Sept.[p]	Oct.[p]	Nov.[p]	Dec.[p]
		All commercial										
1	**Loans and investments**	**939.1**	**939.7**	**953.0**	**974.4**	**985.0**	**980.6**	**985.5**	**996.4**	**1,003.0**	**1,016.2**	**1,034.7**
2	Loans, gross	680.1	680.4	688.7	712.4	722.1	719.6	724.5	733.6	741.2	754.1	770.9
	Investments:											
3	U.S. Treasury securities	100.2	99.0	100.2	97.3	97.9	96.1	94.8	95.0	93.5	92.6	92.6
4	Other	158.8	160.3	164.1	164.6	165.1	164.9	166.2	167.7	168.3	169.5	171.2
5	**Cash assets**	**168.7**	**130.5**	**133.1**	**161.0**	**166.8**	**130.2**	**137.4**	**141.8**	**146.5**	**149.2**	**170.1**
6	Currency and coin	13.9	14.4	14.3	14.5	12.0	14.8	15.2	15.2	15.1	16.7	17.2
7	Reserves with Federal Reserve Banks	29.3	30.2	27.6	30.3	29.6	23.6	29.7	32.6	34.6	32.6	37.7
8	Balances with banks	59.0	42.6	43.6	51.9	56.0	44.4	43.0	44.4	45.0	46.5	51.6
9	Cash items in process of collection	66.4	43.3	47.6	64.3	69.3	47.3	49.5	49.6	51.7	53.5	63.6
10	**Total assets/total liabilities and capital[1]**	**1,166.0**	**1,140.5**	**1,156.9**	**1,206.5**	**1,215.0**	**1,179.2**	**1,192.9**	**1,209.5**	**1,220.4**	**1,240.8**	**1,284.0**
11	**Deposits**	**939.4**	**899.8**	**915.5**	**952.9**	**965.7**	**932.3**	**937.7**	**949.9**	**952.3**	**959.0**	**993.1**
	Demand:											
12	Interbank	51.7	37.6	39.0	51.2	49.3	40.5	40.4	41.9	43.3	42.9	51.1
13	U.S. government	7.3	4.9	6.2	3.3	8.0	4.3	2.8	11.0	7.6	2.1	2.3
14	Other	323.9	281.2	293.8	312.9	317.5	296.3	298.6	297.1	299.2	304.7	327.1
	Time:											
15	Interbank	9.8	9.0	9.0	9.4	10.2	10.3	10.7	11.6	11.1	11.8	12.4
16	Other	546.6	567.1	567.5	576.1	580.8	580.9	585.2	588.3	591.2	597.6	600.3
17	Borrowings	96.2	105.6	104.9	112.2	106.8	103.2	109.1	112.8	118.3	125.6	133.0
18	**Total capital accounts[2]**	**85.8**	**83.4**	**83.7**	**84.6**	**89.9**	**85.8**	**86.2**	**87.1**	**87.1**	**87.8**	**87.3**
19	MEMO: Number of banks	14,707	14,689	14,697	14,702	14,698	14,713	14,721	14,715	14,713	14,719	14,712
		Member										
20	**Loans and investments**	**675.5**	**668.6**	**676.8**	**693.8**	**699.7**	**695.8**	**698.9**	**706.9**	**713.4**	**724.3**	**739.5**
21	Loans, gross	494.9	490.5	495.3	514.3	519.6	517.6	520.3	527.0	533.9	544.6	558.3
	Investments:											
22	U.S. Treasury securities	70.4	68.2	68.8	66.9	67.4	65.7	65.3	65.4	64.1	63.5	63.6
23	Other	110.1	109.9	112.7	112.7	112.7	112.5	113.3	114.5	115.3	116.2	117.6
24	**Cash assets, total**	**134.4**	**104.8**	**106.5**	**130.7**	**133.8**	**104.2**	**111.2**	**115.4**	**118.6**	**121.3**	**140.2**
25	Currency and coin	10.4	10.6	10.5	10.6	8.7	10.8	11.1	11.1	11.1	12.3	12.7
26	Reserves with Federal Reserve Banks	29.3	30.2	27.6	30.3	29.6	23.6	29.7	32.6	34.6	32.6	37.7
27	Balances with banks	30.8	22.9	22.7	28.1	29.1	24.3	22.9	24.0	23.2	25.1	28.6
28	Cash items in process of collection	63.9	41.2	45.7	61.7	66.5	45.4	47.6	47.7	49.7	51.4	61.2
29	**Total assets/total liabilities and capital[1]**	**861.8**	**833.2**	**843.3**	**884.7**	**888.7**	**857.3**	**868.5**	**882.2**	**891.2**	**908.5**	**945.2**
30	**Deposits**	**683.5**	**645.1**	**655.1**	**686.7**	**694.3**	**666.1**	**670.6**	**679.6**	**682.5**	**688.6**	**716.3**
	Demand:											
31	Interbank	48.0	34.7	36.0	47.5	45.5	37.3	37.2	38.6	39.9	39.5	47.3
32	U.S. government	5.4	3.7	4.5	2.2	5.6	3.1	1.9	8.1	5.7	1.5	1.6
33	Other	239.4	205.1	213.4	229.1	231.6	214.6	217.0	215.6	217.0	221.3	237.9
	Time:											
34	Interbank	7.8	7.0	6.9	7.3	8.1	8.2	8.6	9.4	9.0	9.7	10.2
35	Other	382.9	394.7	394.3	400.5	403.4	402.9	405.9	407.8	411.0	416.7	419.3
36	Borrowings	84.9	91.8	91.1	96.9	92.1	88.0	93.9	97.2	101.4	108.1	115.9
37	**Total capital accounts[2]**	**63.7**	**62.4**	**62.7**	**63.3**	**66.1**	**64.2**	**64.5**	**65.1**	**65.2**	**65.7**	**65.5**
38	MEMO: Number of banks	5,669	5,654	5,645	5,638	5,622	5,613	5,610	5,593	5,585	5,586	5,565

[1] Includes items not shown separately.

Effective Mar. 31, 1976, some of the item "reserve for loan losses" and all of the item "unearned income on loans" are no longer reported as liabilities. As of that date the "valuation" portion of "reserve for loan losses" and the "unearned income on loans" have been netted against "other assets," and against "total assets" as well.

Total liabilities continue to include the deferred income tax portion of "reserve for loan losses."

[2] Effective Mar. 31, 1976, includes "reserves for securities" and the contingency portion (which is small) of "reserve for loan losses."

[3] Figures partly estimated except on call dates.

NOTE. Figures include all bank-premises subsidiaries and other significant majority-owned domestic subsidiaries.

Commercial banks: All such banks in the United States, including member and nonmember banks, stock savings banks, nondeposit trust companies, and U.S. branches of foreign banks.

Member banks: The following numbers of noninsured trust companies that are members of the Federal Reserve System are excluded from member banks in tables 1.24 and 1.25 and are included with noninsured banks in table 1.25: 1976—December, 11; 1978—January, 12.

1.25 COMMERCIAL BANK ASSETS AND LIABILITIES Call-Date Series

Millions of dollars, except for number of banks

	Account	1976	1977		1978	1976	1977		1978
		Dec. 31	June 30	Dec. 31	June 30	Dec. 31	June 30	Dec. 31	June 30
		Total insured				National (all insured)			
1	**Loans and investments, gross**	**827,696**	**854,733**	**914,779**	**956,431**	**476,610**	**488,240**	**523,000**	**542,218**
	Loans								
2	Gross	578,734	601,122	657,509	695,443	340,691	351,311	384,722	403,812
3	Net	560,077	581,143	636,318	672,207	329,971	339,955	372,702	390,630
	Investments								
4	U.S. Treasury securities	101,461	100,568	99,333	97,001	55,727	53,345	52,244	50,519
5	Other	147,500	153,042	157,936	163,986	80,191	83,583	86,033	87,886
6	Cash assets	129,562	130,726	159,264	157,393	76,072	74,641	92,050	90,728
7	**Total assets/total liabilities**[1]	**1,003,970**	**1,040,945**	**1,129,712**	**1,172,772**	**583,304**	**599,743**	**651,360**	**671,166**
8	**Deposits**	**825,003**	**847,372**	**922,657**	**945,874**	**469,377**	**476,381**	**520,167**	**526,932**
	Demand								
9	U.S. government	3,022	2,817	7,310	7,956	1,676	1,632	4,172	4,483
10	Interbank	44,064	44,965	49,843	47,203	23,149	22,876	25,646	22,416
11	Other	285,200	284,544	319,873	312,707	163,346	161,358	181,821	176,025
	Time								
12	Interbank	8,248	7,721	8,731	8,987	4,907	4,599	5,730	5,791
13	Other	484,467	507,324	536,899	569,020	276,296	285,915	302,795	318,215
14	Borrowings	75,291	81,137	89,339	98,351	54,421	57,283	63,218	68,948
15	**Total capital accounts**	**72,061**	**75,502**	**79,082**	**83,074**	**41,319**	**43,142**	**44,994**	**47,019**
16	MEMO: Number of banks	14,397	14,425	14,397	14,381	4,735	4,701	4,654	4,616
		State member (all insured)				Insured nonmember			
17	**Loans and investments, gross**	**144,000**	**144,597**	**152,514**	**157,464**	**207,085**	**221,896**	**239,265**	**256,749**
	Loans								
18	Gross	102,277	102,117	110,243	115,736	135,766	147,694	162,543	175,894
19	Net	99,474	99,173	107,205	112,470	130,630	142,015	156,411	169,106
	Investments								
20	U.S. Treasury securities	18,849	19,296	18,179	16,886	26,884	27,926	28,909	29,595
21	Other	22,874	23,183	24,091	24,841	44,434	46,275	47,812	51,259
22	Cash assets	32,859	35,918	42,305	43,057	20,631	20,166	24,908	23,606
23	**Total assets/total liabilities**[1]	**189,579**	**195,452**	**210,442**	**217,384**	**231,086**	**245,748**	**267,910**	**284,221**
24	**Deposits**	**149,491**	**152,472**	**163,436**	**167,403**	**206,134**	**218,519**	**239,053**	**251,539**
	Demand								
25	U.S. government	429	371	1,241	1,158	917	813	1,896	2,315
26	Interbank	19,295	20,568	22,346	23,117	1,619	1,520	1,849	1,669
27	Other	52,204	52,570	57,605	55,550	69,648	70,615	80,445	81,131
	Time								
28	Interbank	2,384	2,134	2,026	2,275	956	988	973	920
29	Other	75,178	76,827	80,216	85,301	132,993	144,581	153,887	165,502
30	Borrowings	17,310	19,697	21,736	23,167	3,559	4,155	4,384	6,235
31	**Total capital accounts**	**13,199**	**13,441**	**14,182**	**14,670**	**17,542**	**18,919**	**19,905**	**21,384**
32	MEMO: Number of banks	1,023	1,019	1,014	1,005	8,639	8,705	8,729	8,760
		Noninsured nonmember				Total nonmember			
33	**Loans and investments, gross**	**18,819**	**22,940**	**24,415**	**28,699**	**225,904**	**244,837**	**263,681**	**285,448**
	Loans								
34	Gross	16,336	20,865	22,686	26,747	152,103	168,559	185,230	202,641
35	Net	16,209	20,679	22,484	26,548	146,840	162,694	178,896	195,655
	Investments								
36	U.S. Treasury securities	1,054	993	879	869	27,938	28,919	29,788	30,465
37	Other	1,428	1,081	849	1,082	45,863	47,357	48,662	52,341
38	Cash assets	6,496	8,330	9,458	9,360	27,127	28,497	34,367	32,967
39	**Total assets/total liabilities**[1]	**26,790**	**33,390**	**36,433**	**42,279**	**257,877**	**279,139**	**304,343**	**326,501**
40	**Deposits**	**13,325**	**14,658**	**16,844**	**19,924**	**219,460**	**233,177**	**255,898**	**271,463**
	Demand								
41	U.S. government	4	8	10	8	921	822	1,907	2,323
42	Interbank	1,277	1,504	1,868	2,067	2,896	3,025	3,718	3,736
43	Other	3,236	3,588	4,073	4,814	72,884	74,203	84,518	85,946
	Time								
44	Interbank	1,041	1,164	1,089	1,203	1,997	2,152	2,063	2,123
45	Other	7,766	8,392	9,802	11,831	140,760	152,974	163,690	177,334
46	Borrowings	4,842	7,056	6,908	8,413	8,401	11,212	11,293	14,649
47	**Total capital accounts**	**818**	**893**	**917**	**962**	**18,360**	**19,812**	**20,823**	**22,346**
48	MEMO: Number of banks	275	293	310	317	8,914	8,998	9,039	9,077

[1] Includes items not shown separately.

For Note see table 1.24.

1.26 COMMERCIAL BANK ASSETS AND LIABILITIES Detailed Balance Sheet, September 30, 1978

Millions of dollars, except for number of banks.

	Asset account	Insured commercial banks	Member banks[1]					Non-member banks[1]
			Total	Large banks			All other	
				New York City	City of Chicago	Other large		
1	**Cash bank balances, items in process**	**158,380**	**134,955**	**43,758**	**5,298**	**47,914**	**37,986**	**23,482**
2	Currency and coin	12,135	8,866	867	180	2,918	4,901	3,268
3	Reserves with Federal Reserve Banks	28,043	28,041	3,621	1,152	12,200	11,067	3
4	Demand balances with banks in United States	41,104	25,982	12,821	543	3,672	8,945	15,177
5	Other balances with banks in United States	4,648	2,582	601	15	648	1,319	2,066
6	Balances with banks in foreign countries	3,295	2,832	331	288	1,507	705	463
7	Cash items in process of collection	69,156	66,652	25,516	3,119	26,969	11,049	2,504
8	**Total securities held—Book value**	**262,199**	**179,877**	**20,808**	**7,918**	**58,271**	**92,881**	**82,336**
9	U.S. Treasury	95,068	65,764	9,524	2,690	22,051	31,499	29,315
10	Other U.S. Government agencies	40,078	25,457	1,828	1,284	7,730	14,616	14,622
11	States and political subdivisions	121,260	85,125	9,166	3,705	27,423	44,831	36,136
12	All other securities	5,698	3,465	291	240	1,048	1,887	2,234
13	Unclassified total	94	66	.....	.....	19	47	28
14	*Trading-account securities*	*6,833*	*6,681*	*3,238*	*708*	*2,446*	*290*	*151*
15	U.S. Treasury	4,125	4,103	2,407	408	1,210	78	23
16	Other U.S. Government agencies	825	816	401	82	278	55	9
17	States and political subdivisions	1,395	1,381	363	117	794	107	14
18	All other trading account securities	394	316	67	101	145	3	78
19	Unclassified	94	66	.....	.....	19	47	28
20	*Bank investment portfolios*	*255,366*	*173,196*	*17,570*	*7,210*	*55,825*	*92,591*	*82,185*
21	U.S. Treasury	90,943	61,661	7,117	2,282	20,840	31,422	29,293
22	Other U.S. Government agencies	39,253	24,641	1,426	1,201	7,452	14,561	14,613
23	States and political subdivisions	119,865	83,745	8,803	3,588	26,629	44,724	36,123
24	All other portfolio securities	5,305	3,149	224	138	903	1,884	2,156
25	Federal Reserve stock and corporate stock	1,656	1,403	311	111	507	475	253
26	**Federal funds sold and securities resale agreement**	**41,258**	**31,999**	**3,290**	**1,784**	**16,498**	**10,427**	**9,365**
27	Commercial banks	34,256	25,272	1,987	1,294	12,274	9,717	9,090
28	Brokers and dealers	4,259	4,119	821	396	2,361	541	140
29	Others	2,743	2,608	482	94	1,863	169	135
30	**Other loans, gross**	**675,915**	**500,802**	**79,996**	**26,172**	**190,565**	**204,069**	**175,113**
31	LESS: Unearned income on loans	17,019	11,355	675	107	3,765	6,809	5,664
32	Reserves for loan loss	7,431	5,894	1,347	341	2,256	1,949	1,537
33	Other loans, net	651,465	483,553	77,974	25,724	184,544	195,311	167,912
	Other loans, gross, by category							
34	*Real estate loans*	*203,386*	*138,730*	*10,241*	*2,938*	*52,687*	*72,863*	*64,656*
35	Construction and land development	25,621	19,100	2,598	685	9,236	6,581	6,521
36	Secured by farmland	8,418	3,655	23	34	453	3,146	4,763
37	Secured by residential properties	117,176	81,370	5,362	1,559	31,212	43,236	35,806
38	*1- to 4-family residences*	*111,674*	*77,422*	*4,617*	*1,460*	*29,774*	*41,570*	*34,252*
39	FHA-insured or VA-guaranteed	7,503	6,500	508	44	3,446	2,502	1,003
40	Conventional	104,171	70,922	4,109	1,417	26,328	39,068	33,249
41	*Multifamily residences*	*5,502*	*3,948*	*746*	*99*	*1,438*	*1,665*	*1,554*
42	FHA-insured	399	340	132	27	88	92	59
43	Conventional	5,103	3,609	613	72	1,350	1,573	1,495
44	Secured by other properties	52,171	34,605	2,258	660	11,786	19,901	17,566
45	*Loans to financial institutions*	*37,072*	*34,843*	*12,434*	*4,342*	*15,137*	*2,930*	*2,228*
46	REIT's and mortgage companies	8,574	8,162	2,066	801	4,616	680	412
47	Domestic commercial banks	3,362	2,618	966	165	1,206	281	744
48	Banks in foreign countries	7,359	7,187	3,464	268	2,820	635	171
49	Other depositary institutions	1,579	1,411	290	76	785	261	167
50	Other financial institutions	16,198	15,465	5,649	3,033	5,710	1,073	733
51	Loans to security brokers and dealers	11,042	10,834	6,465	1,324	2,846	199	207
52	Other loans to purchase or carry securities	4,280	3,532	410	276	1,860	985	747
53	Loans to farmers—except real estate	28,054	15,296	168	150	3,781	11,196	12,758
54	Commercial and industrial loans	213,123	171,815	39,633	13,290	67,833	51,059	41,309
55	Loans to individuals	161,599	110,974	7,100	2,562	40,320	60,993	50,624
56	*Instalment loans*	*131,571*	*90,568*	*5,405*	*1,711*	*33,640*	*49,811*	*41,003*
57	Passenger automobiles	58,908	37,494	1,077	209	11,626	24,582	21,414
58	Residential repair and modernization	8,526	5,543	331	60	2,088	3,064	2,983
59	Credit cards and related plans	21,938	19,333	2,268	1,267	9,736	6,062	2,605
60	Charge-account credit cards	17,900	16,037	1,573	1,219	8,192	5,053	1,863
61	Check and revolving credit plans	4,038	3,296	695	47	1,545	1,009	742
62	Other retail consumer goods	19,689	13,296	427	57	5,242	7,570	6,393
63	Mobile homes	9,642	6,667	179	19	2,563	3,905	2,976
64	Other	10,047	6,629	249	38	2,678	3,664	3,417
65	Other instalment loans	22,510	14,902	1,302	119	4,948	8,533	7,608
66	Single-payment loans to individuals	30,027	20,406	1,694	851	6,680	11,182	9,621
67	All other loans	17,360	14,778	3,545	1,290	6,100	3,844	2,582
68	**Total loans and securities, net**	**956,579**	**696,833**	**102,383**	**35,536**	**259,820**	**299,094**	**259,867**
69	Direct lease financing	6,717	6,212	1,145	96	3,931	1,041	505
70	Fixed assets—Buildings, furniture, real estate	22,448	16,529	2,332	795	6,268	7,133	5,926
71	Investment in unconsolidated subsidiaries	3,255	3,209	1,642	188	1,282	96	46
72	Customer acceptances outstanding	16,557	16,036	8,315	1,258	6,054	409	521
73	Other assets	34,559	30,408	11,323	1,000	12,810	5,275	4,249
74	**Total assets**	**1,198,495**	**904,182**	**170,899**	**44,170**	**338,079**	**351,034**	**294,595**

For notes see opposite page.

1.26 Continued

Liability or capital account	Insured commercial banks	Member banks[1]					Nonmember banks[1]
		Total	Large banks			All other	
			New York City	City of Chicago	Other large		
75 **Demand deposits**	**369,030**	**282,450**	**66,035**	**10,690**	**100,737**	**104,988**	**86,591**
76 Mutual savings banks	1,282	1,089	527	1	256	305	194
77 Other individuals, partnerships, and corporations	279,651	205,591	31,422	7,864	79,429	86,876	74,061
78 U.S. Government	7,942	5,720	569	188	1,987	2,977	2,222
79 States and political subdivisions	17,122	11,577	764	252	3,446	7,116	5,545
80 Foreign governments, central banks, etc.	1,805	1,728	1,436	19	211	62	77
81 Commercial banks in United States	39,596	38,213	21,414	1,807	10,803	4,189	1,393
82 Banks in foreign countries	7,379	7,217	5,461	207	1,251	298	162
83 Certified and officers' checks, etc.	14,253	11,315	4,443	352	3,354	3,166	2,937
84 **Time deposits**	**368,562**	**266,496**	**38,086**	**15,954**	**98,525**	**113,931**	**102,066**
85 Accumulated for personal loan payments	79	66	.....	.....	1	65	13
86 Mutual savings banks	399	392	177	40	148	27	7
87 Other individuals, partnerships, and corporations	292,120	210,439	29,209	12,074	76,333	92,824	81,680
88 U.S. Government	864	689	61	40	356	232	175
89 States and political subdivisions	59,087	40,010	1,952	1,554	16,483	20,020	19,077
90 Foreign governments, central banks, etc.	6,672	6,450	3,780	1,145	1,401	124	222
91 Commercial banks in United States	7,961	7,289	2,077	999	3,585	629	672
92 Banks in foreign countries	1,381	1,161	829	103	219	9	220
93 **Savings deposits**	**223,326**	**152,249**	**10,632**	**2,604**	**54,825**	**84,188**	**71,077**
94 Individuals and nonprofit organizations	207,701	141,803	9,878	2,448	51,161	78,316	65,897
95 Corporations and other profit organizations	11,216	7,672	519	148	3,195	3,809	3,544
96 U.S. Government	82	65	2	3	24	35	17
97 States and political subdivisions	4,298	2,682	215	4	437	2,025	1,616
98 All other	30	27	18	*	8	2	3
99 **Total deposits**	**960,918**	**701,195**	**114,753**	**29,248**	**254,087**	**303,107**	**259,733**
100 **Federal funds purchased and securities sold under agreements to repurchase**	**91,981**	**85,582**	**21,149**	**8,777**	**41,799**	**13,857**	**6,398**
101 Commercial banks	42,174	39,607	6,991	5,235	21,609	5,773	2,566
102 Brokers and dealers	12,787	11,849	2,130	1,616	6,381	1,722	939
103 Others	37,020	34,126	12,028	1,926	13,809	6,362	2,894
104 Other liabilities for borrowed money	8,738	8,352	3,631	306	3,191	1,225	386
105 Mortgage indebtedness	1,767	1,455	234	27	701	491	316
106 Bank acceptances outstanding	16,661	16,140	8,398	1,260	6,070	412	521
107 Other liabilities	27,124	23,883	8,860	1,525	9,020	4,477	3,494
108 **Total liabilities**	**1,107,188**	**836,607**	**157,026**	**41,144**	**314,868**	**323,569**	**270,849**
109 Subordinated notes and debentures	5,767	4,401	1,001	79	2,033	1,287	1,366
110 **Equity capital**	**85,540**	**63,174**	**12,871**	**2,947**	**21,177**	**26,178**	**22,380**
111 Preferred stock	88	36	.....	.....	5	31	52
112 Common stock	17,875	12,816	2,645	570	4,007	5,594	5,064
113 Surplus	32,341	23,127	4,541	1,404	8,148	9,034	9,217
114 Undivided profits	33,517	26,013	5,554	921	8,680	10,858	7,509
115 Other capital reserves	1,719	1,182	132	52	337	661	538
116 **Total liabilities and equity capital**	**1,198,495**	**904,182**	**170,899**	**44,170**	**338,079**	**351,034**	**294,595**
MEMO ITEMS:							
117 Demand deposits adjusted[2]	252,337	171,864	18,537	5,576	60,978	86,774	80,472
Average for last 15 or 30 days:							
118 Cash and due from bank	146,283	124,916	36,862	6,030	45,731	36,293	21,379
119 Federal funds sold and securities purchased under agreements to resell	43,873	33,682	4,272	1,887	16,007	11,517	10,307
120 Total loans	651,874	483,316	76,750	25,722	184,790	196,054	168,558
121 Time deposits of $100,000 or more	183,614	150,160	32,196	13,216	65,776	38,972	33,454
122 Total deposits	944,593	687,543	107,028	28,922	250,804	300,789	257,062
123 Federal funds purchased and securities sold under agreements to repurchase	92,685	86,635	22,896	9,473	40,541	13,725	6,053
124 Other liabilities for borrowed money	8,716	8,326	3,679	370	3,211	1,067	390
125 Standby letters of credit outstanding	18,820	17,658	10,063	1,477	4,820	1,297	1,162
126 Time deposits of $100,000 or more	186,837	152,553	32,654	13,486	66,684	39,728	34,284
127 Certificates of deposit	160,227	129,667	27,950	11,590	56,383	33,743	30,560
128 Other time deposits	26,610	22,886	4,704	1,896	10,301	5,985	3,724
129 Number of banks	14,390	5,593	12	9	153	5,419	8,810

[1] Member banks exclude and nonmember banks include 13 noninsured trust companies that are members of the Federal Reserve System.

[2] Demand deposits adjusted are demand deposits other than domestic commercial interbank and U.S. government, less cash items reported as in process of collection.

NOTE. Data include consolidated reports, including figures for all bank-premises subsidiaries and other significant majority-owned domestic subsidiaries. Securities are reported on a gross basis before deductions of valuation reserves. Back data in lesser detail were shown in previous BULLETINS.

1.27 ALL LARGE WEEKLY REPORTING COMMERCIAL BANKS with Domestic Assets of $750 Million or More on December 31, 1977, Assets and Liabilities

Millions of dollars, Wednesday figures

Account	1979								
	Jan. 3	Jan. 10	Jan. 17	Jan. 24	Jan. 31p	Feb. 7p	Feb. 14p	Feb. 21p	Feb. 28p
1 Cash items in process of collection	54,830	44,286	46,243	39,754	44,193	42,201	44,504	49,468	49,091
2 Demand deposits due from banks in the United States	15,112	14,429	14,134	13,063	14,321	13,331	12,571	13,804	15,576
3 All other cash and due from depositary institutions	33,854	30,343	36,300	33,421	29,878	33,161	36,096	26,730	28,968
4 **Total loans and securities**	**457,940**	**453,046**	**450,818**	**447,824**	**451,140**	**450,574**	**451,292**	**459,394**	**455,140**
Securities									
5 *U.S. Treasury securities*	*35,533*	*35,102*	*35,778*	*35,711*	*34,990*	*35,235*	*34,938*	*36,186*	*36,139*
6 Trading account	3,112	3,272	3,989	4,209	3,934	3,892	3,472	4,418	4,408
7 Investment account, by maturity	32,421	31,830	31,789	31,502	31,056	31,343	31,466	31,768	31,731
8 One year or less	8,820	8,361	8,283	8,173	7,935	8,295	8,373	8,434	8,595
9 Over one through five years	19,488	19,370	19,304	19,160	18,944	18,705	18,789	18,807	18,684
10 Over five years	4,114	4,099	4,203	4,169	4,176	4,343	4,304	4,528	4,452
11 *Other securities*	*63,937*	*64,302*	*64,047*	*64,086*	*64,238*	*64,800*	*64,381*	*64,616*	*64,441*
12 Trading account	2,436	2,673	2,578	2,298	2,485	2,947	2,646	2,625	2,595
13 Investment account	61,501	61,630	61,469	61,787	61,754	61,853	61,735	61,992	61,846
14 U.S. government agencies	12,075	12,059	11,819	12,091	12,094	12,137	12,109	12,199	12,287
15 States and political subdivision, by maturity	46,412	46,634	46,776	46,875	46,838	46,890	46,809	46,976	46,807
16 One year or less	7,810	7,874	7,798	7,746	7,620	7,513	7,383	7,387	7,178
17 Over one year	38,602	38,760	38,978	39,128	39,217	39,377	39,426	39,588	39,629
18 Other bonds, corporate stocks and securities	3,014	2,936	2,874	2,821	2,822	2,826	2,816	2,817	2,752
Loans									
19 *Federal funds sold*[1]	*27,380*	*25,803*	*24,099*	*22,621*	*25,483*	*24,774*	*24,456*	*29,694*	*25,786*
20 To commercial banks	19,454	16,817	15,837	16,637	17,732	17,203	17,765	18,364	17,914
21 To nonbank brokers and dealers in securities	5,510	5,979	6,025	4,271	5,628	5,600	4,935	8,008	5,228
22 To others	2,416	3,006	2,237	1,713	2,124	1,970	1,756	3,322	2,644
23 Other loans, gross	341,036	337,823	336,905	335,455	336,481	335,916	337,734	339,121	338,976
24 Commercial and industrial	133,642	131,918	131,886	131,722	131,552	132,098	132,865	133,575	133,952
25 Bankers' acceptances and commercial paper	4,347	3,663	3,773	3,589	3,481	3,469	3,745	3,827	3,755
26 All other	129,295	128,254	128,113	128,132	128,072	128,628	129,120	129,748	130,196
27 U.S. addresses	122,888	121,972	121,800	121,769	121,722	122,332	122,865	123,467	123,958
28 Non-U.S. addressees	6,406	6,283	6,313	6,363	6,349	6,297	6,254	6,281	6,238
29 Real estate	80,650	81,046	81,236	81,474	81,841	81,811	82,052	82,304	82,380
30 To individuals for personal expenditures	60,178	59,908	59,970	60,411	60,617	60,593	60,589	60,695	60,832
To financial institutions									
31 Commercial banks in the U.S.	3,603	3,166	3,364	3,165	2,915	2,809	3,094	3,287	2,853
32 Banks in foreign countries	9,646	9,052	8,969	8,518	8,380	7,871	8,430	8,475	8,085
33 Sales finance, personal finance companies, etc.	8,167	8,291	7,968	7,946	7,985	8,150	8,150	7,824	7,926
34 Other financial institutions	15,857	15,813	15,710	15,299	15,226	15,122	15,280	15,089	15,082
35 To nonbank brokers and dealers in securities	8,430	8,516	7,714	7,658	8,671	8,264	7,601	8,241	7,933
36 To others for purchasing and carrying securities[2]	2,205	2,232	2,278	2,302	2,309	2,327	2,332	2,333	2,360
37 To finance agricultural production	4,590	4,574	4,529	4,467	4,472	4,425	4,439	4,444	4,440
38 All other	14,067	13,308	13,280	12,492	12,512	12,446	12,902	12,852	13,133
39 Less: Unearned income	5,602	5,628	5,663	5,692	5,626	5,662	5,722	5,724	5,655
40 Loan loss reserve	4,345	4,355	4,348	4,357	4,427	4,487	4,495	4,499	4,548
41 Other loans, net	331,090	327,840	326,894	325,406	326,428	325,766	327,517	328,898	328,773
42 Lease financing receivables	5,079	5,150	5,382	5,402	5,513	5,457	5,462	5,516	5,543
43 All other assets	66,044	66,936	65,435	63,701	64,555	63,540	63,381	62,648	63,581
44 **Total assets**	**632,859**	**614,191**	**618,311**	**603,165**	**609,600**	**608,265**	**613,306**	**617,560**	**617,898**
Deposits									
45 *Demand deposits*	*203,164*	*182,349*	*184,544*	*169,030*	*176,174*	*170,197*	*174,570*	*183,246*	*180,392*
46 Mutual savings banks	1,004	860	754	671	747	707	731	728	698
47 Individuals, partnerships, and corporations	144,472	128,856	133,133	122,107	124,395	119,973	125,565	129,085	126,001
48 States and political subdivisions	5,291	4,737	5,025	4,997	5,274	4,726	4,767	4,756	5,200
49 U.S. government	978	1,630	1,052	1,105	1,406	749	888	2,374	863
50 Commercial banks in United States	34,131	31,066	28,816	25,300	29,035	27,445	27,280	30,358	31,712
51 Banks in foreign countries	7,702	6,773	6,642	6,728	6,667	6,471	6,900	7,724	6,563
52 Foreign governments and official institutions	1,646	1,035	1,234	1,481	1,165	1,450	1,250	1,115	1,515
53 Certified and officers' checks	7,941	7,391	7,887	6,642	7,485	8,676	7,189	7,105	7,839
54 *Time and savings deposits*	*258,251*	*259,464*	*259,210*	*260,067*	*258,305*	*257,732*	*257,661*	*257,627*	*257,733*
55 Savings	77,469	77,473	77,054	76,570	76,054	76,227	76,084	76,160	76,028
56 Individuals and nonprofit organizations	71,994	71,917	71,669	71,158	70,939	71,085	70,963	71,061	70,990
57 Partnerships and corporations operated for profit	4,551	4,557	4,449	4,472	4,236	4,223	4,214	4,199	4,169
58 Domestic governmental units	903	973	914	919	858	896	883	874	846
59 All other	20	27	22	21	21	23	24	26	23
60 Time	180,782	181,991	182,156	183,496	182,251	181,504	181,577	181,467	181,705
61 Individuals, partnerships, and corporations	142,367	142,859	142,912	143,926	142,957	142,578	142,621	142,412	142,718
62 States and political subdivisions	23,131	23,401	23,604	23,895	23,866	23,880	24,024	24,132	24,306
63 U.S. government	484	488	495	485	483	497	499	502	487
64 Commercial banks in United States	7,542	7,769	7,781	7,772	7,632	7,419	7,399	7,383	7,405
65 Foreign governments, official institutions, and banks	7,259	7,473	7,363	7,418	7,313	7,131	7,034	7,037	6,789
66 Federal funds purchased[3]	73,390	75,271	76,784	76,542	70,698	80,302	82,660	77,641	77,018
Other liabilities for borrowed money									
67 Borrowings from Federal Reserve Banks	142	316	1,532	432	3,602	64	498	356	816
68 Treasury tax-and-loan notes	6,507	3,000	3,923	6,033	7,097	4,290	2,531	2,811	1,930
69 All other liabilities for borrowed money	8,365	8,919	7,305	8,322	7,617	10,031	8,988	8,674	11,584
70 Other liabilities and subordinated note and debentures	41,144	42,893	43,636	43,434	44,252	43,743	44,633	45,379	46,464
71 **Total liabilities**	**590,965**	**572,211**	**576,935**	**561,860**	**567,746**	**566,359**	**571,540**	**575,734**	**575,937**
72 Residual (total assets minus total liabilities)[4]	41,894	41,980	41,376	41,305	41,854	41,906	41,765	41,826	41,961

[1] Includes securities purchased under agreements to resell.
[2] Other than financial institutions and brokers and dealers.
[3] Includes securities sold under agreements to repurchase.
[4] This is not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.

1.28 LARGE WEEKLY REPORTING COMMERCIAL BANKS with Domestic Assets of $1 Billion or More on December 31, 1977 Assets and Liabilities

Millions of dollars, Wednesday figures

	Account	1979								
		Jan. 3	Jan. 10	Jan. 17	Jan. 24	Jan. 31p	Feb. 7p	Feb. 14p	Feb. 21p	Feb. 28p
1	Cash items in process of collection	51,843	42,045	43,911	37,621	41,972	40,276	42,396	46,765	46,756
2	Demand deposits due from banks in the United States	14,081	13,690	13,341	12,465	13,644	12,660	11,851	12,998	14,811
3	All other cash and due from depositary institutions	31,822	28,635	34,614	31,481	28,143	31,252	34,422	25,264	27,071
4	**Total loans and securities**	**428,252**	**422,661**	**420,915**	**418,442**	**421,565**	**421,214**	**421,750**	**429,664**	**425,884**
	Securities									
5	*U.S. Treasury securities*	*33,162*	*32,701*	*33,411*	*33,337*	*32,593*	*32,836*	*32,532*	*33,803*	*33,732*
6	Trading account	3,073	3,244	3,964	4,179	3,896	3,859	3,429	4,379	4,353
7	Investment account, by maturity	30,089	29,456	29,446	29,158	28,697	28,977	29,102	29,424	29,379
8	One year or less	8,172	7,703	7,648	7,536	7,298	7,655	7,732	7,824	7,982
9	Over one through five years	18,157	18,017	17,960	17,822	17,612	17,365	17,453	17,453	17,276
10	Over five years	3,761	3,737	3,839	3,800	3,787	3,957	3,918	4,147	4,120
11	*Other securities*	*59,024*	*59,266*	*59,152*	*59,211*	*59,324*	*59,884*	*59,472*	*59,737*	*59,516*
12	Trading account	2,375	2,618	2,518	2,246	2,406	2,873	2,575	2,582	2,546
13	Investment account	56,649	56,648	56,634	56,965	56,918	57,012	56,897	57,156	56,971
14	U.S. government agencies	11,234	11,158	10,994	11,281	11,270	11,295	11,282	11,382	11,434
15	States and political subdivision, by maturity	42,641	42,821	43,002	43,099	43,061	43,117	43,027	43,180	43,013
16	One year or less	7,128	7,179	7,222	7,172	7,040	6,946	6,811	6,808	6,592
17	Over one year	35,513	35,642	35,779	35,927	36,021	36,171	36,216	36,372	36,421
18	Other bonds, corporate stocks and securities	2,774	2,669	2,638	2,585	2,586	2,599	2,587	2,593	2,523
	Loans									
19	*Federal funds sold*[1]	*25,130*	*23,338*	*21,555*	*20,593*	*23,342*	*22,821*	*22,309*	*27,390*	*24,023*
20	To commercial banks	17,535	14,656	13,695	14,928	15,970	15,600	15,965	16,458	16,390
21	To nonbank brokers and dealers in securities	5,242	5,708	5,674	3,974	5,258	5,264	4,618	7,678	5,020
22	To others	2,353	2,974	2,185	1,690	2,115	1,957	1,726	3,254	2,612
23	Other loans, gross	320,150	316,580	316,076	314,612	315,620	315,080	316,909	318,206	318,060
24	Commercial and industrial	126,796	124,862	125,087	124,940	124,782	125,301	126,078	126,708	127,057
25	Bankers' acceptances and commercial paper	4,277	3,592	3,705	3,532	3,424	3,408	3,690	3,774	3,701
26	All other	122,519	121,270	121,381	121,408	121,358	121,893	122,387	122,934	123,356
27	U.S. addresses	116,165	115,043	115,117	115,094	115,057	115,644	116,182	116,702	117,167
28	Non-U.S. addressees	6,354	6,227	6,264	6,314	6,301	6,249	6,205	6,232	6,189
29	Real estate	75,576	75,828	76,104	76,319	76,670	76,642	76,864	77,111	77,183
30	To individuals for personal expenditures	53,589	53,307	53,391	53,784	53,956	53,933	53,914	54,028	54,155
	To financial institutions									
31	Commercial banks in the U.S.	3,518	3,074	3,279	3,083	2,819	2,719	2,992	3,181	2,751
32	Banks in foreign countries	9,567	8,960	8,878	8,425	8,290	7,790	8,342	8,376	7,986
33	Sales finance, personal finance companies, etc.	7,946	8,060	7,750	7,742	7,793	7,969	7,986	7,661	7,774
34	Other financial institutions	15,308	15,268	15,170	14,768	14,697	14,592	14,757	14,582	14,575
35	To nonbank brokers and dealers in securities	8,305	8,405	7,607	7,554	8,564	8,161	7,512	8,149	7,846
36	To others for purchasing and carrying securities[2]	1,901	1,927	1,974	1,997	2,001	2,023	2,034	2,037	2,065
37	To finance agricultural production	4,427	4,409	4,366	4,305	4,317	4,276	4,290	4,296	4,296
38	All other	13,216	12,479	12,471	11,695	11,729	11,673	12,140	12,076	12,371
39	Less: Unearned income	5,120	5,130	5,176	5,202	5,141	5,176	5,234	5,233	5,170
40	Loan loss reserve	4,094	4,095	4,102	4,110	4,172	4,231	4,238	4,240	4,278
41	Other loans, net	310,936	307,356	306,798	305,300	306,306	305,672	307,437	308,734	308,612
42	Lease financing receivables	4,921	4,998	5,227	5,245	5,355	5,299	5,303	5,356	5,384
43	All other assets	64,556	65,276	63,799	62,170	62,933	61,946	61,816	61,219	62,046
44	**Total assets**	**595,476**	**577,304**	**581,808**	**567,424**	**573,613**	**572,645**	**577,538**	**581,267**	**581,952**
	Deposits									
45	*Demand deposits*	*190,575*	*170,816*	*173,073*	*158,562*	*165,426*	*159,952*	*163,833*	*172,031*	*169,712*
46	Mutual savings banks	964	822	728	647	717	677	702	702	665
47	Individuals, partnerships, and corporations	134,769	119,835	124,232	114,005	116,158	112,004	117,167	120,428	117,807
48	States and political subdivisions	4,639	4,121	4,346	4,289	4,576	4,128	4,130	4,157	4,586
49	U.S. government	870	1,484	899	937	1,295	659	804	2,199	753
50	Commercial banks in United States	32,429	29,760	27,450	24,143	27,716	26,184	26,043	28,937	30,334
51	Banks in foreign countries	7,641	6,650	6,573	6,661	6,591	6,409	6,837	7,662	6,487
52	Foreign governments and official institutions	1,644	1,029	1,226	1,471	1,162	1,446	1,247	1,109	1,493
53	Certified and officers' checks	7,618	7,114	7,618	6,410	7,209	8,445	6,903	6,835	7,586
54	*Time and savings deposits*	*241,618*	*242,538*	*242,415*	*243,249*	*241,483*	*240,789*	*240,622*	*240,618*	*240,762*
55	Savings	71,790	71,675	71,409	70,968	70,496	70,651	70,533	70,605	70,475
56	Individuals and nonprofit organizations	66,707	66,548	66,420	65,950	65,755	65,899	65,811	65,893	65,823
57	Partnerships and corporations operated for profit	4,215	4,198	4,118	4,144	3,921	3,906	3,895	3,880	3,858
58	Domestic governmental units	847	902	848	853	798	823	803	807	772
59	All other	20	26	22	21	21	23	23	26	22
60	Time	169,828	170,863	171,007	172,281	170,987	170,138	170,090	170,013	170,287
61	Individuals, partnerships, and corporations	133,748	134,197	134,200	135,169	134,167	133,720	133,644	133,463	133,781
62	States and political subdivisions	21,084	21,245	21,486	21,751	21,711	21,698	21,838	21,945	22,138
63	U.S. government	479	484	490	481	479	492	494	498	482
64	Commercial banks in United States	7,272	7,479	7,482	7,477	7,333	7,113	7,096	7,086	7,113
65	Foreign governments, official institutions, and banks	7,246	7,458	7,348	7,403	7,298	7,115	7,017	7,021	6,772
66	Federal funds purchased[3]	69,750	71,263	72,839	70,782	66,997	76,266	78,922	73,777	73,004
	Other liabilities for borrowed money									
67	Borrowings from Federal Reserve Banks	128	301	1,517	326	3,490	44	457	324	703
68	Treasury tax-and-loan notes	5,975	2,836	3,646	5,600	6,583	4,010	2,397	2,604	1,782
69	All other liabilities for borrowed money	8,077	8,471	6,976	7,903	7,260	9,669	8,633	8,383	11,299
70	Other liabilities and subordinated note and debentures	40,049	41,755	42,563	42,288	43,125	42,609	43,505	44,309	45,308
71	**Total liabilities**	**556,173**	**537,979**	**543,030**	**528,711**	**534,365**	**533,341**	**538,370**	**542,046**	**542,570**
72	Residual (total assets minus total liabilities)[4]	39,304	39,325	38,777	38,713	39,248	39,305	39,168	39,221	39,382

[1] Includes securities purchased under agreements to resell.
[2] Other than financial institutions and brokers and dealers.
[3] Includes securities sold under agreements to repurchase.
[4] This is not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.

1.29 LARGE WEEKLY REPORTING COMMERCIAL BANKS IN NEW YORK CITY Assets and Liabilities

Millions of dollars, Wednesday figures

Account	1979								
	Jan. 3	Jan. 10	Jan. 17	Jan. 24	Jan. 31p	Feb. 7p	Feb. 14p	Feb. 21p	Feb. 28p
1 Cash items in process of collection	17,369	16,675	15,990	13,594	15,975	16,810	16,544	14,792	18,084
2 Demand deposits due from banks in the United States	7,679	8,515	8,040	7,894	8,627	8,381	7,315	7,618	9,662
3 All other cash and due from depositary institutions	9,222	6,883	10,048	8,558	7,620	8,963	9,655	5,562	5,999
4 **Total loans and securities**[1]	**98,468**	**95,885**	**95,087**	**94,899**	**96,429**	**96,663**	**96,908**	**100,654**	**97,452**
Securities									
5 *U.S. Treasury securities*[2]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
6 Trading account[2]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
7 Investment account, by maturity	6,485	6,306	6,183	5,892	5,844	6,244	6,336	6,698	6,604
8 One year or less	1,119	958	837	750	650	767	748	888	932
9 Over one through five years	4,653	4,653	4,606	4,419	4,447	4,626	4,749	4,766	4,659
10 Over five years	712	696	739	723	748	850	839	1,044	1,013
11 *Other securities*[2]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
12 Trading account[2]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
13 Investment account	11,267	11,196	11,243	11,290	11,258	11,355	11,250	11,266	11,012
14 U.S. government agencies	1,376	1,376	1,375	1,426	1,405	1,505	1,440	1,447	1,413
15 States and political subdivision, by maturity	9,220	9,180	9,215	9,215	9,205	9,208	9,165	9,173	9,037
16 One year or less	1,832	1,783	1,817	1,750	1,732	1,645	1,666	1,617	1,464
17 Over one year	7,388	7,397	7,398	7,465	7,473	7,564	7,499	7,556	7,573
18 Other bonds, corporate stocks and securities	671	641	652	648	648	641	645	646	561
Loans									
19 *Federal funds sold*[3]	*4,886*	*4,643*	*4,288*	*5,105*	*6,419*	*6,362*	*5,567*	*8,699*	*6,483*
20 To commercial banks	3,444	2,962	2,782	3,912	4,779	4,146	3,558	5,023	3,922
21 To nonbank brokers and dealers in securities	1,035	1,041	981	988	1,281	1,966	1,759	2,774	1,689
22 To others	406	640	525	204	358	250	250	902	872
23 Other loans, gross	77,828	75,719	75,363	74,605	74,912	74,736	75,820	76,061	75,423
24 Commercial and industrial	39,336	38,000	37,876	37,643	37,404	37,599	38,084	38,256	38,287
25 Bankers' acceptances and commercial paper	1,980	1,295	1,380	1,199	964	921	1,121	1,094	950
26 All other	37,356	36,705	36,496	36,444	36,440	36,678	36,964	37,162	37,337
27 U.S. addressees	34,952	34,308	34,176	34,148	34,091	34,393	34,683	34,876	35,076
28 Non-U.S. addressees	2,404	2,397	2,320	2,297	2,349	2,286	2,280	2,286	2,261
29 Real estate	10,178	10,210	10,217	10,245	10,293	10,285	10,323	10,391	10,377
30 To individuals for personal expenditures	7,294	7,294	7,265	7,262	7,274	7,255	7,255	7,258	7,264
To financial institutions									
31 Commercial banks in the U.S.	1,295	1,094	1,224	1,158	1,010	884	1,191	1,266	953
32 Banks in foreign countries	4,327	4,008	3,903	3,546	3,497	3,331	3,916	3,930	3,548
33 Sales finance, personal finance companies, etc.	3,127	3,174	3,034	2,938	3,017	3,152	3,236	2,950	3,064
34 Other financial institutions	4,427	4,455	4,452	4,407	4,404	4,364	4,405	4,340	4,373
35 To nonbank brokers and dealers in securities	4,635	4,529	4,055	4,281	4,823	4,560	4,042	4,439	4,221
36 To others for purchasing and carrying securities[4]	366	364	401	403	411	412	421	418	432
37 To finance agricultural production	192	193	194	190	200	201	209	216	206
38 All other	2,650	2,399	2,739	2,532	2,579	2,693	2,736	2,596	2,695
39 Less: Unearned income	662	649	657	660	639	648	669	669	660
40 Loan loss reserve	1,336	1,331	1,333	1,333	1,364	1,386	1,396	1,401	1,410
41 Other loans, net	75,830	73,739	73,373	72,612	72,908	72,702	73,754	73,990	73,354
42 Lease financing receivables	490	489	497	489	492	493	498	498	499
43 All other assets[5]	32,141	32,941	32,103	32,427	32,026	31,084	30,567	31,230	32,157
44 **Total assets**	**165,370**	**161,388**	**161,764**	**157,861**	**161,169**	**162,394**	**161,486**	**160,354**	**163,854**
Deposits									
45 *Demand deposits*	*60,277*	*56,648*	*55,770*	*52,242*	*56,103*	*54,308*	*53,978*	*56,149*	*58,556*
46 Mutual savings banks	584	516	418	373	427	405	417	395	381
47 Individuals, partnerships, and corporations	33,192	28,753	30,029	28,512	29,397	27,691	28,837	29,060	29,600
48 States and political subdivisions	430	403	464	426	518	462	547	476	412
49 U.S. government	139	305	194	279	224	77	101	571	102
50 Commercial banks in United States	15,838	18,244	15,380	13,712	16,645	14,965	14,856	15,838	18,552
51 Banks in foreign countries	5,490	4,705	4,712	4,767	4,924	4,848	5,189	5,798	4,662
52 Foreign governments and official institutions	1,366	786	962	1,181	770	974	982	867	1,255
53 Certified and officers' checks	3,238	2,936	3,611	2,992	3,197	4,886	3,049	3,144	3,593
54 *Time and savings deposits*	*50,808*	*51,224*	*51,349*	*51,913*	*50,996*	*50,823*	*50,265*	*50,397*	*49,881*
55 Savings	9,414	9,556	9,537	9,516	9,486	9,551	9,535	9,538	9,548
56 Individuals and nonprofit organizations	8,761	8,890	8,890	8,846	8,842	8,892	8,890	8,896	8,913
57 Partnerships and corporations operated for profit	461	460	449	450	438	438	441	441	440
58 Domestic governmental units	182	189	185	209	196	210	191	187	184
59 All other	11	16	12	11	9	12	13	14	12
60 Time	41,394	41,668	41,812	42,397	41,510	41,272	40,729	40,858	40,333
61 Individuals, partnerships, and corporations	31,915	31,860	32,041	32,432	31,741	31,660	31,206	31,265	31,071
62 States and political subdivisions	1,862	1,908	1,890	1,899	1,817	1,839	1,868	1,906	1,877
63 U.S. government	48	42	40	40	35	36	30	29	23
64 Commercial banks in U.S.	3,139	3,287	3,329	3,402	3,375	3,328	3,275	3,296	3,274
65 Foreign governments, official institutions, and banks	4,430	4,570	4,514	4,624	4,541	4,409	4,350	4,362	4,087
66 Federal funds purchased[6]	19,805	19,344	19,376	18,269	17,168	22,205	22,353	18,931	19,291
Other liabilities for borrowed money									
67 Borrowings from Federal Reserve Banks	0	0	975	100	2,021	0	0	0	0
68 Treasury tax-and-loan notes	1,065	390	556	1,124	1,255	784	482	324	411
69 All other liabilities for borrowed money	4,396	3,935	3,792	4,104	3,770	4,047	4,037	3,930	4,049
70 Other liabilities and subordinated note and debentures	16,394	17,281	17,403	17,540	17,150	17,438	17,623	17,776	18,777
71 **Total liabilities**	**152,746**	**148,821**	**149,221**	**145,293**	**148,462**	**149,605**	**148,739**	**147,506**	**150,966**
72 Residual (total assets minus total liabilities)[7]	12,623	12,567	12,543	12,568	12,707	12,789	12,748	12,848	12,889

[1] Excludes trading account securities.
[2] Not available due to confidentiality.
[3] Includes securities purchased under agreements to resell.
[4] Other than financial institutions and brokers and dealers.
[5] Includes trading account securities.
[6] Includes securities sold under agreements to repurchase.
[7] This is not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.

1.30 LARGE WEEKLY REPORTING COMMERCIAL BANKS Balance Sheet Memoranda

Millions of dollars, Wednesday figures

Account	1979								
	Jan. 3	Jan. 10	Jan. 17	Jan. 24	Jan. 31[p]	Feb. 7[p]	Feb. 14[p]	Feb. 21[p]	Feb. 28[p]
	Large weekly reporting banks with assets of $750 million or more								
1 Total loans (gross) and investments adjusted[1]	444,829	443,047	441,628	438,070	440,546	440,711	440,650	447,966	444,575
2 Total loans (gross) adjusted[1]	345,358	343,643	341,803	338,273	341,318	340,677	341,331	347,163	343,995
3 Demand deposits adjusted[2]	113,225	105,366	108,432	102,872	101,540	99,802	101,899	101,046	98,725
4 *Time deposits in accounts of $100,000 or more*	*131,239*	*131,676*	*131,756*	*133,507*	*131,950*	*131,070*	*131,029*	*130,781*	*130,852*
5 Negotiable CDs	96,584	96,857	96,473	97,737	96,243	95,486	95,240	95,124	94,719
6 Other time deposits	34,655	34,818	35,282	35,771	35,707	35,584	35,789	35,657	36,133
7 *Loans sold outright to affiliates*[3]	*3,745*	*3,650*	*3,554*	*3,602*	*3,570*	*3,578*	*3,615*	*3,618*	*3,540*
8 Commercial and industrial	2,606	2,548	2,452	2,494	2,501	2,481	2,554	2,562	2,489
9 Other	1,139	1,103	1,102	1,108	1,069	1,097	1,061	1,056	1,050
	Large weekly reporting banks with assets of $1 billion or more								
10 Total loans (gross) and investments adjusted[1]	416,412	414,155	413,220	409,743	412,090	412,302	412,265	419,497	416,190
11 Total loans (gross) adjusted[1]	324,226	322,188	320,657	317,194	320,173	319,581	320,261	325,956	322,941
12 Demand deposits adjusted[2]	105,432	97,527	100,812	95,862	94,442	92,834	94,590	94,130	91,868
13 *Time deposits in accounts of $100,000 or more*	*123,865*	*124,296*	*124,273*	*125,963*	*124,399*	*123,415*	*123,269*	*123,046*	*123,131*
14 Negotiable CDs	92,271	92,280	91,956	93,146	91,608	90,766	90,535	90,370	89,988
15 Other time deposits	31,593	32,017	32,317	32,817	32,791	32,648	32,734	32,676	33,143
16 *Loans sold outright to affiliates*[3]	*3,703*	*3,608*	*3,512*	*3,560*	*3,528*	*3,537*	*3,573*	*3,575*	*3,498*
17 Commercial and industrial	2,588	2,528	2,433	2,476	2,484	2,464	2,535	2,543	2,471
18 Other	1,115	1,080	1,078	1,084	1,044	1,073	1,038	1,033	1,027
	Large weekly reporting banks in New York City								
19 Total loans (gross) and investments adjusted[1,4]	95,726	93,809	93,070	91,822	92,644	93,666	94,224	96,435	94,646
20 Total loans (gross) adjusted[1]	77,974	76,306	75,644	74,641	75,542	76,068	76,637	78,471	77,030
21 Demand deposits adjusted[2]	26,931	21,424	24,207	24,657	23,259	22,456	22,478	24,949	21,817
22 *Time deposits in accounts of $100,000 or more*	*36,237*	*36,645*	*36,815*	*37,314*	*36,422*	*36,192*	*35,638*	*35,698*	*35,191*
23 Negotiable CDs	29,137	29,489	29,596	30,113	29,139	28,844	28,309	28,321	27,683
24 Other time deposits	7,100	7,156	7,220	7,201	7,282	7,348	7,329	7,377	7,508

[1] Exclusive of loans and federal funds transactions with domestic commercial banks.

[2] All demand deposits except U.S. government and domestic banks less cash items in process of collection.

[3] Loans sold are those sold outright to a bank's own foreign branches, nonconsolidated nonbank affiliates of the bank, the bank's holding company (if not a bank) and nonconsolidated nonbank subsidiaries of the holding company.

[4] Excludes trading account securities.

1.31 LARGE WEEKLY REPORTING COMMERCIAL BANKS Domestic Classified Commercial and Industrial Loans

Millions of dollars

Industry classification	Outstanding					Net change during—				
	1978			1979		1978			1979	
	Oct. 25	Nov. 29	Dec. 27	Jan. 31	Feb. 28	Q3	Q4	Dec.	Jan.	Feb.
1 Durable goods manufacturing	17,290	17,325	18,004	17,728	18,690	64	365	679	−276	962
2 Nondurable goods manufacturing	16,805	16,775	17,216	16,468	16,771	166	213	441	−748	303
3 Food, liquor, and tobacco	4,431	4,654	4,936	4,620	4,704	−77	686	282	−316	84
4 Textiles, apparel, and leather	4,241	3,964	3,726	3,788	3,931	243	−624	−238	62	143
5 Petroleum refining	2,445	2,522	2,643	2,370	2,336	−116	153	121	−273	−34
6 Chemicals and rubber	3,274	3,210	3,540	3,285	3,371	−99	88	330	−255	86
7 Other nondurable goods	2,414	2,425	2,371	2,404	2,430	214	−89	−54	33	26
8 Mining (including crude petroleum and natural gas)	10,469	10,495	10,652	10,038	10,000	167	200	157	−614	−38
9 Trade	20,113	20,364	19,964	21,128	21,354	−182	817	−400	1,164	226
10 Commodity dealers	1,797	1,787	1,963	1,980	1,940	−316	227	176	17	−40
11 Other wholesale	9,419	9,520	9,436	10,157	10,276	251	277	−84	721	119
12 Retail	8,897	9,057	8,565	8,990	9,137	−114	312	−492	425	147
13 Transportaion, communication, and other public utilities	12,636	12,892	13,411	13,528	13,738	184	1,086	519	117	210
14 Transportation	5,655	5,649	5,641	5,784	5,962	28	74	−8	143	178
15 Communication	1,695	1,756	1,797	1,753	1,825	67	83	41	−44	72
16 Other public utilities	5,287	5,487	5,973	5,991	5,952	88	930	486	18	−39
17 Construction	5,212	5,156	5,207	5,112	5,056	115	−25	51	−95	−56
18 Services	14,186	14,432	14,957	15,465	15,610	509	982	525	508	145
19 All other[1]	17,597	17,995	16,908	15,582	15,946	205	−409	−1,087	−1,326	364
20 Total domestic loans	114,308	115,434	116,319	115,047	117,167	1,228	3,229	885	−1,272	2,120
21 MEMO: Term loans (original maturity more than 1 year) included in domestic loans	n.a.	n.a.	n.a.	57,676	58,270	n.a.	n.a.	n.a.	n.a.	594

[1] Includes commercial and industrial loans at a few banks with assets of $1 billion or more that do not classify their loans.

NOTE. New series. The 134 large weekly reporting commercial banks with domestic assets of $1 billion or more as of December 31, 1977 are included in this series. The revised series is on a last-Wednesday-of-the-month basis.

1.32 GROSS DEMAND DEPOSITS of Individuals, Partnerships, and Corporations

Billions of dollars, estimated daily-average balances

Type of holder	At commercial banks									
	1974 Dec.	1975 Dec.	1976 Dec.	1977			1978			
				June	Sept.	Dec.	Mar.	June	Sept.	Dec.
1 **All holders, individuals, partnerships, and corporations**	**225.0**	**236.9**	**250.1**	**253.8**	**252.7**	**274.4**	**262.5**	**271.2**	**278.8**	**294.6**
2 Financial business	19.0	20.1	22.3	25.9	23.7	25.0	24.5	25.7	25.9	27.8
3 Nonfinancial business	118.8	125.1	130.2	129.2	128.5	142.9	131.5	137.7	142.5	152.7
4 Consumer	73.3	78.0	82.6	84.1	86.2	91.0	91.8	92.9	95.0	97.4
5 Foreign	2.3	2.4	2.7	2.5	2.5	2.5	2.4	2.4	2.5	2.7
6 Other	11.7	11.3	12.4	12.2	11.8	12.9	12.3	12.4	13.1	14.1
	At weekly reporting banks									
	1975 Dec.	1976 Dec.	1977 Dec.	1978						
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.
7 **All holders, individuals, partnerships, and corporations**	**124.4**	**128.5**	**139.1**	**136.9**	**139.9**	**137.7**	**139.7**	**141.3**	**142.7**	**147.0**
8 Financial business	15.6	17.5	18.5	19.0	19.4	19.4	18.9	19.1	19.3	19.8
9 Nonfinancial business	69.9	69.7	76.3	71.9	73.7	72.0	74.1	75.0	75.7	79.0
10 Consumer	29.9	31.7	34.6	36.6	37.1	36.8	37.1	37.5	37.7	38.2
11 Foreign	2.3	2.6	2.4	2.3	2.3	2.4	2.4	2.5	2.5	2.5
12 Other	6.6	7.1	7.4	7.1	7.3	7.1	7.3	7.2	7.5	7.5

NOTE. Figures include cash items in process of collection. Estimates of gross deposits are based on reports supplied by a sample of commercial banks. Types of depositors in each category are described in the June 1971 BULLETIN, p. 466.

1.33 COMMERCIAL PAPER AND BANKERS ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Instrument	1975 Dec.	1976 Dec.	1977 Dec.	1978						1979
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
	Commercial paper (seasonally adjusted)									
1 **All issuers**	**r48,471**	**r52,971**	**r65,101**	**r74,421**	**r74,135**	**r77,021**	**r77,734**	**r80,679**	**r83,665**	**85,226**
Financial companies:[1]										
Dealer-placed paper:[2]										
2 Total	r6,212	r7,261	r8,884	r10,590	r10,864	r11,429	r10,949	r11,487	r12,296	12,915
3 Bank-related	1,762	1,900	2,132	2,633	2,935	2,622	2,868	3,231	3,521	4,413
Directly-placed paper:[3]										
4 Total	r31,404	r32,511	r40,484	r46,410	r45,828	r47,760	r48,460	r50,093	r51,630	52,880
5 Bank-related	6,892	5,959	7,102	10,030	9,634	10,383	10,925	11,478	12,314	12,191
6 Nonfinancial companies[4]	r10,855	r13,199	r15,733	r17,421	r17,443	r17,832	r18,325	r19,099	r19,739	19,431
	Dollar acceptances (not seasonally adjusted)									
7 **Total**	**18,727**	**22,523**	**25,450**	**27,579**	**28,319**	**27,952**	**30,579**	**32,145**	**33,700**	**33,749**
Held by:										
8 *Accepting banks*	*7,333*	*10,442*	*10,434*	*7,244*	*7,048*	*7,647*	*8,379*	*8,082*	*8,579*	*7,339*
9 Own bills	5,899	8,769	8,915	6,345	6,131	6,461	7,012	6,840	7,653	6,214
10 Bills bought	1,435	1,673	1,519	899	917	1,186	1,366	1,243	927	1,125
Federal Reserve Banks:										
11 Own account	1,126	991	954	.....	.....	1	.....	.....	1	.....
12 Foreign correspondents	293	375	362	568	633	556	557	585	664	765
13 Others	9,975	10,715	13,904	19,766	20,638	19,748	21,644	23,478	24,456	25,646
Based on:										
14 Imports into United States	3,726	4,992	6,378	7,415	7,885	7,957	8,575	8,675	8,574	8,869
15 Exports from United States	4,001	4,818	5,863	6,565	6,558	6,350	6,665	7,224	7,586	7,762
16 All other	11,000	12,713	13,209	13,599	13,876	13,644	15,339	16,245	17,540	17,118

[1] Institutions engaged primarily in activities such as, but not limited to, commercial, savings, and mortgage banking; sales, personal, and mortgage financing; factoring, finance leasing, and other business lending; insurance underwriting; and other investment activities.

[2] Includes all financial company paper sold by dealers in the open market.

[3] As reported by financial companies that place their paper directly with investors.

[4] Includes public utilities and firms engaged primarily in activities such as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.

1.34 PRIME RATE CHARGED BY BANKS on Short-term Business Loans

Percent per annum

Effective date	Rate	Effective date	Rate	Month	Average rate	Month	Average rate
1978—Jan. 10	8	1978—Sept. 15	9½	1977—June	6.75	1978—May	8.27
		28	9¾	July	6.75	June	8.63
May 5	8¼			Aug.	6.83	July	9.00
26	8½	Oct. 13	10	Sept.	7.13	Aug.	9.01
		27	10¼	Oct.	7.52	Sept.	9.41
June 16	8¾			Nov.	7.75	Oct.	9.94
30	9	Nov. 1	10½	Dec.	7.75	Nov.	10.94
		6	10¾			Dec.	11.55
Aug. 31	9¼	17	11	1978—Jan.	7.93		
		24	11½	Feb.	8.00	1979—Jan.	11.75
				Mar.	8.00	Feb.	11.75
		Dec. 26	11¾	Apr.	8.00		

1.35 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, November 6–11, 1978

Item	All sizes	Size of loan (in thousands of dollars)					
		1–24	25–49	50–99	100–499	500–999	1,000 and over
	Short-term commercial and industrial loans						
1 Amount of loans (thousands of dollars)	9,533,752	735,419	493,312	595,003	1,867,088	680,499	5,162,431
2 Number of loans	143,729	105,705	15,165	9,331	11,360	1,105	1,063
3 Weighted-average maturity (months)	3.0	2.9	2.7	2.7	3.1	3.4	3.1
4 Weighted-average interest rate (percent per annum)	11.44	11.73	11.73	11.43	11.53	11.19	11.37
5 Interquartile range[1]	10.92–12.10	10.38–13.29	10.50–12.75	10.37–12.62	10.78–12.25	10.25–11.73	11.00–11.85
Percent of amount of loans:							
6 With floating rate	64.4	27.1	26.4	35.0	50.1	69.3	81.2
7 Made under commitment	36.2	17.3	20.7	31.8	42.8	70.0	34.1
	Long-term commercial and industrial loans						
8 Amount of loans (thousands of dollars)	1,177,815	288,653		222,967	121,987	544,208	
9 Number of loans	18,903	17,174		1,403	172	155	
10 Weighted-average maturity (months)	43.2	30.6		44.4	42.1	49.6	
11 Weighted-average interest rate (percent per annum)	11.38	11.41		11.93	11.58	11.09	
12 Interquartile range[1]	10.47–12.50	10.47–12.40		11.00–12.88	10.75–12.68	10.00–12.13	
Percentage of amount of loans:							
13 With floating rate	61.2	40.1		68.4	62.8	69.0	
14 Made under commitment	60.8	42.3		40.3	69.1	77.1	
	Construction and land development loans						
15 Amount of loans (thousands of dollars)	1,012,101	167,317	111,087	116,176	403,138	214,383	
16 Number of loans	25,510	18,633	3,155	1,766	1,800	157	
17 Weighted-average maturity (months)	7.7	4.2	4.0	5.5	8.7	11.8	
18 Weighted-average interest rate (percent per annum)	11.55	10.82	11.46	11.65	11.90	11.46	
19 Interquartile range[1]	10.50–12.50	9.92–12.13	10.29–12.68	10.56–12.62	11.75–12.36	10.50–12.75	
Percentage of amount of loans:							
20 With floating rate	42.7	19.8	18.9	23.9	59.6	51.4	
21 Secured by real estate	94.2	89.1	95.8	95.2	95.4	94.7	
22 Made under commitment	60.4	66.3	88.7	31.7	52.8	70.9	
23 Type of construction: 1- to 4-family	38.2	86.9	85.5	32.5	14.0	24.5	
24 Multifamily	15.4	1.0	1.5	3.3	27.6	17.5	
25 Nonresidential	46.3	12.1	13.0	64.2	58.4	57.9	
	All sizes	1–9	10–24	25–49	50–99	100–249	250 and over
	Loans to farmers						
26 Amount of loans (thousands of dollars)	949,031	134,907	186,760	169,744	156,770	171,536	129,314
27 Number of loans	58,275	36,846	12,625	5,009	2,386	1,198	211
28 Weighted-average maturity (months)	7.4	7.5	8.9	8.0	6.4	8.0	4.7
29 Weighted-average interest rate (percent per annum)	10.36	9.94	9.98	9.91	10.25	10.66	11.69
30 Interquartile range[1]	9.50–10.80	9.20–10.47	9.20–10.50	9.24–10.38	9.73–10.50	9.99–11.57	10.47–12.69
By purpose of loan:							
31 Feeder livestock	10.23	9.74	9.82	9.64	10.20	10.15	11.74
32 Other livestock	10.80	9.81	10.03	10.81	10.37	11.40	12.33
33 Other current operating expenses	10.27	9.87	9.83	10.02	10.33	11.03	11.42
34 Farm machinery and equipment	10.29	10.12	10.51	9.80	9.70	10.76	(2)
35 Other	10.72	10.34	10.46	10.18	10.20	10.96	11.78

[1] Interest rate range that covers the middle 50 percent of the total dollar amount of loans made.

[2] Fewer than three sample loans.

NOTE. For more detail, see the board's 416 (G.14) statistical release. The past data have been revised and are available from Publications Services, Division of Support Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

1.36 INTEREST RATES Money and Capital Markets

Averages, per cent per annum

	Instrument	1976	1977	1978	1978		1979		1979, week ending—				
					Nov.	Dec.	Jan.	Feb.	Feb. 3	Feb. 10	Feb. 17	Feb. 24	Mar. 3
		Money market rates											
1	Federal funds[1]	5.05	5.54	7.94	9.76	10.03	10.07	10.06	10.12	10.06	10.15	9.97	10.06
	Prime commercial paper[2,3]												
2	90- to 119-day	5.24	5.54	7.94	10.14	10.37	10.25	9.95	9.99	9.94	9.96	9.97	9.96
3	4- to 6-month	5.35	5.60	7.99	10.23	10.43	10.32	10.01	10.07	9.99	10.02	10.03	10.03
4	Finance company paper, directly placed, 3- to 6-month[3,4]	5.22	5.49	7.78	9.82	10.06	10.10	9.85	9.86	9.83	9.86	9.85	9.84
5	Prime bankers acceptances, 90-day[3,5]	5.19	5.59	8.11	10.53	10.55	10.29	10.01	9.92	10.03	9.96	10.06	10.03
	Large negotiable certificates of deposit												
6	3-month, secondary market[6]	5.26	5.58	8.20	10.72	10.72	10.51	10.18	r10.13	10.17	10.16	10.26	10.14
7	Eurodollar deposits, 3-month[7]	5.57	6.05	8.74	11.51	11.62	11.16	10.79	r10.63	10.90	10.80	10.84	10.61
	U.S. government securities												
	Bills:[3,8]												
	Market yields:												
8	3-month	4.98	5.27	7.19	8.64	9.08	9.35	9.32	9.28	9.24	9.28	9.41	9.44
9	6-month	5.26	5.53	7.58	9.24	9.36	9.47	9.41	9.34	9.37	9.36	9.50	9.50
10	1-year	5.52	5.71	7.74	9.20	9.44	9.54	9.39	9.31	9.34	9.35	9.49	9.50
	Rates on new issue:[9]												
11	3-month	4.989	5.265	7.221	8.787	9.122	9.351	9.265	9.324	9.186	9.257	9.293	9.451
12	6-month	5.266	5.510	7.572	9.204	9.397	9.501	9.349	9.376	9.307	9.342	9.370	9.498
		Capital market rates											
	Government notes and bonds												
	U.S. Treasury												
	Constant maturities:[10]												
13	1-year	5.88	6.09	8.34	10.01	10.30	10.41	10.24	10.13	10.19	10.19	10.33	10.36
14	2-year	.....	6.45	8.34	9.42	9.72	9.86	9.72	9.62	9.64	9.68	9.81	9.89
15	3-year	6.77	6.69	8.29	9.04	9.33	9.50	9.29	9.15	9.20	9.28	9.39	9.45
16	5-year	7.18	6.99	8.32	8.84	9.08	9.20	9.13	8.94	9.05	9.13	9.24	9.28
17	7-year	7.42	7.23	8.36	8.80	9.03	9.14	9.11	8.93	9.05	9.12	9.21	9.22
18	10-year	7.61	7.42	8.41	8.81	9.01	9.10	9.10	8.94	9.05	9.12	9.17	9.18
19	20-year	7.86	7.67	8.48	8.75	8.90	8.98	9.03	8.89	9.00	9.04	9.09	9.12
20	30-year	.....	.....	8.49	8.75	8.88	8.94	9.00	8.85	8.96	9.01	9.06	9.08
	Notes and bonds maturing in—[11]												
21	3 to 5 years	6.94	6.85	8.30	8.97	9.23	9.36	9.16	9.02	9.07	9.16	9.25	9.32
22	Over 10 years (long-term)	6.78	7.06	7.89	8.16	8.36	8.43	8.43	8.32	8.39	8.44	8.47	8.49
	State and local:												
	Moody's series[12]												
23	Aaa	5.66	5.20	5.52	5.59	5.91	5.95	5.66	5.70	5.60	5.60	5.75	5.80
24	Baa	7.49	6.12	6.27	6.65	6.76	7.14	6.75	7.00	6.75	6.75	6.50	6.40
25	*Bond Buyer* series[13]	6.64	5.68	6.03	6.19	6.51	6.47	6.31	6.22	6.31	6.33	6.38	6.42
	Corporate bonds												
	Seasoned issues[14]												
26	All industries	9.01	8.43	9.07	9.40	9.49	9.65	9.63	9.60	9.60	9.61	9.65	9.73
	By rating groups:												
27	Aaa	8.43	8.02	8.73	9.03	9.16	9.25	9.26	9.19	9.23	9.25	9.28	9.36
28	Aa	8.75	8.24	8.92	9.24	9.33	9.48	9.50	9.43	9.46	9.49	9.52	9.59
29	A	9.09	8.49	9.12	9.48	9.53	9.72	9.68	9.72	9.66	9.66	9.68	9.74
30	Baa	9.75	8.97	9.45	9.83	9.94	10.13	10.08	10.07	10.04	10.04	10.10	10.21
	Aaa utility bonds:[15]												
31	New issue	8.48	8.19	8.96	9.27	9.28	9.54	9.53	.....	9.42	.....	9.59	9.64
32	Recently offered issues	8.49	8.19	8.97	9.27	9.41	9.51	9.56	r9.40	9.51	9.55	9.63	9.67
	Dividend/price ratio												
33	Preferred stocks	7.97	7.60	8.25	8.43	8.84	8.79	8.77	8.65	8.71	8.84	8.73	8.78
34	Common stocks	3.77	4.56	5.28	5.45	5.39	5.29	5.43	r5.28	5.45	5.36	5.35	5.55

[1] Weekly figures are 7-day averages of daily effective rates for the week ending Wednesday; the daily effective rate is an average of the rates on a given day weighted by the volume of transactions at these rates.

[2] Beginning Nov. 1977, unweighted average of offering rates quoted by five dealers. Previously, most representative rate quoted by those dealers.

[3] Yields are quoted on a bank-discount basis.

[4] Averages of the most representative daily offering rates published by finance companies for varying maturities in this range.

[5] Average of the midpoint of the range of daily dealer closing rates offered for domestic issues.

[6] Weekly figures (week ending Wednesday) are 7-day averages of the daily midpoints as determined from the range of offering rates; monthly figures are averages of total days in the month. Beginning Apr. 5, 1978, weekly figures are simple averages of offering rates.

[7] Averages of daily quotations for the week ending Wednesday.

[8] Except for new bill issues, yields are computed from daily closing bid prices.

[9] Rates are recorded in the week in which bills are issued.

[10] Yields on the more actively traded issues adjusted to constant maturities by the U.S. Treasury, based on daily closing bid prices.

[11] Unweighted averages for all outstanding notes and bonds in maturity ranges shown, based on daily closing bid prices. "Long-term" includes all bonds neither due nor callable in less than 10 years, including a number of very low yielding "flower" bonds.

[12] General obligations only, based on figures for Thursday, from Moody's Investors Service.

[13] Twenty issues of mixed quality.

[14] Averages of daily figures from Moody's Investors Service.

[15] Compilation of the Board of Governors of the Federal Reserve System.

Issues included are long-term (20 years or more). New-issue yields are based on quotations on date of offering; those on recently offered issues (included only for first 4 weeks after termination of underwriter price restrictions), on Friday close-of-business quotations.

1.37 STOCK MARKET Selected Statistics

Indicator	1976	1977	1978	1978 Aug.	1978 Sept.	1978 Oct.	1978 Nov.	1978 Dec.	1979 Jan.	1979 Feb.
	Prices and trading (averages of daily figures)									
Common stock prices										
1 **New York Stock Exchange (Dec. 31, 1965 = 50)**	**54.45**	**53.67**	**53.76**	**58.53**	**58.58**	**56.40**	**52.74**	**53.69**	**55.76**	**55.06**
2 Industrial	60.44	57.84	58.30	64.07	64.23	61.60	57.50	58.72	61.31	60.42
3 Transportation	39.57	41.07	43.25	49.45	50.19	46.70	41.80	42.49	43.69	42.27
4 Utility	36.97	40.91	39.23	40.20	39.82	39.44	37.88	38.09	38.79	39.22
5 Finance	52.94	55.23	56.74	63.28	63.22	60.42	54.95	55.73	57.59	56.09
6 **Standard & Poor's Corporation (1941–43 = 10)[1]**	**102.01**	**98.18**	**96.11**	**103.92**	**103.86**	**100.58**	**94.71**	**96.10**	**99.70**	**98.23**
7 **American Stock Exchange (Aug. 31, 1973 = 100)**	**101.63**	**116.18**	**144.56**	**162.52**	**170.95**	**160.14**	**144.17**	**149.94**	**159.26**	**160.92**
Volume of trading (thousands of shares)[2]										
8 New York Stock Exchange	21,189	20,936	28,591	37,603	33,612	31,020	24,505	24,622	27,988	25,037
9 American Stock Exchange	2,565	2,514	3,922	5,526	5,740	4,544	3,304	3,430	3,150	2,944
	Customer financing (end-of-period balances, in millions of dollars)									
10 **Regulated margin credit at brokers/dealers[3]**	**8,166**	**9,993**	**11,035**	**11,984**	**12,626**	**12,307**	**11,209**	**11,035**	**10,955**	↑
11 Margin stock[4]	7,960	9,740	10,830	11,740	12,400	12,090	11,000	10,830	10,750	
12 Convertible bonds	204	250	205	243	225	216	209	205	204	
13 Subscription issues	2	3	1	1	1	1	.....	1	1	n.a.
MEMO: Free credit balances at brokers[6]										
14 Margin-account	585	640	835	795	825	885	790	835	810	
15 Cash-account	1,855	2,060	2,510	2,555	2,655	2,465	2,305	2,510	2,565	↓
	Margin-account debt at brokers (percentage distribution, end of period)									
16 **Total**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	↑
By equity class (in percent):[7]										
17 Under 40	12.0	18.0	33.0	12.0	15.0	47.0	32.0	33.0	21.0	
18 40–49	23.0	36.0	28.0	34.0	36.0	20.0	27.0	28.0	32.0	n.a.
19 50–59	35.0	23.0	18.0	23.0	23.0	15.0	20.0	18.0	22.0	
20 60–69	15.0	11.0	10.0	16.0	13.0	8.0	10.0	10.0	12.0	
21 70–79	8.7	6.0	6.0	9.0	7.0	5.0	6.0	6.0	7.0	
22 80 or more	6.0	5.0	5.0	6.0	6.0	5.0	5.0	5.0	6.0	↓
	Special miscellaneous-account balances at brokers (end of period)									
23 Total balances (millions of dollars)[8]	8,776	9,910	.....	.....	.....	.....	.....	.....	.....	.....
Distribution by equity status (percent)										
24 Net credit status	41.3	43.4	.....	.....	.....	.....	.....	.....	.....	.....
Debit status, equity of—										
25 60 percent or more	47.8	44.9	.....	.....	.....	.....	.....	.....	.....	.....
26 Less than 60 percent	10.9	11.7	.....	.....	.....	.....	.....	.....	.....	.....

	Margin requirements (percent of market value)[9]					
	Effective date					
	Mar. 11, 1968	June 8, 1968	May 6, 1970	Dec. 6, 1971	Nov. 24, 1972	Jan. 3, 1974
27 Margin stocks	70	80	65	55	65	50
28 Convertible bonds	50	60	50	50	50	50
29 Short sales	70	80	65	55	65	50

[1] Effective July 1976, includes a new financial group, banks and insurance companies. With this change the index includes 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.

[2] Based on trading for a 6-hour day.

[3] Margin credit includes all credit extended to purchase or carry stocks or related equity instruments and secured at least in part by stock. Credit extended is end-of-month data for member firms of the New York Stock Exchange.

In addition to assigning a current loan value to margin stock generally, Regulations T and U permit special loan values for convertible bonds and stock acquired through exercise of subscription rights.

[4] A distribution of this total by equity class is shown on lines 23–28.

[5] Nonmargin stocks are those not listed on a national securities exchange and not included on the Federal Reserve System's list of over-the-counter margin stocks. At brokers, such stocks have no loan value.

[6] Free credit balances are in accounts with no unfulfilled commitments to the brokers and are subject to withdrawal by customers on demand.

[7] Each customer's equity in his collateral (market value of collateral less net debit balance) is expressed as a percentage of current collateral values.

[8] Balances that may be used by customers as the margin deposit required for additional purchases. Balances may arise as transfers based on loan values of other collateral in the customer's margin account or deposits of cash (usually sales proceeds) occur.

[9] Regulations G, T, and U of the Federal Reserve Board of Governors, prescribed in accordance with the Securities Exchange Act or 1934, limit the amount of credit to purchase and carry margin stocks that may be extended on securities as collateral by prescribing a maximum loan value, which is a specified percentage of the market value of the collateral at the time the credit is extended. Margin requirements are the difference between the market value (100 percent) and the maximum loan value. The term "margin stocks" is defined in the corresponding regulation.

Regulation G and special margin requirements for bonds convertible into stocks were adopted by the Board of Governors effective Mar. 11, 1968.

1.38 SAVINGS INSTITUTIONS Selected Assets and Liabilities

Millions of dollars, end of period

Account	1975	1976	1977	1978 May	1978 June	1978 July	1978 Aug.	1978 Sept.	1978 Oct.	1978 Nov.	1978 Dec.	1979 Jan.p
	Savings and loan associations[9]											
1 **Assets**	**338,233**	**391,907**	**459,241**	**487,052**	**491,576**	**498,301**	**504,298**	**508,977**	**515,352**	**520,677**	**523,649**	**529,926**
2 Mortgages	278,590	323,005	381,163	402,305	407,965	411,956	416,677	420,971	425,236	429,420	432,858	435,453
3 Cash and investment securities[1]	30,853	35,724	39,150	42,444	41,505	43,627	44,188	43,987	45,577	45,869	44,855	47,770
4 Other	28,790	33,178	38,928	42,303	42,106	42,718	43,433	44,019	44,539	45,388	45,936	46,703
5 **Liabilities and net worth**	**338,233**	**391,907**	**459,241**	**487,052**	**491,576**	**498,301**	**504,298**	**508,977**	**515,352**	**520,677**	**523,649**	**529,926**
6 Savings capital	285,743	335,912	386,800	401,930	408,586	411,660	413,972	420,405	423,050	425,207	431,009	435,771
7 *Borrowed money*	*20,634*	*19,083*	*27,840*	*32,759*	*34,270*	*35,730*	*37,219*	*38,595*	*39,873*	*40,711*	*42,960*	*42,423*
8 FHLBB	17,524	15,708	19,945	23,323	24,875	26,151	27,363	28,632	29,456	30,052	31,990	31,776
9 Other	3,110	3,375	7,895	9,436	9,395	9,579	9,856	9,963	10,417	10,659	10,970	10,647
10 Loans in process	5,128	6,840	9,911	11,386	11,632	11,540	11,422	11,222	11,165	11,315	10,737	10,458
11 Other	6,949	8,074	9,506	14,239	10,046	11,972	13,906	10,676	12,832	14,666	9,918	11,990
12 Net worth[2]	19,779	21,998	25,184	26,738	27,042	27,399	27,779	28,079	28,432	28,808	29,025	29,284
13 MEMO: Mortgage loan commitments outstanding[3]	10,673	14,826	19,875	23,939	22,927	22,393	22,047	21,648	21,503	20,738	18,734	18,174
	Mutual savings banks[10]											
14 **Assets**	**121,056**	**134,812**	**147,287**	**152,202**	**153,175**	**154,315**	**155,210**	**156,110**	**156,843**	**157,436**	**158,185**	↑
Loans:												
15 Mortgage	77,221	81,630	88,195	90,915	91,555	92,230	92,866	93,403	93,903	94,497	95,205	
16 Other	4,023	5,183	6,210	7,907	7,771	8,207	8,379	8,418	8,272	7,921	7,176	
Securities:												
17 U.S. government	4,740	5,840	5,895	5,491	5,304	5,269	5,210	5,172	5,105	5,035	4,950	
18 State and local government	1,545	2,417	2,828	2,994	3,008	3,025	3,098	3,180	3,190	3,307	3,335	
19 Corporate and other[4]	27,992	33,793	37,918	39,225	39,427	39,639	39,592	39,639	39,651	39,679	39,759	
20 Cash	2,330	2,355	2,401	1,798	2,163	2,029	2,080	2,293	2,735	3,033	3,730	
21 Other assets	3,205	3,593	3,839	3,873	3,946	3,915	3,985	4,006	3,988	3,962	4,031	
22 **Liabilities**	**121,056**	**134,812**	**147,287**	**152,202**	**153,175**	**154,315**	**155,210**	**156,110**	**156,843**	**157,436**	**158,185**	n.a.
23 *Deposits*	*109,873*	*122,877*	*134,017*	*137,307*	*138,709*	*139,128*	*139,308*	*140,816*	*141,026*	*141,155*	*142,629*	
24 Regular:[5]	109,291	121,961	132,744	135,785	137,089	137,430	137,690	139,068	139,422	r139,853	141,089	
25 Ordinary savings	69,653	74,535	78,005	78,273	77,321	76,116	75,578	75,423	74,124	72,398	71,702	
26 Time and other	39,639	47,426	54,739	57,512	59,768	61,313	62,112	63,645	65,298	67,299	69,387	
27 Other	582	916	1,272	1,521	1,620	1,698	1,619	1,747	1,604	1,458	1,540	
28 Other liabilities	2,755	2,884	3,292	4,481	3,969	4,636	5,246	4,570	5,040	5,411	4,666	
29 General reserve accounts	8,428	9,052	9,978	10,414	10,497	10,551	10,654	10,725	10,777	10,870	10,891	
30 MEMO: Mortgage loan commitments outstanding[6]	1,803	2,439	4,066	4,606	4,958	4,872	4,789	4,561	4,843	4,823	4,400	↓
	Life insurance companies[11]											
31 **Assets**	**289,304**	**321,552**	**351,722**	**366,938**	**369,879**	**374,415**	**378,124**	**381,050**	**382,446**	**385,562**	**389,021**	↑
Securities:												
32 *Government*	*13,758*	*17,942*	*19,553*	*19,489*	*19,401*	*19,447*	*19,563*	*19,638*	*19,757*	*19,711*	*19,579*	
33 United States[7]	4,736	5,368	5,315	5,206	4,984	5,006	5,155	5,156	5,183	4,934	4,795	
34 State and local	4,508	5,594	6,051	5,915	5,943	5,925	5,884	6,001	6,035	6,235	6,250	
35 Foreign[8]	4,514	6,980	8,187	8,368	8,474	8,516	8,524	8,481	8,539	8,542	8,534	
36 *Business*	*135,317*	*157,246*	*175,654*	*187,126*	*188,500*	*192,112*	*194,620*	*196,152*	*195,883*	*197,615*	*197,342*	n.a.
37 Bonds	107,256	122,984	141,891	152,267	153,812	156,207	157,888	159,972	161,347	162,835	161,923	
38 Stocks	28,061	34,262	33,763	34,859	34,688	35,905	36,732	36,180	34,536	34,780	35,419	
39 Mortgages	89,167	91,552	96,848	99,190	100,040	100,596	101,602	102,365	103,161	104,106	105,932	
40 Real estate	9,621	10,476	11,060	11,537	11,540	11,562	11,538	11,583	11,693	11,707	11,776	
41 Policy loans	24,467	25,834	27,556	28,431	28,649	28,843	29,067	29,290	29,521	29,818	30,202	
42 Other assets	16,971	18,502	21,051	21,165	21,749	21,855	21,734	22,022	22,431	22,605	24,190	↓
	Credit unions											
43 **Total assets/liabilities and capital**	**38,037**	**45,225**	**54,084**	**58,018**	**59,381**	**59,152**	**60,141**	**61,277**	**60,909**	**61,465**	**62,595**	↑
44 Federal	20,209	24,396	29,574	31,925	32,793	32,679	33,315	34,058	33,718	34,093	34,681	
45 State	17,828	20,829	24,510	26,093	26,588	26,473	26,826	27,219	27,191	27,372	27,914	
46 *Loans outstanding*	*28,169*	*34,384*	*42,055*	*45,506*	*47,118*	*47,620*	*49,103*	*50,121*	*50,549*	*51,264*	*51,807*	
47 Federal	14,869	18,311	22,717	24,732	25,762	25,970	26,840	27,510	27,697	28,176	28,583	n.a.
48 State	13,300	16,073	19,338	20,774	21,356	21,650	22,263	22,611	22,852	23,088	23,224	
49 *Savings*	*33,013*	*39,173*	*46,832*	*50,789*	*52,076*	*51,551*	*51,772*	*52,867*	*52,468*	*52,600*	*53,048*	
50 Federal (shares)	17,530	21,130	25,849	28,128	28,903	28,627	28,779	29,429	29,086	29,163	29,326	
51 State (shares and deposits)	15,483	18,043	20,983	22,661	23,173	22,924	22,993	23,438	23,382	23,437	23,722	↓

For notes see bottom of page A30.

1.39 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

	Type of account or operation	Transition quarter (July–Sept. 1976)	Fiscal year 1977	Fiscal year 1978	Calendar year 1977	Calendar year 1978		Calendar year 1978		Calendar year 1979
					H2	H1	H2	Nov.	Dec.	Jan.
	U.S. budget									
1	Receipts[1]	81,772	357,762	401,997	175,820	210,650	206.275	33,227	37.477	38,364
2	Outlays[1]	94,742	402,803	450.758	216,781	222,518	238.150	39,134	41,392	41,095
3	*Surplus, or deficit* (−)	*−12,970*	*−45,041*	*−48,761*	*−40,961*	*−11,870*	*−31.875*	*−5,907*	*−3.915*	*−2,731*
4	Trust funds	−1,952	7,833	12,693	4,293	4,334	11.755	1,293	1.833	−3,971
5	Federal funds [2]	−11,018	−52,874	−61,454	−45.254	−16,204	−43.630	−7,200	−5.748	1,240
	Off-budget entities surplus, or deficit (−)									
6	Federal Financing Bank outlays	−2,575	−8,415	−10,660	−6.663	−5,105	−5,082	−296	−1,178	−693
7	Other[3]	793	−269	354	428	−790	1,841	1,700	453	−272
	U.S. budget plus off-budget, including Federal Financing Bank									
8	*Surplus, or deficit* (−)	*−14,752*	*−53,725*	*−59,067*	*−47,196*	*−17,765*	*−35,117*	*−4,503*	*−4.640*	−3,696
	Financed by:									
9	Borrowing from the public	18,027	53,516	59,106	40.284	23,374	30,308	5,236	3,533	3,312
10	Cash and monetary assets (decrease, or increase (−))	−2,899	−2,238	−3,023	4.317	−5,098	3.381	3,485	−2.323	−227
11	Other [4]	−373	2,440	2,984	2.597	−511	1.428	−4,218	3.430	611
	MEMO ITEMS:									
12	**Treasury operating balance (level, end of period)**	**17,418**	**19,104**	**22,444**	**12,274**	**17,526**	**16,291**	**12,854**	**16,291**	**15,146**
13	Federal Reserve Banks	13,299	15,740	16,647	7.114	11,614	4.196	6,587	4.196	3,522
14	Tax and loan accounts	4,119	3,364	5,797	5.160	5,912	12.095	6,267	12,095	11,624

[1] Effective June 1978, earned income credit payments in excess of an individual's tax liability, formerly treated as income tax refunds, are classified as outlays retroactive to January 1976.

[2] Half years calculated as a residual of total surplus/deficit and trust fund surplus/deficit.

[3] Includes Pension Benefit Guaranty Corp.; Postal Service Fund; Rural Electrification and Telephone Revolving Fund, Rural Telephone Bank; and Housing for the Elderly or Handicapped Fund until October 1977.

[4] Includes public debt accrued interest payable to the public; deposit funds; miscellaneous liability (including checks outstanding) and asset accounts; seignorage; increment on gold; net gain/loss for U.S. currency valuation adjustment; net gain/loss for IMF valuation adjustment.

SOURCE. "Monthly Treasury Statement of Receipts and Outlays of the U.S. Government," *Treasury Bulletin*, and *U.S. Budget, Fiscal Year 1978*.

NOTES TO TABLE 1.38

[1] Holdings of stock of the Federal Home Loan Banks are included in "other assets."

[2] Includes net undistributed income, which is accrued by most, but not all, associations.

[3] Excludes figures for loans in process, which are shown as a liability.

[4] Includes securities of foreign governments and international organizations and nonguaranteed issues of U.S. government agencies.

[5] Excludes checking, club, and school accounts.

[6] Commitments outstanding (including loans in process) of banks in New York State as reported to the Savings Banks Association of the State of New York.

[7] Direct and guaranteed obligations. Excludes federal agency issues not guaranteed, which are shown in this table under "business" securities.

[8] Issues of foreign governments and their subdivisions and bonds of the International Bank for Reconstruction and Development.

[9] Data reflect benchmark revisions back to 1977.

[10] Data for June, July, and August 1978 have been revised.

[11] Data for 1977 and the first 6 months of 1978 have been revised by the American Council of Life Insurance.

NOTE. *Savings and loan associations:* Estimates by the FHLBB for all associations in the United States. Data are based on monthly reports of federally insured associations and annual reports of other associations. Even when revised, data for current and preceding year are subject to further revision.

Mutual savings banks: Estimates of National Association of Mutual Savings Banks for all savings banks in the United States. Data are reported on a gross-of-valuation-reserves basis.

Life insurance companies: Estimates of the American Council of Life Insurance for all life insurance companies in the United States. Annual figures are annual-statement asset values, with bonds carried on an amortized basis and stocks at year-end market value. Adjustments for interest due and accrued and for differences between market and book values are not made on each item separately but are included, in total, in "other assets."

Credit unions: Estimates by the National Credit Union Administration for a group of federal and state-chartered credit unions that account for about 30 percent of credit union assets. Figures are preliminary and revised annually to incorporate recent benchmark data.

1.40 U.S. BUDGET RECEIPTS AND OUTLAYS

Millions of dollars

Source or type	Transition quarter (July–Sept. 1976)	Fiscal year 1977	Fiscal year 1978	Calendar year 1977	Calendar year 1978		Calendar year 1978		Calendar year 1979
				H2	H1	H2	Nov.	Dec.	Jan.
Receipts									
1 **All sources**[1]	**81,772**	**357,762**	**401,997**	**175,820**	**210,650**	**206,275**	**33,227**	**37,477**	**38,364**
2 *Individual income taxes, net*	*38,800*	*157,626*	*180,988*	*82,911*	*90,336*	*98,854*	*16,609*	*16,066*	*23,667*
3 Withheld	32,949	144,820	165,215	75,480	82,784	90,148	16,268	15,454	15,843
4 Presidential Election Campaign Fund	1	37	39	1	36	3	.....	.....	.....
5 Nonwithheld	6,809	42,062	47,804	9,397	37,584	10,777	533	830	7,866
6 Refunds[1]	958	29,293	32,070	1,967	30,068	2,075	192	219	42
7 *Corporation income taxes*									
8 Gross receipts	9,808	60,057	65,380	25,121	38,496	28,536	1,541	10,769	2,539
9 Refunds	1,348	5,164	5,428	2,819	2,782	2,757	493	382	392
10 *Social insurance taxes and contributions, net*	*25,760*	*108,683*	*123,410*	*52,347*	*66,191*	*61,064*	*11,923*	*7,716*	*9,429*
11 Payroll employment taxes and contributions[2]	21,534	88,196	99,626	44,384	51,668	51,052	9,762	7,059	8,098
12 Self-employment taxes and contributions[3]	269	4,014	4,267	316	3,892	369	.....	.....	341
13 Unemployment insurance	2,698	11,312	13,850	4,936	7,800	6,727	1,662	174	478
14 Other net receipts[4]	1,259	5,162	5,668	2,711	2,831	2,917	499	483	512
15 Excise taxes	4,473	17,548	18,376	9,284	8,835	9,879	1,712	1,597	1,520
16 Customs deposits	1,212	5,150	6,573	2,848	3,320	3,748	646	594	630
17 Estate and gift taxes	1,455	7,327	5,285	2,837	2,587	2,691	460	386	485
18 Miscellaneous receipts[5]	1,612	6,536	7,413	3,292	3,667	4,260	829	732	486
Outlays[8]									
19 **All types**[1]	**94,742**	**402,803**	**450,758**	**216,781**	**222,518**	**238,150**	**39,134**	**41,392**	**41,095**
20 National defense	22,307	97,501	105,192	50,873	52,979	55,129	9,239	9,450	9,304
21 International affairs	2,180	4,831	6,083	2,896	2,904	2,221	−47	339	550
22 General science, space, and technology	1,161	4,677	4,721	2,318	2,395	2,362	412	407	421
23 Energy	794	4,172	6,045	.....	2,487	4,461	792	747	622
24 Natural resources and environment	2,532	10,000	11,022	.....	4,959	6,119	889	1,125	953
25 Agriculture	584	5,526	7,618	5,477	2,353	4,854	1,372	1,681	1,755
26 Commerce and housing credit	1,391	−31	3,340	.....	−946	3,291	41	309	109
27 Transportation	3,306	14,636	15,461	.....	7,723	8,758	1,414	1,374	1,419
28 Community and regional development	1,340	6,283	11,255	4,924	5,928	6,108	910	753	800
29 Education, training, employment, and social services	5,162	20,985	25,889	10,800	12,792	13,676	2,244	2,210	2,467
30 Health	8,720	38,785	44,529	19,422	21,391	23,942	3,957	4,717	4,149
31 Income security[1]	32,795	137,905	145,640	71,081	75,201	73,305	12,358	12,469	12,959
32 Veterans benefits and services	3,962	18,038	18,987	9,864	9,603	9,545	1,667	2,650	757
33 Administration of justice	859	3,600	3,786	1,723	1,946	1,973	392	309	341
34 General government	878	3,357	3,544	1,749	1,803	2,111	196	269	392
35 General-purpose fiscal assistance	2,092	9,499	9,377	4,926	4,665	4,385	160	79	1,754
36 Interest[6]	7,246	38,092	44,040	19,962	22,280	24,110	3,850	7,372	2,860
37 Undistributed offsetting receipts[6,7]	−2,567	−15,053	−15,772	−8,506	−7,945	−8,200	−713	−4,870	−516

[1] Effective June 1978, earned income credit payments in excess of an individual's tax liability, formerly treated as income tax refunds, are classified as outlays retroactive to January 1976.

[2] Old-age, disability and hospital insurance, and railroad retirement accounts.

[3] Old-age, disability, and hospital insurance.

[4] Supplementary medical insurance premiums, federal employee retirement contributions, and Civil Service retirement and disability fund.

[5] Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.

[6] Effective September 1976, "Interest" and "Undistributed Offsetting Receipts" reflect the accounting conversion for the interest on special issues for U.S. government accounts from an accrual basis to a cash basis.

[7] Consists of interest received by trust funds, rents and royalties on the Outer Continental Shelf, and U.S. government contributions for employee retirement.

[8] For some types of outlays the categories are new or represent regroupings; data for these categories are from the *Budget of the United States Government, Fiscal Year 1979*; data are not available for half-years or for months prior to February 1978.

Two categories have been renamed: "Law enforcement and justice" has become "Administration of justice" and "Revenue sharing and general purpose fiscal assistance" has become "General purpose fiscal assistance."

In addition, for some categories the table includes revisions in figures published earlier.

1.41 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars

Item	1976		1977			1978			
	Sept. 30	Dec. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31
1 **Federal debt outstanding**	[2] **646.4**	**665.5**	**685.2**	**709.1**	**729.2**	**747.8**	**758.8**	**780.4**	**797.7**
2 *Public debt securities*	*634.7*	*653.5*	*674.4*	*698.8*	*718.9*	*738.0*	*749.0*	*771.5*	*789.2*
3 Held by public	488.6	506.4	523.2	543.4	564.1	585.2	587.9	603.6	619.2
4 Held by agencies	146.1	147.1	151.2	155.5	154.8	152.7	161.1	168.0	170.0
5 *Agency securities*	*11.6*	*12.0*	*10.8*	*10.3*	*10.2*	*9.9*	*9.8*	*8.9*	*8.5*
6 Held by public	[2] 9.7	10.0	9.0	8.5	8.4	8.1	8.0	7.4	7.0
7 Held by agencies	1.9	1.9	1.8	1.8	1.8	1.8	1.8	1.5	1.5
8 **Debt subject to statutory limit**	**635.8**	**654.7**	**675.6**	**700.0**	**720.1**	**739.1**	**750.2**	**772.7**	**790.3**
9 Public debt securities	634.1	652.9	673.8	698.2	718.3	737.3	748.4	770.9	788.6
10 Other debt[1]	1.7	1.7	1.7	1.7	1.7	1.8	1.8	1.8	1.7
11 MEMO: Statutory debt limit	636.0	682.0	700.0	700.0	752.0	752.0	752.0	798.0	798.0

[1] Includes guaranteed debt of government agencies, specified participation certificates, notes to international lending organizations, and District of Columbia stadium bonds.

[2] Gross federal debt and agency debt held by the public increased $0.5 billion due to a retroactive reclassification of the Export-Import Bank certificates of beneficial interest from loan asset sales to debt, effective July 1, 1975.

NOTE. Data from *Treasury Bulletin* (U.S. Treasury Department).

1.42 GROSS PUBLIC DEBT OF U.S. TREASURY Types and Ownership

Billions of dollars, end of period

Type and holder	1974	1975	1976	1977	1978			1979	
					Oct.	Nov.	Dec.	Jan.	Feb.
1 **Total gross public debt**	**492.7**	**576.6**	**653.5**	**718.9**	**776.4**	**783.0**	**789.2**	**790.5**	**792.2**
By type:									
2 **Interest-bearing debt**	**491.6**	**575.7**	**652.5**	**715.2**	**775.5**	**782.0**	**782.4**	**789.5**	**791.2**
3 *Marketable*	*282.9*	*363.2*	*421.3*	*459.9*	*491.7*	*493.3*	*487.5*	*496.5*	*498.0*
4 Bills	119.7	157.5	164.0	161.1	161.2	161.5	161.7	162.3	162.4
5 Notes	129.8	167.1	216.7	251.8	272.6	271.7	265.8	272.8	271.4
6 Bonds	33.4	38.6	40.6	47.0	57.8	60.1	60.0	61.4	64.2
7 *Nonmarketable*[1]	*208.7*	*212.5*	*231.2*	*255.3*	*283.8*	*288.7*	*294.8*	*293.0*	*293.3*
8 Convertible bonds[2]	2.3	2.3	2.3	2.2	2.2	2.2	2.2	2.2	2.2
9 State and local government series	.6	1.2	4.5	13.9	24.1	24.1	24.3	24.2	24.2
10 Foreign issues[3]	22.8	21.6	22.3	22.2	24.0	26.6	28.0	27.5	25.3
11 Savings bonds and notes	63.8	67.9	72.3	77.0	80.5	80.7	80.9	80.8	80.8
12 Government account series[4]	119.1	119.4	129.7	139.8	152.7	154.8	157.5	155.2	157.6
13 Non-interest-bearing debt	1.1	1.0	1.1	3.7	.9	1.0	6.8	1.0	1.0
By holder:[5]									
14 U.S. government agencies and trust funds	138.2	139.1	147.1	154.8	166.3	167.4	170.0	↑	↑
15 Federal Reserve Banks	80.5	89.8	97.0	102.5	115.3	113.3	109.6		
16 **Private investors**	**271.0**	**349.4**	**409.5**	**461.3**	**494.7**	**502.3**	**509.6**		
17 Commercial banks	55.6	85.1	103.8	101.4	94.3	93.5	93.4		
18 Mutual savings banks	2.5	4.5	5.9	5.9	5.4	5.3	5.2		
19 Insurance companies	6.2	9.5	12.7	15.1	15.3	15.1	15.0		
20 Other corporations	11.0	20.2	27.7	22.7	21.0	20.9	20.6	n.a.	n.a.
21 State and local governments	29.2	34.2	41.6	55.2	67.1	69.1	68.6		
Individuals:									
22 Savings bonds	63.4	67.3	72.0	76.7	80.2	80.5	80.7		
23 Other securities	21.5	24.0	28.8	28.6	29.6	29.8	30.0		
24 Foreign and international[6]	58.8	66.5	78.1	109.6	122.5	132.4	137.8		
25 Other miscellaneous investors[7]	22.8	38.0	38.9	46.1	54.3	55.8	58.3	↓	↓

[1] Includes (not shown separately): Securities issued to the Rural Electrification Administration and to state and local governments, depositary bonds, retirement plan bonds, and individual retirement bonds.

[2] These nonmarketable bonds, also known as Investment Series B Bonds, may be exchanged (or converted) at the owner's option for 1½ percent, 5-year marketable Treasury notes. Convertible bonds that have been so exchanged are removed from this category and recorded in the notes category above.

[3] Nonmarketable dollar-denominated and foreign currency denominated series held by foreigners.

[4] Held almost entirely by U.S. government agencies and trust funds.

[5] Data for Federal Reserve Banks and U.S. government agencies and trust funds are actual holdings; data for other groups are Treasury estimates.

[6] Consists of the investments of foreign balances and international accounts in the United States. Beginning with July 1974, the figures exclude non-interest-bearing notes issued to the International Monetary Fund.

[7] Includes savings and loan associations, nonprofit institutions, corporate pension trust funds, dealers and brokers, certain government deposit accounts, and government sponsored agencies.

NOTE. Gross public debt excludes guaranteed agency securities and, beginning in July 1974, includes Federal Financing Bank security issues.

Data by type of security from *Monthly Statement of the Public Debt of the United States* (U.S. Treasury Department); data by holder from *Treasury Bulletin*.

1.43 U.S. GOVERNMENT MARKETABLE SECURITIES Ownership, by maturity

Par value; millions of dollars, end of period

Type of holder	1976	1977	1978 Nov.	1978 Dec.	1976	1977	1978 Nov.	1978 Dec.
	All maturities				1 to 5 years			
1 **All holders**	**421,276**	**459,927**	**493,337**	**487,546**	**141,132**	**151,264**	**168,795**	**162,886**
2 U.S. government agencies and trust funds	16,485	14,420	12.776	12.695	6,141	4,788	3,310	3,310
3 Federal Reserve Banks	96,971	101,191	113.305	109.616	31,249	27,012	31,608	31,283
4 *Private investors*	*307,820*	*344,315*	*367,256*	*365,235*	*103,742*	*119,464*	*133,876*	*128,293*
5 Commercial banks	78,262	75,363	69,332	68,890	40,005	38,691	40,042	38,390
6 Mutual savings banks	4,072	4,379	3,642	3,499	2,010	2,112	1,997	1,918
7 Insurance companies	10,284	12,378	11.732	11.635	3,885	4,729	4,806	4,664
8 Nonfinancial corporations	14,193	9,474	8.731	8.272	2,618	3,183	3,523	3,635
9 Savings and loan associations	4,576	4,817	4,173	3.835	2,360	2,368	2,464	2,255
10 State and local governments	12,252	15,495	19.146	18.815	2,543	3,875	4,281	3,997
11 All others	184,182	222,409	250,500	250.288	50,321	64,505	76,763	73,433
	Total, within 1 year				5 to 10 years			
12 **All holders**	**211,035**	**230,691**	**228,284**	**228,516**	**43,045**	**45,328**	**50,402**	**50,400**
13 U.S. government agencies and trust funds	2,012	1,906	1.488	1.488	2,879	2,129	1,989	1,989
14 Federal Reserve Banks	51,569	56,702	56.304	52.801	9,148	10,404	14,717	14,809
15 *Private investors*	*157,454*	*172,084*	*170,492*	*174,227*	*31,018*	*32,795*	*33,695*	*33,601*
16 Commercial banks	31,213	29,477	19.342	20.608	6,278	6,162	7,408	7,490
17 Mutual savings banks	1,214	1,400	863	817	567	584	507	496
18 Insurance companies	2,191	2,398	1,799	1.838	2,546	3,204	2,894	2,899
19 Nonfinancial corporations	11,009	5,770	4,686	4,048	370	307	292	369
20 Savings and loan associations	1,984	2,236	1,540	1,414	155	143	90	89
21 State and local governments	6,622	7,917	8.366	8,194	1,465	1,283	1,557	1,588
22 All others	103,220	122,885	133.895	137.309	19,637	21,112	20,946	20,671
	Bills, within 1 year				10 to 20 years			
23 **All holders**	**163,992**	**161,081**	**161,548**	**161,747**	**11,865**	**12,906**	**19,912**	**19,800**
24 U.S. government agencies and trust funds	449	32	2	2	3,102	3,102	3,957	3,876
25 Federal Reserve Banks	41,279	42,004	45,985	42.397	1,363	1,510	2,077	2,088
26 *Private investors*	*122,264*	*119,035*	*115,561*	*119,348*	*7,400*	*8,295*	*13,879*	*13,836*
27 Commercial banks	17,303	11,996	4.431	5,707	339	456	1,067	956
28 Mutual savings banks	454	484	161	150	139	137	143	143
29 Insurance companies	1,463	1,187	766	753	1,114	1,245	1,463	1,460
30 Nonfinancial corporations	9,939	4,329	2,083	1,792	142	133	70	86
31 Savings and loan associations	1,266	806	278	262	64	54	60	60
32 State and local governments	5,556	6,092	5,876	5,524	718	890	1,365	1,420
33 All others	86,282	94,152	101,966	105,161	4,884	5,380	9,710	9,711
	Other, within 1 year				Over 20 years			
34 **All holders**	**47,043**	**69,610**	**66,736**	**66,769**	**14,200**	**19,738**	**25,944**	**25,944**
35 U.S. government agencies and trust funds	1,563	1,874	1,487	1,487	2,350	2,495	2,032	2,031
36 Federal Reserve Banks	10,290	14,698	10,319	10,404	3,642	5,564	8,599	8,635
37 *Private investors*	*35,190*	*53,039*	*54,931*	*54,879*	*8,208*	*11,679*	*15,314*	*15,278*
38 Commercial banks	13,910	15,482	14,911	14,901	427	578	1,473	1,446
39 Mutual savings banks	760	916	702	666	143	146	131	126
40 Insurance companies	728	1,211	1,033	1,084	548	802	770	774
41 Nonfinancial corporations	1,070	1,441	2,603	2,256	55	81	159	135
42 Savings and loan associations	718	1,430	1,262	1,152	13	16	17	17
43 State and local governments	1,066	1,825	2.490	2,670	904	1,530	3,577	3,616
44 All others	16,938	28,733	31.929	32,149	6,120	8,526	9,186	9,164

NOTE. Direct public issues only. Based on Treasury Survey of Ownership from *Treasury Bulletin* (U.S. Treasury Department).

Data complete for U.S. government agencies and trust funds and Federal Reserve Banks, but data for other groups include only holdings of those institutions that report. The following figures show, for each category, the number and proportion reporting as of Dec. 31, 1978: (1) 5,463 commercial banks 464 mutual savings banks, and 726 insurance companies, each about 80 percent; (2) 435 nonfinancial corporations and 485 savings and loan associations, each about 50 percent; and (3) 492 state and local governments, about 40 percent.

"All others," a residual, includes holdings of all those not reporting in the Treasury Survey, including investor groups not listed separately.

1.44 U.S. GOVERNMENT SECURITIES DEALERS Transactions

Par value; averages of daily figures, in millions of dollars

Item	1975	1976	1977	1978		1979	Week ending Wednesday					
							1978				1979	
				Nov.	Dec.	Jan.	Dec. 6	Dec. 13	Dec. 20	Dec. 27	Jan. 3	Jan. 10
1 **U.S. government securities**	**6,027**	**10,449**	**10,838**	**11,844**	**8,837**	**10,778**	**8,079**	**9,083**	**9,227**	**8,954**	**9,824**	**10,139**
By maturity:												
2 Bills	3,889	6,676	6,746	6,573	5,336	6,016	4,977	5,723	5,214	5,239	6,502	6,008
3 Other within 1 year	223	210	237	449	400	464	285	459	371	488	622	355
4 1–5 years	1,414	2,317	2,320	2,301	1,676	2,344	1,347	1,157	2,075	2,296	1,569	1,714
5 5–10 years	363	1,019	1,148	1,207	738	813	705	888	854	485	542	772
6 Over 10 years	138	229	388	1,314	687	1,141	766	856	711	447	589	1,289
By type of customer												
7 U.S. government securities dealers	885	1,360	1,267	908	954	1,038	666	923	972	1,270	915	1,033
8 U.S. government securities brokers	1,750	3,407	3,709	5,321	3,303	4,525	3,547	3,648	3,586	2,754	3,307	4,094
9 Commercial banks	1,451	2,426	2,295	1,834	1,514	1,599	1,255	1,437	1,613	1,631	1,745	1,599
10 All others[1]	1,941	3,257	3,568	3,780	3,066	3,616	2,612	3,075	3,056	3,300	3,858	3,413
11 **Federal agency securities**	**1,043**	**1,548**	**1,729**	**2,208**	**2,325**	**2,479**	**2,300**	**2,313**	**2,541**	**2,136**	**2,005**	**2,239**

[1] Includes, among others, all other dealers and brokers in commodities and securities, foreign banking agencies, and the Federal Reserve System.

NOTE. Averages for transactions are based on number of trading days in the period.

Transactions are market purchases and sales of U.S. government securities dealers reporting to the Federal Reserve Bank of New York. The figures exclude allotments of, and exchanges for, new U.S. government securities, redemptions of called or matured securities, or purchases or sales of securities under repurchase, reverse repurchase (resale), or similar contracts.

1.45 U.S. GOVERNMENT SECURITIES DEALERS Positions and Sources of Financing

Par value; averages of daily figures, in millions of dollars

Item	1975	1976	1977	1978		1979	1978, week ending Wednesday—					
				Nov.	Dec.	Jan.	Nov 15	Nov. 22	Nov. 29	Dec. 6	Dec. 13	Dec. 20
	Positions[2]											
1 **U.S. government securities**	**5,884**	**7,592**	**5,172**	**2,417**	**2,134**	**3,549**	**2,548**	**1,894**	**2,364**	**1,853**	**2,620**	**2,495**
2 Bills	4,297	6,290	4,772	1,958	1,922	3,045	1,880	1,690	2,229	2,133	2,704	2,458
3 Other within 1 year	265	188	99	60	97	239	181	−110	−183	−301	−54	215
4 1–5 years	886	515	60	−228	−73	115	−491	−326	−117	−274	−347	−367
5 5–10 years	300	402	92	413	211	15	673	393	217	195	241	236
6 Over 10 years	136	198	149	213	−24	134	305	247	218	99	76	−48
7 **Federal agency securities**	**939**	**729**	**693**	**217**	**370**	**609**	**139**	**325**	**271**	**354**	**296**	**289**
	Sources of financing[3]											
8 **All sources**	**6,666**	**8,715**	**9,877**	**11,396**	**11,918**	**13,157**	**10,881**	**11,355**	**11,427**	**11,590**	**12,465**	**12,878**
Commercial banks:												
9 New York City	1,621	1,896	1,313	347	638	2,136	348	304	39	1	802	1,256
10 Outside New York City	1,466	1,660	1,987	2,032	2,210	2,367	1,930	2,134	2,195	2,067	2,430	2,338
11 Corporations[1]	842	1,479	2,423	3,007	2,890	2,756	3,051	3,000	3,144	2,897	2,852	3,065
12 All others	2,738	3,681	4,155	6,010	6,179	5,898	5,553	5,916	6,049	6,625	6,382	6,220

[1] All business corporations except commercial banks and insurance companies.

[2] New amounts (in terms of par values) of securities owned by nonbank dealer firms and dealer departments of commercial banks on a commitment, that is, trade-date basis, including any such securities that have been sold under agreements to repurchase. The maturities of some repurchase agreements are sufficiently long, however, to suggest that the securities involved are not available for trading purposes. Securities owned, and hence dealer positions, do not include securities purchased under agreements to resell.

[3] Total amounts outstanding of funds borrowed by nonbank dealer firms and dealer departments of commercial banks against U.S. government and federal agency securities (through both collateral loans and sales under agreements to repurchase), plus internal funds used by bank dealer departments to finance positions in such securities. Borrowings against securities held under agreement to resell are excluded where the borrowing contract and the agreement to resell are equal in amount and maturity, that is, a matched agreement.

NOTE. Averages for positions are based on number of trading days in the period; those for financing, on the number of calendar days in the period.

1.46 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

	Agency	1975	1976	1977	1978					
					July	Aug.	Sept.	Oct.	Nov.	Dec.
1	**Federal and federally sponsored agencies**	**97,680**	**103,325**	**109,924**	**122,638**	**123,297**	**125,397**	**127,468**	**129,139**	**131,982**
2	*Federal agencies*	*19,046*	*21,896*	*22,760*	*23,286*	*22,505*	*23,139*	*23,279*	*23,073*	*23,488*
3	Defense Department[1]	1,220	1,113	983	916	906	897	897	876	868
4	Export-Import Bank[2,3]	7,188	7,801	8,671	8,596	8,274	8,709	8,704	8,392	8,711
5	Federal Housing Administration[4]	564	575	581	603	603	601	598	594	588
6	Government National Mortgage Association participation certificates[5]	4,200	4,120	3,743	3,666	3,166	3,166	3,166	3,166	3,141
7	Postal Service[6]	1,750	2,998	2,431	2,364	2,364	2,364	2,364	2,364	2,364
8	Tennessee Valley Authority	3,915	5,185	6,015	6,785	6,835	7,045	7,195	7,325	7,460
9	United States Railway Association[6]	209	104	336	356	357	357	355	356	356
10	*Federally sponsored agencies*	*78,634*	*81,429*	*87,164*	*99,352*	*100,792*	*102,258*	*104,189*	*106,066*	*108,494*
11	Federal Home Loan Banks	18,900	16,811	18,345	23,430	24,360	25,025	25,395	26,777	27,563
12	Federal Home Loan Mortgage Corporation	1,550	1,690	1,686	1,937	1,937	2,063	2,063	2,062	2,262
13	Federal National Mortgage Association	29,963	30,565	31,890	36,900	37,518	38,353	39,776	39,814	41,080
14	Federal Land Banks	15,000	17,127	19,118	20,198	20,198	20,198	20,360	20,360	20,360
15	Federal Intermediate Credit Banks	9,254	10,494	11,174	11,392	11,482	11,555	11,554	11,548	11,469
16	Banks for Cooperatives	3,655	4,330	4,434	4,788	4,570	4,317	4,264	4,668	4,843
17	Student Loan Marketing Association[7]	310	410	515	705	725	745	775	835	915
18	Other	2	2	2	2	2	2	2	2	2
	MEMO ITEMS:									
19	**Federal Financing Bank debt[6,8]**	**17,154**	**28,711**	**38,580**	**45,550**	**46,668**	**48,078**	**49,212**	**49,645**	**51,298**
	Lending to federal and federally sponsored agencies:									
20	Export-Import Bank[3]	4,595	5,208	5,834	6,132	6,132	6,568	6,568	6,568	6,898
21	Postal Service[6]	1,500	2,748	2,181	2,114	2,114	2,114	2,114	2,114	2,114
22	Student Loan Marketing Association[7]	310	410	515	705	725	745	775	835	915
23	Tennessee Valley Authority	1,840	3,110	4,190	4,960	5,010	5,220	5,370	5,500	5,635
24	United States Railway Association[6]	209	104	336	356	357	357	355	356	356
	Other lending:[9]									
25	Farmers Home Administration	7,000	10,750	16,095	21,580	22,275	22,275	23,050	23,050	23,825
26	Rural Electrification Administration	566	1,415	2,647	3,684	3,919	4,192	4,407	4,489	4,604
27	Other	1,134	4,966	6,782	6,019	6,136	6,607	6,573	6,733	6,951

[1] Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.

[2] Includes participation certificates reclassified as debt beginning Oct. 1, 1976.

[3] Off-budget Aug. 17, 1974, through Sept. 30, 1976; on-budget thereafter.

[4] Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.

[5] Certificates of participation issued prior to fiscal 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration; Department of Health, Education, and Welfare; Department of Housing and Urban Development; Small Business Administration; and the Veterans Administration.

[6] Off-budget.

[7] Unlike other federally sponsored agencies, the Student Loan Marketing Association may borrow from the Federal Financing Bank (FFB) since its obligations are guaranteed by the Department of Health, Education, and Welfare.

[8] The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other federal agencies. Since FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table in order to avoid double counting.

[9] Includes FFB purchases of agency assets and guaranteed loans; the latter contain loans guaranteed by numerous agencies with the guarantees of any particular agency being generally small. The Farmers Home Administration item consists exclusively of agency assets, while the Rural Electrification Administration entry contains both agency assets and guaranteed loans.

1.47 NEW SECURITY ISSUES of State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1976	1977	1978	1978					
				July	Aug.	Sept.	Oct.	Nov.	Dec.
1 **All issues, new and refunding** [1]	**35,313**	**46,769**	**48,607**	**3,923**	**6,416**	**2,330**	**3,244**	**4,328**	**3,694**
By type of issue									
2 General obligation	18,040	18,042	17,854	1,065	2,161	703	1,148	1,168	1,698
3 Revenue	17,140	28,655	30,658	2,855	4,246	1,620	2,083	3,152	1,992
4 Housing Assistance Administration [2]	.....	.....	.....	.....	.....	.....	.....	.....	.....
5 U.S. government loans	133	72	95	3	9	7	13	8	4
By type of issuer									
6 State	7,054	6,354	6,632	650	919	85	552	343	497
7 Special district and statutory authority	15,304	21,717	24,156	2,171	3,120	1,599	1,616	2,848	2,148
8 Municipalities, counties, townships, school districts	12,845	18,623	17,718	1,098	2,369	639	1,061	1,129	1,043
9 **Issues for new capital, total**	**32,108**	**36,189**	**37,629**	**3,497**	**3,365**	**2,266**	**3,160**	**4,216**	**3,379**
By use of proceeds									
10 Education	4,900	5,076	5,003	499	277	397	314	463	319
11 Transportation	2,586	2,951	3,460	292	632	302	422	259	337
12 Utilities and conservation	9,594	8,119	9,026	941	689	695	831	1,241	705
13 Social welfare	6,566	8,274	10,494	1,241	967	526	1,169	817	1,126
14 Industrial aid	483	4,676	3,526	244	344	105	249	323	276
15 Other purposes	7,979	7,093	6,120	280	456	241	175	1,113	616

[1] Par amounts of long-term issues based on date of sale.
[2] Only bonds sold pursuant to the 1949 Housing Act, which are secured by contract requiring the Housing Assistance Administration to make annual contributions to the local authority.

SOURCE. Public Securities Association.

1.48 NEW SECURITY ISSUES of Corporations

Millions of dollars

Type of issue or issuer, or use	1975	1976	1977	1978					
				June	July	Aug.	Sept.	Oct.	Nov.
1 **All issues** [1]	**53,619**	**53,488**	**54,205**	**5,215**	**4,226**	**3,311**	**3,832**	**3,654**	**3,207**
2 **Bonds**	**42,756**	**42,380**	**42,193**	**3,810**	**3,718**	**2,529**	**2,905**	**2,496**	**2,481**
By type of offering:									
3 Public	32,583	26,453	24,186	1,744	2,177	1,497	1,610	1,631	1,608
4 Private placement	10,172	15,927	18,007	2,066	1,541	1,032	1,295	865	873
By industry group:									
5 Manufacturing	16,980	13,264	12,510	1,105	675	485	823	385	805
6 Commercial and miscellaneous	2,750	4,372	5,887	562	417	414	454	487	112
7 Transportation	3,439	4,387	2,033	225	235	115	135	67	96
8 Public utility	9,658	8,297	8,261	815	768	521	912	819	384
9 Communication	3,464	2,787	3,059	344	326	546	205	290	456
10 Real estate and financial	6,469	9,274	10,438	761	1,296	448	375	446	627
11 **Stocks**	**10,863**	**11,108**	**12,013**	**1,405**	**508**	**782**	**927**	**1,158**	**726**
By type:									
12 Preferred	3,458	2,803	3,878	586	57	157	127	47	149
13 Common	7,405	8,305	8,135	819	451	625	800	1,111	577
By industry group:									
14 Manufacturing	1,670	2,237	1,265	366	167	236	148	90	35
15 Commercial and miscellaneous	1,470	1,183	1,838	245	167	110	168	111	111
16 Transportation	1	24	418	38	40	0	12	0	12
17 Public utility	6,235	6,121	6,058	429	31	354	426	800	377
18 Communication	1,002	776	1,379	5	27	6	10	0	1
19 Real estate and financial	488	771	1,054	320	76	75	164	156	190

[1] Figures, which represent gross proceeds of issues maturing in more than one year, sold for cash in the United States, are principal amount or number of units multiplied by offering price. Excludes offerings of less than $100,000, secondary offerings, undefined or exempted issues as defined in the Securities Act of 1933, employee stock plans, investment companies other than closed-end, intracorporate transactions, and sales to foreigners.

SOURCE. Securities and Exchange Commission.

1.49 OPEN-END INVESTMENT COMPANIES Net Sales and Asset Position

Millions of dollars

Item	1977	1978	1978						1979
			July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
INVESTMENT COMPANIES excluding money market funds									
1 Sales of own shares[1]	6,401	6,645	474	638	519	463	587	602	647
2 Redemptions of own shares[2]	6,027	7,231	645	882	673	607	439	545	607
3 Net sales	357	−586	−181	−244	−154	−144	148	57	40
4 Assets[3]	45,049	r44,980	47,975	49,299	48,151	43,462	44,242	r44,980	46,587
5 Cash position[4]	3,274	r4,507	4,285	3,948	3,703	3,793	4,299	r4,507	4,618
6 Other	41,775	r40,473	43,690	45,351	44,448	39,669	39,943	r40,473	41,969

[1] Includes reinvestment of investment income dividends. Excludes reinvestment of capital gains distributions and share issue of conversions from one fund to another in the same group.

[2] Excludes share redemption resulting from conversions from one fund to another in the same group.

[3] Market value at end of period, less current liabilities.

[4] Also includes all U.S. government securities and other short-term debt securities.

NOTE. Investment Company Institute data based on reports of members, which comprise substantially all open-end investment companies registered with the Securities and Exchange Commission. Data reflect newly formed companies after their initial offering of securities.

1.50 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Account	1975	1976	1977	1977				1978		
				Q1	Q2	Q3	Q4	Q1	Q2	Q3
1 **Profits before tax**	**120.4**	**155.9**	**173.9**	**164.8**	**175.1**	**177.5**	**178.3**	**172.1**	**205.5**	**205.4**
2 Profits tax liability	49.8	64.3	71.8	68.3	72.3	72.8	73.9	70.0	85.0	86.2
3 Profits after tax	70.6	91.6	102.1	96.5	102.8	104.7	104.4	102.1	120.5	119.2
4 Dividends	31.9	37.9	43.7	41.5	42.7	44.1	46.3	47.0	48.1	50.1
5 Undistributed profits	38.7	53.7	58.4	55.0	60.1	60.6	58.1	55.1	72.4	69.1
6 Capital consumption allowances	89.2	97.1	106.0	102.0	105.0	107.6	109.3	111.3	113.3	115.4
7 Net cash flow	127.9	150.8	164.4	157.0	165.1	168.2	167.4	166.4	185.7	184.5

SOURCE. *Survey of Current Business* (U.S. Department of Commerce.)

1.51 NONFINANCIAL CORPORATIONS Current Assets and Liabilities

Billions of dollars, except for ratio

Account	1974	1975	1976	1977				1978		
			Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
1 **Current assets**	**734.6**	**756.3**	**823.1**	**842.0**	**856.4**	**880.3**	**900.1**	**924.2**	**953.5**	**992.4**
2 Cash	73.0	80.0	86.8	80.8	83.1	83.4	94.2	88.5	90.9	91.4
3 U.S. government securities	11.3	19.6	26.0	26.8	22.1	21.5	20.9	20.9	19.7	18.6
4 Notes and accounts receivable	265.5	272.1	292.4	304.1	312.8	326.9	325.7	338.3	356.8	377.8
5 Inventories	318.9	314.7	341.4	352.1	358.8	367.5	375.0	389.7	399.1	415.5
6 Other	65.9	69.9	76.4	78.3	79.6	81.0	84.3	86.8	87.0	89.0
7 **Current liabilities**	**451.8**	**446.9**	**487.5**	**502.6**	**509.5**	**528.9**	**543.2**	**570.4**	**590.8**	**624.5**
8 Notes and accounts payable	272.3	261.2	273.2	280.2	286.8	297.8	306.8	317.2	331.3	349.9
9 Other	179.5	185.7	214.2	222.4	222.7	231.1	236.3	253.2	259.4	274.6
10 **Net working capital**	**282.8**	**309.5**	**335.6**	**339.5**	**346.9**	**351.4**	**357.0**	**353.8**	**362.7**	**367.9**
11 MEMO: Current ratio[1]	1.626	1.693	1.688	1.675	1.681	1.664	1.657	1.620	1.614	1.589

[1] Ratio of total current assets to total current liabilities.

SOURCE. Federal Trade Commission.

NOTE. For a description of this series see "Working Capital of Nonfinancial Corporations" in the July 1978 BULLETIN, pp. 533–37.

1.52 BUSINESS EXPENDITURES on New Plant and Equipment

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Industry	1977	1978[2]	1977				1978			
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1 **All industries**	**135.72**	**152.28**	**130.16**	**134.24**	**140.38**	**138.11**	**144.25**	**150.76**	**155.13**	**158.98**
Manufacturing										
2 Durable goods industries	27.75	31.53	26.30	27.26	29.23	28.19	28.72	31.40	32.11	33.89
3 Nondurable goods industries	32.33	36.23	30.13	32.19	33.79	33.22	32.86	35.80	36.54	39.72
Nonmanufacturing										
4 Mining	4.49	4.78	4.24	4.49	4.74	4.50	4.45	4.81	4.80	5.07
Transportation:										
5 Railroad	2.82	3.28	2.71	2.57	3.20	2.80	3.35	3.09	3.64	3.05
6 Air	1.63	2.45	1.62	1.43	1.69	1.76	2.67	2.08	2.97	2.08
7 Other	2.55	2.27	2.96	2.96	1.96	2.32	2.44	2.23	2.37	2.05
Public utilities:										
8 Electric	21.57	24.49	21.19	21.14	21.90	22.05	23.15	23.83	25.04	25.94
9 Gas and other	4.21	4.48	4.16	4.16	4.32	4.18	4.78	4.62	4.22	4.28
10 Communication	15.43	.....	14.19	15.32	16.40	15.82	17.07	18.18	43.44	42.90
11 Commercial and other[1]	22.95	.....	22.67	22.73	23.14	23.27	24.76	24.71		

[1] Includes trade, service, construction, finance, and insurance.
[2] Anticipated by business.

NOTE. Estimates for corporate and noncorporate business, excluding agriculture; real estate operators; medical, legal, educational, and cultural service; and nonprofit organizations.

Source. *Survey of Current Business* (U.S. Dept. of Commerce).

1.521 DOMESTIC FINANCE COMPANIES Assets and Liabilities

Billions of dollars, end of period

Account	1973	1974	1975	1976	1977		1978			
					Q3	Q4	Q1	Q2	Q3	Q4
ASSETS										
Accounts receivable, gross										
1 Consumer	35.4	36.1	36.0	38.6	42.3	44.0	44.5	47.1	49.7	52.6
2 Business	32.3	37.2	39.3	44.7	50.6	55.2	57.6	59.5	58.3	63.3
3 *Total*	*67.7*	*73.3*	*75.3*	*83.4*	*92.9*	*99.2*	*102.1*	*106.6*	*108.0*	*116.0*
4 LESS: Reserves for unearned income and losses	8.4	9.0	9.4	10.5	11.7	12.7	12.8	14.1	14.3	15.6
5 Accounts receivable, net	59.3	64.2	65.9	72.9	81.2	86.5	89.3	92.6	93.7	100.4
6 Cash and bank deposits	2.6	3.0	2.9	2.6	2.5	2.6	2.2	2.9	2.7	3.5
7 Securities	.8	.4	1.0	1.1	1.8	.9	1.2	1.3	1.8	1.3
8 All other	10.6	12.0	11.8	12.6	14.2	14.3	15.0	16.2	17.1	17.3
9 **Total assets**	**73.2**	**79.6**	**81.6**	**89.2**	**99.6**	**104.3**	**107.7**	**112.9**	**115.3**	**122.4**
LIABILITIES										
10 Bank loans	7.2	9.7	8.0	6.3	5.4	5.9	5.8	5.4	5.4	6.5
11 Commercial paper	19.7	20.7	22.2	23.7	25.7	29.6	29.9	31.3	29.3	34.5
Debt:										
12 Short-term, n.e.c.	4.6	4.9	4.5	5.4	5.4	6.2	5.3	6.6	6.8	8.1
13 Long-term, n.e.c.	24.6	26.5	27.6	32.3	34.8	36.0	38.0	40.1	41.3	43.6
14 Other	5.6	5.5	6.8	8.1	13.7	11.5	12.9	13.6	15.2	12.6
15 Capital, surplus, and undivided profits	11.5	12.4	12.5	13.4	14.6	15.1	15.7	16.0	17.3	17.2
16 **Total liabilities and capital**	**73.2**	**79.6**	**81.6**	**89.2**	**99.6**	**104.3**	**107.7**	**112.9**	**115.3**	**122.4**

NOTE. Components may not add to totals due to rounding.

1.522 DOMESTIC FINANCE COMPANIES Business Credit

Millions of dollars, seasonally adjusted except as noted

Type	Accounts receivable outstanding Dec. 31, 1978[1]	Changes in accounts receivable			Extensions			Repayments		
		1978			1978			1978		
		Oct.	Nov.	Dec.	Oct.	Nov.	Dec.	Oct.	Nov.	Dec.
1 **Total**	**63,348**	**704**	**1,210**	**1,271**	**15,078**	**16,293**	**17,680**	**14,374**	**15,083**	**16,409**
2 Retail automotive (commercial vehicles)	14,562	214	229	245	1,237	1,260	1,308	1,023	1,031	1,063
3 Wholesale automotive	12,744	103	591	551	6,171	6,946	6,967	6,068	6,355	6,416
4 Retail paper on business, industrial, and farm equipment	16,759	160	226	20	1,041	1,159	1,790	881	933	1,770
5 Loans on commercial accounts receivable	4,294	−202	−49	262	3,233	3,310	4,110	3,435	3,359	3,848
6 Factored commercial accounts receivable	2,536	291	209	32	1,543	1,776	1,550	1,252	1,567	1,518
7 All other business credit	12,453	138	4	161	1,853	1,842	1,955	1,715	1,838	1,794

[1] Not seasonally adjusted.

1.53 MORTGAGE MARKETS

Millions of dollars; exceptions noted.

	Item	1976	1977	1978	1978 Aug.	1978 Sept.	1978 Oct.	1978 Nov.	1978 Dec.	1979 Jan.
		Terms and yields in primary and secondary markets								
	PRIMARY MARKETS									
	Conventional mortgages on new homes									
	Terms:[1]									
1	Purchase price (thous. dollars)	48.4	54.3	62.6	63.6	64.6	66.8	65.1	68.1	71.9
2	Amount of loan (thous. dollars)	35.9	40.5	45.9	46.4	46.7	48.6	47.5	49.6	52.0
3	Loan/price ratio (percent)	74.2	76.3	75.3	75.3	74.1	74.4	74.4	75.1	74.7
4	Maturity (years)	27.2	27.9	28.0	28.0	27.8	28.0	27.9	28.1	28.6
5	Fees and charges (percent of loan amount)[2]	1.44	1.33	1.39	1.43	1.36	1.37	1.40	1.49	1.56
6	Contract rate (percent per annum)	8.76	8.80	9.30	9.45	9.50	9.60	9.63	9.76	9.92
	Yield (percent per annum):									
7	FHLBB series[3]	8.99	9.01	9.54	9.70	9.73	9.83	9.87	10.02	10.18
8	HUD series[4]	8.99	8.95	9.68	9.80	9.80	9.95	10.10	10.30	10.30
	SECONDARY MARKETS									
	Yields (percent per annum):									
9	FHA mortgages (HUD series)[5]	8.82	7.96	8.08	9.78	9.78	9.93	9.99	10.16	10.17
10	GNMA securities[6]	8.17	8.04	8.98	8.95	9.04	9.25	9.39	9.54	9.97
	FNMA auctions:[7]									
11	Government-underwritten loans	8.99	8.73	9.77	9.81	9.78	10.03	10.30	10.50	10.70
12	Conventional loans	9.11	8.98	10.01	10.11	10.02	10.19	10.56	10.85	11.07
		Activity in secondary markets								
	FEDERAL NATIONAL MORTGAGE ASSOCIATION									
	Mortgage holdings (end of period)									
13	**Total**	**32,904**	**34,370**	**43,311**	**40,325**	**41,189**	**41,957**	**42,590**	**43,311**	**44,329**
14	FHA-insured	18,916	18,457	21,243	20,034	20,325	20,625	20,929	21,243	21,967
15	VA-guaranteed	9,212	9,315	10,544	10,535	10,575	10,565	10,535	10,544	10,606
16	Conventional	4,776	6,597	11,524	9,752	10,289	10,767	11,126	11,524	12,046
	Mortgage transactions (during period)									
17	Purchases	3,606	4,780	12,303	1,230	1,132	1,053	920	974	1,280
18	Sales	86	67	5	0	0	0	0	0	0
	Mortgage commitments:[8]									
19	Contracted (during period)	6,247	9,729	18,960	527	882	1,900	1,275	1,051	n.a.
20	Outstanding (end of period)	3,398	4,698	9,201	9,419	9,068	9,547	9,525	9,201	n.a.
	Auction of 4-month commitments to buy—									
	Government-underwritten loans:									
21	Offered[9]	4,929.8	7,974.1	12,978	499.1	717.9	1,964.8	788.0	627.0	304.9
22	Accepted	2,787.2	4,846.2	6,747.2	277.2	335.9	832.4	321.8	319.6	155.4
	Conventional loans:									
23	Offered[9]	2,595.7	5,675.2	9,933.0	224.7	484.7	1,156.8	861.4	417.4	113.5
24	Accepted	1,879.2	3,917.8	5,110.9	128.5	283.7	495.6	386.8	220.9	58.1
	FEDERAL HOME LOAN MORTGAGE CORPORATION									
	Mortgage holdings (end of period)[10]									
25	**Total**	**4,269**	**3,276**	**3,064**	**2,448**	**2,486**	**2,867**	**3,022**	**3,064**	n.a.
26	FHA/VA	1,618	1,395	1,243	1,304	1,287	1,594	1,257	1,243	n.a.
27	Conventional	2,651	1,881	1,822	1,144	1,199	1,273	1,766	1,822	n.a.
	Mortgage transactions (during period)									
28	Purchases	1,175	3,900	6,524	742	670	791	763	596	n.a.
29	Sales	1,396	4,131	6,211	299	594	369	581	540	n.a.
	Mortgage commitments:[11]									
30	Contracted (during period)	1,477	5,546	7,451	838	760	547	706	455	n.a.
31	Outstanding (end of period)	333	1,063	1,410	2,142	2,130	1,716	1,617	1,410	n.a.

[1] Weighted averages based on sample surveys of mortgages originated by major institutional lender groups. Compiled by the Federal Home Loan Bank Board in cooperation with the Federal Deposit Insurance Corporation.

[2] Includes all fees, commissions, discounts, and "points" paid (by the borrower or the seller) in order to obtain a loan.

[3] Average effective interest rates on loans closed, assuming prepayment at the end of 10 years.

[4] Average contract rates on new commitments for conventional first mortgages, rounded to the nearest 5 basis points; from Dept. of Housing and Urban Development.

[5] Average gross yields on 30-year, minimum-downpayment, Federal Housing Administration-insured first mortgages for immediate delivery in the private secondary market. Any gaps in data are due to periods of adjustment to changes in maximum permissible contract rates.

[6] Average net yields to investors on Government National Mortgage Association-guaranteed, mortgage-backed, fully-modified pass-through securities, assuming prepayment in 12 years on pools of 30-year FHA/VA mortgages carrying the prevailing ceiling rate. Monthly figures are unweighted averages of Monday quotations for the month.

[7] Average gross yields (before deduction of 38 basis points for mortgage servicing) on accepted bids in Federal National Mortgage Association's auctions of 4-month commitments to purchase home mortgages, assuming prepayment in 12 years for 30-year mortgages. No adjustments are made for FNMA commitment fees or stock related requirements. Monthly figures are unweighted averages for auctions conducted within the month.

[8] Includes some multifamily and nonprofit hospital loan commitments in addition to 1- to 4-family loan commitments accepted in FNMA's free market auction system, and through the FNMA-GNMA tandem plans.

[9] Mortgage amounts offered by bidders are total bids received.

[10] Includes participations as well as whole loans.

[11] Includes conventional and government-underwritten loans.

1.54 MORTGAGE DEBT OUTSTANDING

Millions of dollars, end of period

Type of holder, and type of property	1974	1975	1976	1977	1978			
					Q1	Q2	Q3	Q4p
1 **All holders**	**742,512**	**801,537**	**889,327**	**1,023,505**	**r1,051,908**	**r1,092,451**	**1,133,122**	**1,169,522**
2 1- to 4-family	449,371	490,761	556,557	656,566	r676,573	r706,230	734,097	759,617
3 Multifamily	99,976	100,601	104,516	111,841	r113,915	r116,419	119,207	121,928
4 Commercial	146,877	159,298	171,223	189,274	r193,355	r198,926	206,045	211,810
5 Farm	46,288	50,877	57,031	65,824	r68,065	r70,876	73,773	76,167
6 **Major financial institutions**	**542,560**	**581,193**	**647,650**	**745,011**	**764,614**	**r794,009**	**822,184**	**846,788**
7 *Commercial banks*[1]	*132,105*	*136,186*	*151,326*	*178,979*	*184,423*	*r194,469*	*205,445*	*213,845*
8 1- to 4-family	74,758	77,018	86,234	105,115	108,699	r115,389	121,911	126,896
9 Multifamily	7,619	5,915	8,082	9,215	9,387	r9,925	10,478	10,906
10 Commercial	43,679	46,882	50,289	56,898	58,407	r60,950	64,386	67,019
11 Farm	6,049	6,371	6,721	7,751	7,930	r8,205	8,670	9,024
12 *Mutual savings banks*	*74,920*	*77,249*	*81,639*	*88,104*	*89,800*	*91,535*	*93,403*	*95,044*
13 1- to 4-family	49,213	50,025	53,089	57,637	58,747	59,882	61,104	62,178
14 Multifamily	12,923	13,792	14,177	15,304	r15,598	15,900	16,224	16,509
15 Commercial	12,722	13,373	14,313	15,110	15,401	15,698	16,019	16,300
16 Farm	62	59	60	53	54	55	56	57
17 *Savings and loan associations*	*249,301*	*278,590*	*323,130*	*381,163*	*r392,428*	*r407,965*	*420,971*	*432,922*
18 1- to 4-family	200,987	223,903	260,895	310,686	r320,064	r334,164	345,232	355,291
19 Multifamily	23,808	25,547	28,436	32,513	r33,592	r34,351	35,446	36,452
20 Commercial	24,506	29,140	33,799	37,964	r38,772	r39,450	40,293	41,179
21 *Life insurance companies*	*86,234*	*89,168*	*91,555*	*96,765*	*97,963*	*100,040*	*102,365*	*104,971*
22 1- to 4-family	19,026	17,590	16,088	14,727	14,476	14,129	14,189	14,550
23 Multifamily	19,625	19,629	19,178	18,807	18,851	18,745	18,803	19,284
24 Commercial	41,256	45,196	48,864	54,388	55,426	57,463	59,268	60,782
25 Farm	6,327	6,753	7,425	8,843	9,210	9,703	10,105	10,361
26 **Federal and related agencies**	**58,320**	**66,891**	**66,753**	**70,006**	**72,014**	**73,991**	**78,672**	**82,086**
27 *Government National Mortgage Assn.*	*4,846*	*7,438*	*4,241*	*3,660*	*3,291*	*3,283*	*3,560*	*3,610*
28 1- to 4-family	2,248	4,728	1,970	1,548	948	922	897	910
29 Multifamily	2,598	2,710	2,271	2,112	2,343	2,361	2,663	2,700
30 *Farmers Home Admin.*	*1,432*	*1,109*	*1,064*	*1,353*	*1,179*	*618*	*1,384*	*1,084*
31 1- to 4-family	759	208	454	626	202	124	460	360
32 Multifamily	167	215	218	275	408	102	240	188
33 Commercial	156	190	72	149	218	104	251	197
34 Farm	350	496	320	303	351	288	433	339
35 *Federal Housing and Veterans Admin.*	*4,015*	*4,970*	*5,150*	*5,212*	*5,219*	*5,225*	*5,295*	*5,365*
36 1- to 4-family	2,009	1,990	1,676	1,627	1,585	1,543	1,565	1,587
37 Multifamily	2,006	2,980	3,474	3,585	3,634	3,682	3,730	3,778
38 *Federal National Mortgage Assn.*	*29,578*	*31,824*	*32,904*	*34,369*	*36,029*	*38,753*	*41,189*	*43,311*
39 1- to 4-family	23,778	25,813	26,934	28,504	30,208	32,974	35,437	37,579
40 Multifamily	5,800	6,011	5,970	5,865	5,821	5,779	5,752	5,732
41 *Federal Land Banks*	*13,863*	*16,563*	*19,125*	*22,136*	*22,925*	*23,857*	*24,758*	*25,658*
42 1- to 4-family	406	549	601	670	691	727	819	849
43 Farm	13,457	16,014	18,524	21,466	22,234	23,130	23,939	24,809
44 *Federal Home Loan Mortgage Corp.*	*4,586*	*4,987*	*4,269*	*3,276*	*3,371*	*2,255*	*2,486*	*3,058*
45 1- to 4-family	4,217	4,588	3,889	2,738	2,785	1,856	1,994	2,453
46 Multifamily	369	399	380	538	586	399	492	605
47 **Mortgage pools or trusts**[2]	**23,799**	**34,138**	**49,801**	**70,289**	**74,080**	**78,602**	**82,153**	**86,747**
48 *Government National Mortgage Assn.*	*11,769*	*18,257*	*30,572*	*44,896*	*46,357*	*48,032*	*50,844*	*54,347*
49 1- to 4-family	11,249	17,538	29,583	43,555	44,906	46,515	49,276	52,732
50 Multifamily	520	719	989	1,341	1,451	1,517	1,568	1,615
51 *Federal Home Loan Mortgage Corp.*	*757*	*1,598*	*2,671*	*6,610*	*7,471*	*9,423*	*9,934*	*10,125*
52 1- to 4-family	608	1,349	2,282	5,621	6,286	7,797	8,358	8,519
53 Multifamily	149	249	389	989	1,185	1,626	1,576	1,606
54 *Farmers Home Admin.*	*11,273*	*14,283*	*16,558*	*18,783*	*20,252*	*21,147*	.....	*22,275*
55 1- to 4-family	6,782	9,194	10,219	11,379	12,235	12,742	.....	13,392
56 Multifamily	116	295	532	759	732	1,128	.....	1,163
57 Commercial	1,473	1,948	2,440	2,945	3,528	3,301	.....	3,510
58 Farm	2,902	2,846	3,367	3,682	3,757	3,976	.....	4,210
59 **Individuals and others**[3]	**117,833**	**119,315**	**125,123**	**138,199**	**141,200**	**145,849**	**150,113**	**153,901**
60 1- to 4-family	53,331	56,268	62,643	72,115	74,741	77,466	80,004	82,321
61 Multifamily	24,276	22,140	20,420	20,538	20,327	20,904	21,119	21,390
62 Commercial	23,085	22,569	21,446	21,820	21,603	21,960	22,459	22,823
63 Farm	17,141	18,338	20,614	23,726	24,529	25,519	26,531	27,367

[1] Includes loans held by nondeposit trust companies but not bank trust departments.

[2] Outstanding principal balances of mortgages backing securities insured or guaranteed by the agency indicated.

[3] Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and U.S. agencies for which amounts are small or separate data are not readily available.

NOTE. Based on data from various institutional and government sources, with some quarters estimated in part by Federal Reserve in conjunction with the Federal Home Loan Bank Board and the Department of Commerce. Separation of nonfarm mortgage debt by type of property, if not reported directly, and interpolations and extrapolations where required, are estimated mainly by Federal Reserve. Multifamily debt refers to loans on structures of five or more units.

1.55 CONSUMER INSTALLMENT CREDIT[1] Total Outstanding, and Net Change▲

Millions of dollars

	Holder, and type of credit	1976	1977	1978	1978 July	1978 Aug.	1978 Sept.	1978 Oct.	1978 Nov.	1978 Dec.	1979 Jan.
		Amounts outstanding (end of period)									
1	**Total**	**193,977**	**230,829**	**275,640**	**253,897**	**259,614**	**263,387**	**265,821**	**269,445**	**275,640**	**275,346**
	By major holder										
2	Commercial banks	93,728	112,373	136,189	126,619	129,622	131,403	132,702	133,908	136,189	136,452
3	Finance companies	38,919	44,868	54,309	49,502	50,558	51,280	51,984	53,099	54,309	55,004
4	Credit unions	31,169	37,605	45,939	42,355	43,499	44,325	44,635	45,305	45,939	45,526
5	Retailers[2]	19,260	23,490	24,876	21,828	22,093	22,302	22,464	23,006	24,876	23,962
6	Savings and loans	6,246	7,354	8,394	7,793	7,947	8,055	8,177	8,291	8,394	8,427
7	Gasoline companies	2,830	2,963	3,240	3,309	3,354	3,416	3,276	3,173	3,240	3,338
8	Mutual savings banks	1,825	2,176	2,693	2,491	2,541	2,606	2,583	2,663	2,693	2,637
	By major type of credit										
9	Automobile	*67,707*	*82,911*	*102,468*	*95,289*	*97,687*	*99,062*	*100,159*	*101,565*	*102,468*	*102,890*
10	Commercial banks	39,621	49,577	60,564	57,071	58,453	59,085	59,778	60,347	60,564	60,682
11	Indirect paper	22,072	27,379	33,850	31,907	32,667	33,067	33,415	33,709	33,850	33,928
12	Direct loans	17,549	22,198	26,714	25,164	25,786	26,018	26,363	26,638	26,714	26,754
13	Credit unions	15,238	18,099	21,976	20,254	20,801	21,196	21,344	21,664	21,967	21,769
14	Finance companies	12,848	15,235	19,937	17,964	18,433	18,781	19,037	19,554	19,937	20,439
15	Revolving	*17,189*	*39,274*	*47,051*	*40,553*	*41,629*	*42,420*	*42,579*	*43,523*	*47,051*	*46,516*
16	Commercial banks	14,359	18,374	24,434	20,566	21,314	21,935	22,165	22,724	24,434	24,677
17	Retailers	.....	17,937	19,377	16,678	16,961	17,069	17,138	17,626	19,377	18,501
18	Gasoline companies	2,830	2,963	3,240	3,309	3,354	3,416	3,276	3,173	3,240	3,338
19	Mobile home	*14,573*	*15,141*	16,042	*15,663*	*15,799*	*15,910*	*15,925*	*16,017*	*16,042*	*16,004*
20	Commercial banks	8,737	9,124	9,553	9,483	9,539	9,591	9,548	9,572	9,553	9,511
21	Finance companies	3,263	3,077	3,152	3,085	3,101	3,114	3,127	3,150	3,152	3,149
22	Savings and loans	2,241	2,538	2,848	2,644	2,696	2,733	2,775	2,813	2,848	2,859
23	Credit unions	332	402	489	451	463	472	475	482	489	485
24	Other	*94,508*	*93,503*	*110,079*	*102,392*	*104,499*	*105,995*	*107,158*	*108,340*	*110,079*	*109,936*
25	Commercial banks	31,011	35,298	41,638	39,499	40,316	40,792	41,211	41,265	41,638	41,582
26	Finance companies	22,808	26,556	31,220	28,453	29,024	29,385	29,820	30,395	31,220	31,416
27	Credit unions	15,599	19,104	23,483	21,650	22,235	22,657	22,816	23,159	23,483	23,272
28	Retailers	19,260	5,553	5,499	5,150	5,132	5,233	5,326	5,380	5,499	5,461
29	Savings and loans	4,005	4,816	5,546	5,149	5,251	5,322	5,402	5,478	5,546	5,568
30	Mutual savings banks	1,825	2,176	2,693	2,491	2,541	2,606	2,583	2,663	2,693	2,637
		Net change (during period)[3]									
31	**Total**	**21,647**	**35,278**	**45,066**	**3,466**	**3,632**	**3,680**	**3,374**	**4,099**	**4,400**	**3,061**
	By major holder										
32	Commercial banks	10,792	18,645	24,058	2,100	1,785	1,714	1,617	1,925	2,080	1,330
33	Finance companies	2,946	5,948	9,441	671	736	847	863	1,018	1,098	1,341
34	Credit unions	5,503	6,436	8,334	513	613	639	644	779	773	360
35	Retailers[1]	1,059	2,654	1,386	144	342	328	115	186	196	−90
36	Savings and loans	1,085	1,111	1,041	10	107	94	127	88	115	67
37	Gasoline companies	124	132	276	−19	−1	9	16	−1	96	100
38	Mutual savings banks	138	352	530	47	50	49	−8	104	42	−47
	By major type of credit										
39	Automobile	*10,465*	*15,204*	*19,557*	*1,711*	*1,604*	*1,532*	*1,375*	*1,755*	*1,780*	*1,680*
40	Commercial banks	6,334	9,956	10,987	1,041	957	848	759	839	845	633
41	Indirect paper	2,742	5,307	6,471	626	515	517	354	440	530	387
42	Direct loans	3,592	4,649	4,516	415	442	331	405	399	315	246
43	Credit unions	2,497	2,861	3,868	275	287	313	301	364	391	187
44	Finance companies	1,634	2,387	4,702	395	360	371	315	552	544	860
45	Revolving	*2,170*	*6,248*	*7,776*	*600*	*737*	*622*	*346*	*665*	*869*	*433*
46	Commercial banks	2,046	4,015	6,060	498	358	380	337	556	610	375
47	Retailers	.....	2,101	1,440	121	380	233	−7	110	163	−42
48	Gasoline companies	124	132	276	−19	−1	9	16	−1	96	100
49	Mobile home	*140*	*565*	*897*	*83*	*79*	*72*	*25*	*75*	*71*	*40*
50	Commercial banks	70	387	426	65	20	31	−25	19	21	12
51	Finance companies	−182	−189	74	11	7	6	−2	15	11	7
52	Savings and loans	192	297	310	2	46	27	46	34	30	19
53	Credit unions	60	70	87	5	6	8	6	7	9	2
54	Other	*8,872*	*13,261*	*16,836*	*1,072*	*1,212*	*1,454*	*1,628*	*1,604*	*1,680*	*908*
55	Commercial banks	2,342	4,287	6,585	496	450	455	546	511	604	310
56	Finance companies	1,494	3,750	4,665	265	369	470	550	451	543	474
57	Credit unions	2,946	3,505	4,379	233	320	318	337	408	373	171
58	Retailers	1,059	553	−54	23	−38	95	122	76	33	−48
59	Savings and loans	893	814	731	8	61	67	81	54	85	48
60	Mutual savings banks	138	352	530	47	50	49	−8	104	42	−47

[1] The board's series cover most short- and intermediate-term credit extended to individuals through regular business channels, usually to finance the purchase of consumer goods and services or to refinance debts incurred for such purposes, and scheduled to be repaid (or with the option of repaying in two or more installments).

[2] Includes auto dealers and excludes 30-day charge credit held by travel and entertainment companies.

[3] Net change equals extensions minus liquidations (repayments, charge-offs, and other credits); figures for all months are seasonally adjusted.

NOTE. Total consumer noninstallment credit outstanding—credit scheduled to be repaid in a lump sum, including single-payment loans, charge accounts, and service credit—amounted to $64.3 billion at the end of 1978, $58.6 billion at the end of 1977, $54.8 billion at the end of 1976, and $50.9 billion at the end of 1975. Comparable data for Dec. 31, 1979 will be published in the February 1980 BULLETIN.

▲ Consumer installment credit series have been revised from 1943, effective Dec. 7, 1978. Information is available from Mortgage and Consumer Finance Section, Division of Research and Statistics.

1.56 CONSUMER INSTALLMENT CREDIT Extensions and Liquidations▲

Millions of dollars

	Holder, and type of credit	1976	1977	1978	1978 July	1978 Aug.	1978 Sept.	1978 Oct.	1978 Nov.	1978 Dec.	1979 Jan.
		Extensions[2]									
1	**Total**	**211,028**	**254,071**	**298,574**	**25,022**	**25,669**	**25,536**	**25,785**	**26,214**	**26,500**	**25,544**
	By major holder:										
2	Commercial banks	97,397	117,896	142,965	12,187	12,255	12,123	12,182	12,476	12,521	12,153
3	Finance companies	36,129	41,989	50,483	4,261	4,348	4,372	4,605	4,512	4,679	4,547
4	Credit unions	29,259	34,028	40,023	3,271	3,379	3,360	3,401	3,530	3,526	3,241
5	Retailers[1]	29,447	39,133	41,619	3,477	3,725	3,718	3,518	3,571	3,612	3,565
6	Savings and loans	3,898	4,485	5,050	327	435	403	566	489	516	481
7	Gasoline companies	13,387	14,617	16,125	1,299	1,317	1,346	1,335	1,376	1,451	1,440
8	Mutual savings banks	1,511	1,923	2,309	200	210	215	151	260	195	117
	By major type of credit:										
9	*Automobile*	*63,743*	*75,641*	*88,986*	*7,652*	*7,744*	*7,542*	*7,501*	*7,787*	*7,833*	*7,545*
10	Commercial banks	37,886	46,363	53,028	4,639	4,660	4,479	4,345	4,503	4,443	4,286
11	Indirect paper	20,576	25,149	29,336	2,554	2,562	2,519	2,384	2,422	2,451	2,318
12	Direct loans	17,310	21,214	23,692	2,085	2,098	1,960	1,961	2,081	1,992	1,968
13	Credit unions	14,688	16,616	19,486	1,629	1,632	1,641	1,643	1,718	1,738	1,635
14	Finance companies	11,169	12,662	16,472	1,384	1,452	1,422	1,513	1,566	1,652	1,624
15	*Revolving*	*43,934*	*86,756*	*104,587*	*8,700*	*9,028*	*9,006*	*8,846*	*9,176*	*9,424*	*9,417*
16	Commercial banks	30,547	38,256	51,531	4,320	4,346	4,457	4,475	4,702	4,814	4,799
17	Retailers	.....	33,883	36,931	3,081	3,365	3,203	3,036	3,098	3,159	3,178
18	Gasoline companies	13,387	14,617	16,125	1,299	1,317	1,346	1,335	1,376	1,451	1,440
19	*Mobile home*	*4,859*	*5,425*	*6,067*	*509*	*531*	*494*	*604*	*486*	*502*	*369*
20	Commercial banks	3,064	3,466	3,704	335	310	297	352	280	295	235
21	Finance companies	702	643	886	78	75	77	73	77	74	33
22	Savings and loans	929	1,120	1,239	78	127	100	154	108	111	88
23	Credit unions	164	196	238	18	19	20	25	21	22	13
24	*Other*	*98,492*	*86,249*	*98,934*	*8,161*	*8,366*	*8,495*	*8,807*	*8,765*	*8,741*	8,213
25	Commercial banks	25,900	29,811	34,702	2,893	2,939	2,890	3,010	2,991	2,969	2,833
26	Finance companies	24,258	28,684	33,125	2,799	2,821	2,873	3,019	2,869	2,953	2,890
27	Credit unions	14,407	17,216	20,299	1,624	1,728	1,699	1,733	1,791	1,766	1,593
28	Retailers	29,447	5,250	4,688	396	360	515	482	473	453	387
29	Savings and loans	2,969	3,365	3,811	249	308	303	412	381	405	393
30	Mutual savings banks	1,511	1,923	2,309	200	210	215	151	260	195	117
		Liquidations[2]									
31	**Total**	**189,381**	**218,793**	**253,508**	**21,556**	**22,037**	**21,857**	**22,384**	**22,115**	**22,100**	**22,483**
	By major holder										
32	Commercial banks	86,605	99,251	118,907	10,087	10,470	10,409	10,565	10,551	10,441	10,823
33	Finance companies	33,183	36,041	41,042	3,590	3,612	3,525	3,742	3,494	3,581	3,206
34	Credit unions	23,756	27,592	31,689	2,758	2,766	2,721	2,757	2,751	2,753	2,881
35	Retailers[1]	28,388	36,479	40,233	3,333	3,383	3,390	3,403	3,385	3,416	3,655
36	Savings and loans	2,813	3,374	4,009	317	328	309	439	401	401	414
37	Gasoline companies	13,263	14,485	15,849	1,318	1,318	1,337	1,319	1,377	1,355	1,340
38	Mutual savings banks	1,373	1,571	1,779	153	160	166	159	156	153	164
	By major type of credit										
39	Automobile	*53,278*	*60,437*	*69,429*	*5,941*	*6,140*	*6,010*	*6,126*	*6,032*	*6,053*	*5,865*
40	Commercial banks	31,552	36,407	42,041	3,598	3,703	3,631	3,586	3,664	3,598	3,653
41	Indirect paper	17,834	19,842	22,865	1,928	2,047	2,002	2,030	1,982	1,921	1,931
42	Direct loans	13,718	16,565	19,176	1,670	1,656	1,629	1,556	1,682	1,677	1,722
43	Credit unions	12,191	13,755	15,618	1,354	1,345	1,328	1,342	1,354	1,347	1,448
44	Finance companies	9,535	10,275	11,770	989	1,092	1,051	1,198	1,014	1,108	764
45	Revolving	*41,764*	*80,508*	*96,811*	*8,100*	*8,291*	*8,384*	*8,500*	*8,511*	*8,555*	*8,984*
46	Commercial banks	28,501	34,241	45,471	3,822	3,988	4,077	4,138	4,146	4,204	4,424
47	Retailers	.....	31,782	35,491	2,960	2,985	2,970	3,043	2,988	2,996	3,220
48	Gasoline companies	13,263	14,485	15,849	1,318	1,318	1,337	1,319	1,377	1,355	1,340
49	Mobile home	*4,719*	*4,860*	*5,170*	*426*	*452*	*422*	*579*	*411*	*431*	*329*
50	Commercial banks	2,994	3,079	3,278	270	290	266	377	261	274	223
51	Finance companies	884	832	812	67	68	71	75	62	63	26
52	Savings and loans	737	823	929	76	81	73	108	74	81	69
53	Credit unions	104	126	151	13	13	12	19	14	13	11
54	Other	*89,620*	*72,988*	*82,098*	*7,089*	*7,154*	*7,041*	*7,179*	*7,161*	*7,061*	*7,305*
55	Commercial banks	23,558	25,524	28,117	2,397	2,489	2,435	2,464	2,480	2,365	2,523
56	Finance companies	22,764	24,934	28,460	2,534	2,452	2,403	2,469	2,418	2,410	2,416
57	Credit unions	11,461	13,711	15,920	1,391	1,408	1,381	1,396	1,383	1,393	1,422
58	Retailers	28,388	4,697	4,742	373	398	420	360	397	420	435
59	Savings and loans	2,076	2,551	3,080	241	247	236	331	327	320	345
60	Mutual savings banks	1,373	1,571	1,779	153	160	166	159	156	153	164

[1] Includes auto dealers and excludes 30-day charge credit held by travel and entertainment companies.
[2] Monthly figures are seasonally adjusted.

▲ Consumer installment credit series have been revised from 1943, effective Dec. 7, 1978. Information is available from Mortgage and Consumer Finance Section, Division of Research and Statistics.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

	Transaction category, or sector	1973	1974	1975	1976	1977	1978	1976		1977		1978	
								H1	H2	H1	H2	H1[r]	H2
	Nonfinancial sectors												
1	**Total funds raised**	**203.8**	**188.8**	**208.1**	**272.5**	**340.5**	**389.4**	**259.6**	**285.6**	**302.2**	**378.9**	**378.2**	**400.7**
2	*Excluding equities*	*196.1*	*184.9*	*198.0*	*261.7*	*337.4*	*387.4*	*245.9*	*277.5*	*301.0*	*373.8*	*376.8*	*398.0*
	By sector and instrument:												
3	**U.S. government**	**8.3**	**11.8**	**85.4**	**69.0**	**56.8**	**53.7**	**73.5**	**64.5**	**42.6**	**71.0**	**58.7**	**48.6**
4	Public debt securities	7.9	12.0	85.8	69.1	57.6	55.1	73.4	64.9	43.1	72.2	59.7	50.5
5	Agency issues and mortgages	.4	−.2	−.4	−.1	−.9	−1.4	.1	−.3	−.6	−1.2	−.9	−1.9
6	**All other nonfinancial sectors**	**195.5**	**177.0**	**122.7**	**203.5**	**283.8**	**335.8**	**186.0**	**221.0**	**259.6**	**307.9**	**319.4**	**352.1**
7	Corporate equities	7.7	3.8	10.1	10.8	3.1	2.1	13.6	8.1	1.2	5.1	1.4	2.7
8	Debt instruments	187.9	173.1	112.6	192.6	280.6	333.7	172.4	213.0	258.5	302.8	318.0	349.3
9	**Private domestic nonfinancial sectors**	**189.3**	**161.6**	**109.5**	**182.8**	**271.4**	**310.1**	**168.5**	**197.2**	**252.1**	**290.7**	**302.2**	**318.0**
10	Corporate equities	7.9	4.1	9.9	10.5	2.7	2.6	13.3	7.7	.5	4.9	2.2	3.0
11	*Debt instruments*	*181.4*	*157.5*	*99.6*	*172.3*	*268.7*	*307.5*	*155.2*	*189.5*	*251.6*	*285.8*	*300.0*	*314.9*
12	*Debt capital instruments*	*105.0*	*98.0*	*97.8*	*126.8*	*181.1*	*194.8*	*117.8*	*135.9*	*163.4*	*198.9*	*185.6*	*204.0*
13	State and local obligations	14.7	16.5	15.6	19.0	29.2	29.6	19.3	18.7	29.3	29.0	28.5	30.8
14	Corporate bonds	9.2	19.7	27.2	22.8	21.0	20.1	22.2	23.5	16.0	26.0	19.0	21.2
	Mortgages:												
15	Home	46.4	34.8	39.5	63.7	96.4	101.4	56.9	70.5	88.5	104.2	99.3	103.6
16	Multifamily residential	10.4	6.9	*	1.8	7.4	10.1	.6	3.1	6.4	8.4	9.2	11.1
17	Commercial	18.9	15.1	11.0	13.4	18.4	23.1	13.8	12.9	14.2	22.6	20.3	26.0
18	Farm	5.5	5.0	4.6	6.1	8.8	10.3	4.9	7.3	8.9	8.7	9.3	11.4
19	*Other debt instruments*	*76.4*	*59.6*	*1.8*	*45.5*	*87.6*	*112.7*	*37.4*	*53.6*	*88.2*	*86.9*	*114.5*	*110.9*
20	Consumer credit	23.8	10.2	9.4	23.6	35.0	50.5	22.9	24.3	35.7	34.4	49.8	51.3
21	Bank loans n.e.c.	39.8	29.0	−14.0	3.5	30.6	37.1	−2.7	9.6	34.0	27.2	41.4	32.7
22	Open market paper	2.5	6.6	−2.6	4.0	2.9	4.9	5.6	2.4	3.5	2.4	5.2	4.5
23	Other	10.3	13.7	9.0	14.4	19.0	20.2	11.6	17.3	15.0	23.0	18.0	22.4
24	*By borrowing sector*	*189.3*	*161.6*	*109.5*	*182.8*	*271.4*	*310.1*	*168.5*	*197.2*	*252.1*	*290.7*	*302.2*	*318.0*
25	State and local governments	13.2	15.5	13.2	18.5	25.9	24.9	17.6	19.5	22.7	29.0	21.7	28.1
26	Households	80.9	49.2	48.6	89.9	139.6	161.3	82.7	97.1	131.2	148.0	155.0	167.5
27	Farm	9.7	7.9	8.7	11.0	14.7	17.2	9.9	12.1	15.5	13.8	14.6	19.9
28	Nonfarm noncorporate	12.8	7.4	2.0	5.2	12.6	17.2	4.0	6.4	12.8	12.3	20.3	14.2
29	Corporate	72.7	81.8	37.0	58.2	78.7	89.5	54.3	62.2	69.8	87.6	90.6	88.2
30	**Foreign**	**6.2**	**15.3**	**13.2**	**20.7**	**12.3**	**25.7**	**17.5**	**23.8**	**7.5**	**17.2**	**17.2**	**34.1**
31	Corporate equities	−.2	−.2	.2	.3	.4	−.5	.3	.3	.6	.2	−.8	−.3
32	*Debt instruments*	*6.4*	*15.6*	*13.0*	*20.4*	*11.9*	*26.2*	*17.2*	*23.5*	*6.9*	*17.0*	*18.0*	*34.4*
33	Bonds	1.0	2.1	6.2	8.5	5.0	4.3	7.4	9.7	4.4	5.6	4.9	3.7
34	Bank loans n.e.c.	2.8	4.7	3.7	6.6	1.6	12.0	5.4	7.9	−3.2	6.4	6.2	17.7
35	Open market paper	.9	7.3	.3	1.9	2.4	6.6	1.5	2.4	2.7	2.2	3.6	9.6
36	U.S. government loans	1.7	1.5	2.8	3.3	3.0	3.3	2.9	3.6	3.1	2.9	3.3	3.4
	Financial sectors												
37	**Total funds raised**	**57.6**	**36.4**	**11.7**	**29.2**	**58.8**	**93.8**	**27.9**	**30.5**	**61.5**	**56.2**	**102.9**	**84.6**
	By instrument:												
38	*U.S. government related*	*19.9*	*23.1*	*13.5*	*18.6*	*26.3*	*39.0*	*18.2*	*19.0*	*25.0*	*27.5*	*41.5*	*36.5*
39	Sponsored credit agency securities	16.3	16.6	2.3	3.3	7.0	22.6	4.1	2.6	9.5	4.4	24.9	20.2
40	Mortgage pool securities	3.6	5.8	10.3	15.7	20.5	16.5	14.2	17.2	17.9	23.1	16.6	16.3
41	Loans from U.S. government	.....	.7	.9	−.4	−1.2	.....	*	−.7	−2.3	0	0	0
42	*Private financial sectors*	*37.7*	*13.3*	*−1.9*	*10.6*	*32.6*	*54.7*	*9.7*	*11.5*	*36.5*	*28.7*	*61.4*	*48.0*
43	Corporate equities	1.5	.3	.6	1.0	.6	1.1	−.2	2.3	.5	.7	1.1	1.0
44	*Debt instruments*	*36.2*	*13.0*	*−2.5*	*9.6*	*32.0*	*53.7*	*10.0*	*9.2*	*36.0*	*28.0*	*60.3*	*47.0*
45	Corporate bonds	3.5	2.1	2.9	5.8	10.1	7.7	6.4	5.2	10.1	10.1	8.4	6.9
46	Mortgages	−1.2	−1.3	2.3	2.1	3.1	.9	1.5	2.7	3.3	2.9	2.4	−.5
47	Bank loans n.e.c.	8.9	4.6	−3.6	−3.7	*	1.2	−2.6	−4.8	−2.3	2.3	.5	1.9
48	Open market paper and RPs	17.8	.9	−.1	7.3	14.4	31.3	6.2	8.5	21.4	7.4	34.9	27.8
49	Loans from FHLBs	7.2	6.7	−4.0	−2.0	4.3	12.5	−1.5	−2.5	3.4	5.2	14.1	10.9
	By sector:	57.6	36.4	11.7	29.2	58.8	93.8	27.9	30.5	61.5	56.2	102.9	84.6
50	Sponsored credit agencies	16.3	17.3	3.2	2.9	5.8	22.6	4.0	1.8	7.1	4.4	24.9	20.2
51	Mortgage pools	3.6	5.8	10.3	15.7	20.5	16.5	14.2	17.2	17.9	23.1	16.6	16.3
52	*Private financial sectors*	*37.7*	*13.3*	*−1.9*	*10.6*	*32.6*	*54.7*	*9.7*	*11.5*	*36.5*	*28.7*	*61.4*	*48.0*
53	Commercial banks	14.1	−5.6	−1.4	7.5	4.8	8.2	9.0	6.0	10.0	−.4	12.2	4.2
54	Bank affiliates	2.2	3.5	.3	−.8	1.3	4.3	−1.3	−.3	1.3	1.2	5.8	2.8
55	Savings and loan associations	6.0	6.3	−2.2	*	11.9	16.4	.1	−.1	10.6	13.1	19.7	13.1
56	Other insurance companies	.5	.9	1.0	.9	.9	1.1	.9	.9	.9	1.0	1.0	1.1
57	Finance companies	9.4	6.0	.6	6.4	16.9	19.7	6.0	6.9	17.4	16.4	18.7	20.6
58	REITs	6.5	.6	−1.4	−2.4	−2.4	−1.3	−2.1	−2.7	−2.5	−2.2	−1.3	−1.3
59	Open-end investment companies	−1.2	−.7	−.1	−1.0	−1.0	−.5	−2.4	.4	−.8	−1.2	−.6	−.4
60	Money market funds	.....	2.4	1.3	*	.2	6.9	−.5	.5	−.5	.9	5.9	8.0
	All sectors												
61	**Total funds raised, by instrument**	**261.4**	**225.1**	**219.8**	**301.7**	**399.4**	**483.2**	**287.5**	**316.0**	**363.7**	**435.0**	**481.1**	**485.3**
62	Investment company shares	−1.2	−.7	−.1	−1.0	−1.0	−.5	−2.4	.4	−.8	−1.2	−.6	−.4
63	Other corporate equities	10.4	4.8	10.8	12.9	4.8	3.6	15.8	9.9	2.5	7.0	3.1	4.2
64	*Debt instruments*	*252.3*	*221.0*	*209.1*	*289.8*	*395.6*	*480.1*	*274.1*	*305.7*	*362.0*	*429.2*	*478.6*	*481.5*
65	U.S. government securities	28.3	34.3	98.2	88.1	84.3	92.8	91.9	84.3	70.0	98.6	100.4	85.2
66	State and local obligations	14.7	16.5	15.6	19.0	29.2	29.8	19.3	18.7	29.3	29.0	28.5	30.8
67	Corporate and foreign bonds	13.6	23.9	36.4	37.2	36.1	32.1	36.1	38.4	30.5	41.7	32.3	31.8
68	Mortgages	79.9	60.5	57.2	87.1	134.0	145.9	77.7	96.4	121.2	146.7	140.3	151.5
69	Consumer credit	23.8	10.2	9.4	23.6	35.0	50.5	22.9	24.3	35.7	34.4	49.8	51.3
70	Bank loans n.e.c.	51.6	38.3	−13.9	6.4	32.2	50.2	.1	12.6	28.4	35.9	48.2	52.2
71	Open market paper and RPs	21.2	14.8	−2.4	13.3	19.8	42.8	13.3	13.3	27.6	11.9	43.7	41.9
72	Other loans	19.1	22.6	8.7	15.3	25.1	36.1	12.9	17.7	19.2	31.0	35.4	36.8

1.58 DIRECT AND INDIRECT SOURCES OF FUNDS TO CREDIT MARKETS

Billions of dollars, except as noted; quarterly data are at seasonally adjusted annual rates.

	Transaction category, or sector	1973	1974	1975	1976	1977	1978	1976		1977		1978	
								H1	H2	H1	H2	H1[r]	H2
1	**Total funds advanced in credit markets to nonfinancial sectors**	**196.1**	**184.9**	**198.0**	**261.7**	**337.4**	**387.4**	**245.9**	**277.5**	**301.0**	**373.8**	**376.8**	**398.0**
	By public agencies and foreign:												
2	*Total net advances*	*34.1*	*52.6*	*44.3*	*54.5*	*85.4*	*102.8*	*49.7*	*59.3*	*69.3*	*101.6*	*103.5*	*102.0*
3	U.S. government securities	9.5	11.9	22.5	26.8	40.2	43.1	24.4	29.3	27.2	53.2	42.7	43.6
4	Residential mortgages	8.2	14.7	16.2	12.8	20.4	24.6	11.8	13.7	20.0	20.9	23.5	25.7
5	FHLB advances to S&Ls	7.2	6.7	−4.0	−2.0	4.3	12.5	−1.5	−2.5	3.4	5.2	14.1	10.9
6	Other loans and securities	9.2	19.4	9.5	16.9	20.5	22.6	15.0	18.8	18.6	22.4	23.3	21.8
	Totals advanced, by sector												
7	U.S. government	2.8	9.7	15.1	8.9	11.8	18.3	6.3	11.5	6.1	17.6	19.2	17.4
8	Sponsored credit agencies	21.4	25.6	14.5	20.6	26.9	44.0	20.0	21.2	26.7	27.2	44.9	43.2
9	Monetary authorities	9.2	6.2	8.5	9.8	7.1	7.0	13.7	6.0	10.2	4.1	12.9	1.0
10	Foreign	.6	11.2	6.1	15.2	39.5	33.5	9.7	20.6	26.4	52.7	26.4	40.5
11	Agency borrowing not included in line 1	19.9	23.1	13.5	18.6	26.3	39.0	18.2	19.0	25.0	27.5	41.5	36.5
	Private domestic funds advanced												
12	*Total net advances*	*182.0*	*155.3*	*167.3*	*225.7*	*278.2*	*323.6*	*214.4*	*237.1*	*256.8*	*299.7*	*314.8*	*332.5*
13	U.S. government securities	18.8	22.4	75.7	61.3	44.1	49.7	67.5	55.1	42.8	45.4	57.7	41.6
14	State and local obligations	14.7	16.5	15.6	19.0	29.2	29.6	19.3	18.7	29.3	29.0	28.5	30.8
15	Corporate and foreign bonds	10.0	20.9	32.8	30.5	22.3	23.4	28.6	32.3	17.2	27.3	22.4	24.3
16	Residential mortgages	48.4	26.9	23.2	52.7	83.2	86.9	45.6	59.7	74.9	91.6	84.9	88.9
17	Other mortgages and loans	97.2	75.4	16.1	60.4	103.7	146.6	51.9	68.9	96.0	111.5	135.4	157.8
18	LESS: FHLB advances	7.2	6.7	−4.0	−2.0	4.3	12.5	−1.5	−2.5	3.4	5.2	14.1	10.9
	Private financial intermediation												
19	*Credit market funds advanced by private financial institutions*	*165.4*	*126.2*	*119.9*	*191.2*	*249.6*	*289.6*	*174.4*	*207.9*	*241.1*	*258.0*	*283.7*	*295.5*
20	Commercial banking	86.5	64.5	27.6	58.0	85.8	119.2	46.6	69.4	81.1	90.5	120.4	117.9
21	Savings institutions	36.9	26.9	52.0	71.4	84.8	79.1	70.5	72.4	85.3	84.3	77.2	81.0
22	Insurance and pension funds	23.9	30.0	41.5	51.7	62.0	71.4	53.2	50.2	60.3	63.7	69.4	73.4
23	Other finance	18.0	4.7	−1.1	10.1	16.9	19.9	4.2	15.9	14.5	19.4	16.6	23.2
24	*Sources of funds*	*165.4*	*126.2*	*119.9*	*191.2*	*249.6*	*289.6*	*174.4*	*207.9*	*241.1*	*258.0*	*283.7*	*295.5*
25	Private domestic deposits	86.6	69.4	90.6	121.5	136.0	124.5	108.3	134.6	127.0	145.0	119.4	129.6
26	Credit market borrowing	36.2	13.0	−2.5	9.6	32.0	53.7	10.0	9.2	36.0	28.0	60.3	47.0
27	*Other sources*	*42.5*	*43.8*	*31.9*	*60.1*	*81.6*	*111.4*	*56.1*	*64.1*	*78.2*	*85.1*	*104.0*	*118.9*
28	Foreign funds	5.8	16.8	.9	5.1	11.6	15.7	.7	9.5	.7	22.4	4.0	27.5
29	Treasury balances	−1.0	−5.1	−1.7	−.1	4.3	9.7	2.3	−2.5	−1.8	10.4	−.7	20.1
30	Insurance and pension reserves	18.4	26.0	29.6	34.8	48.0	57.0	35.8	33.8	45.5	50.4	55.9	58.2
31	Other, net	19.4	6.0	3.1	20.3	17.8	29.0	17.2	23.4	33.7	1.9	44.9	13.1
	Private domestic nonfinancial investors												
32	*Direct lending in credit markets*	*52.8*	*42.2*	*44.9*	*44.1*	*60.6*	*87.7*	*50.0*	*38.4*	*51.6*	*69.6*	*91.4*	*84.0*
33	U.S. government securities	19.2	17.5	23.0	19.6	24.6	33.1	25.0	14.1	14.1	35.2	36.3	30.0
34	State and local obligations	5.4	9.3	8.3	6.8	9.1	8.8	7.6	6.0	8.2	10.1	10.8	6.8
35	Corporate and foreign bonds	1.3	4.7	8.0	2.1	1.1	−.9	2.9	1.3	.4	1.8	−2.6	.8
36	Commercial paper	18.3	2.4	−.8	4.1	9.5	27.8	4.8	3.4	13.0	6.0	28.8	26.9
37	Other	8.6	8.2	6.4	11.5	16.2	18.8	9.7	13.5	15.9	16.5	18.2	19.5
38	*Deposits and currency*	*90.6*	*75.7*	*96.8*	*128.8*	*144.3*	*133.8*	*114.3*	*143.3*	*132.6*	*156.0*	*129.5*	*138.0*
39	*Time and savings accounts*	*76.1*	*66.7*	*84.8*	*112.2*	*120.1*	*117.8*	*99.5*	*125.0*	*110.5*	*129.7*	*110.2*	*125.5*
40	Large negotiable CDs	18.1	18.8	−14.1	−14.4	9.3	13.8	−19.8	−9.1	−4.4	22.9	10.3	17.3
41	Other at commercial banks	29.6	26.1	39.4	58.1	41.7	42.8	52.0	64.3	45.3	38.2	45.0	40.5
42	At savings institutions	28.5	21.8	59.4	68.5	69.1	61.3	67.3	69.8	69.6	68.7	54.9	67.7
43	*Money*	*14.4*	*8.9*	*12.0*	*16.6*	*24.2*	*15.9*	*14.8*	*18.3*	*22.1*	*26.3*	*19.3*	*12.5*
44	Demand deposits	10.5	2.6	5.8	9.3	15.9	6.6	8.9	9.6	16.5	15.3	9.2	4.1
45	Currency	3.9	6.3	6.2	7.3	8.3	9.3	6.0	8.6	5.6	11.0	10.1	8.5
46	**Total of credit market instruments, deposits and currency**	**143.4**	**117.8**	**141.6**	**172.9**	**204.9**	**221.5**	**164.3**	**181.6**	**184.2**	**225.6**	**220.9**	**222.0**
47	Public support rate (in per cent)	17.4	28.5	22.4	20.8	25.3	26.5	20.2	21.4	23.0	27.2	27.5	25.6
48	Private financial intermediation (in per cent)	90.9	81.3	71.7	84.7	89.7	89.5	81.3	87.7	93.9	86.1	90.1	88.9
49	Total foreign funds	6.4	28.0	7.1	20.3	51.1	49.2	10.4	30.1	27.1	75.1	30.4	68.0
	MEMO: Corporate equities not included above												
50	**Total net issues**	**9.2**	**4.1**	**10.7**	**11.9**	**3.8**	**3.1**	**13.4**	**10.4**	**1.7**	**5.8**	**2.5**	**3.8**
51	Mutual fund shares	−1.2	−.7	−.1	−1.0	−1.0	−.5	−2.4	.4	−.8	−1.2	−.6	−.4
52	Other equities	10.4	4.8	10.8	12.9	4.8	3.6	15.8	9.9	2.5	7.0	3.1	4.2
53	Acquisitions by financial institutions	13.3	5.8	9.7	12.5	6.2	4.9	13.1	12.0	6.1	6.3	1.7	8.0
54	Other net purchases	−4.1	−1.6	1.0	−.7	−2.4	−1.7	.3	−1.6	−4.4	−.5	.8	−4.2

NOTES BY LINE NUMBER.
1. Line 2 of p. A-44.
2. Sum of lines 3–6 or 7–10.
6. Includes farm and commercial mortgages.
11. Credit market funds raised by federally sponsored credit agencies, and net issues of federally related mortgage pool securities. Included below in lines 3, 13, and 33.
12. Line 1 less line 2 plus line 11. Also line 19 less line 26 plus line 32. Also sum of lines 27, 32, 39, and 44.
17. Includes farm and commercial mortgages.
25. Sum of lines 39 and 44.
26. Excludes equity issues and investment company shares. Includes line 18.
28. Foreign deposits at commercial banks, bank borrowings from foreign branches, and liabilities of foreign banking agencies to foreign affiliates.
29. Demand deposits at commercial banks.
30. Excludes net investment of these reserves in corporate equities.
31. Mainly retained earnings and net miscellaneous liabilities.
32. Line 12 less line 19 plus line 26.
33–37. Lines 13–17 less amounts acquired by private finance. Line 37 includes mortgages.
45. Mainly an offset to line 9.
46. Lines 32 plus 38, or line 12 less line 27 plus line 45.
47. Line 2/line 1.
48. Line 19/line 12.
49. Sum of lines 10 and 28.
50. 52. Includes issues by financial institutions.

NOTE. Full statements for sectors and transaction types quarterly, and annually for flows and for amounts outstanding, may be obtained from Flow of Funds Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

1967 = 100; monthly and quarterly data are seasonally adjusted. Exceptions noted.

Measure	1976	1977	1978p	1978 July	1978 Aug.	1978 Sept.	1978 Oct.	1978 Nov.	1978 Dec.	1979 Jan.	1979 Feb.
1 **Industrial production**	**129.8**	**137.1**	**145.2**	**146.1**	**147.1**	**147.8**	**148.7**	**149.6**	**150.8**	**150.8**	**151.2**
Market groupings:											
2 *Products, total*	*129.3*	*137.1*	*144.3*	*145.0*	*146.2*	*146.5*	*147.0*	*147.7*	*148.9*	*149.1*	*149.6*
3 Final, total	127.2	134.9	141.4	142.2	143.3	143.7	144.1	144.5	145.5	145.6	146.0
4 Consumer goods	136.2	143.4	147.4	147.7	148.4	149.0	149.2	149.7	150.7	150.5	150.5
5 Equipment	114.6	123.2	133.1	134.7	136.3	136.4	137.0	137.3	138.5	138.9	139.8
6 Intermediate	137.2	145.1	155.3	155.6	156.4	157.0	158.0	159.3	161.6	162.6	162.9
7 Materials	130.6	136.9	146.5	147.9	148.6	149.7	151.4	152.7	153.6	153.4	153.8
Industry groupings:											
8 Manufacturing	129.5	137.1	145.6	146.7	147.6	148.7	149.5	150.4	151.8	151.9	152.4
Capacity utilization (percent)[1]											
9 Manufacturing	80.2	82.4	84.2	84.7	85.0	85.3	85.5	85.8	86.3	86.0	86.0
10 Industrial materials industries	80.4	81.9	84.9	85.7	85.9	86.3	87.1	87.6	88.0	87.5	87.6
11 Construction contracts[2]	190.2	r160.5	174.3	r173.0	r177.0	r182.0	r193.0	173.0	184.0	181.0	n.a.
12 **Nonagricultural employment, total**[3]	**120.7**	**125.0**	**130.3**	**130.8**	**130.9**	**131.0**	**131.6**	**132.3**	**133.5**	**132.9**	**133.4**
13 Goods-producing, total	100.2	104.2	108.9	109.4	109.2	109.3	110.1	111.0	111.7	112.0	112.2
14 Manufacturing, total	97.7	101.0	104.5	104.4	104.3	104.3	105.1	105.9	106.6	107.0	107.4
15 Manufacturing, production-worker	95.3	98.6	102.1	101.8	101.6	101.6	102.4	103.5	104.3	104.8	105.3
16 Service-producing	131.9	136.4	142.1	142.5	142.8	142.9	143.4	144.0	144.2	144.4	145.0
17 **Personal income, total**[4]	**220.4**	**244.0**	**272.5**	**274.4**	**276.3**	**278.4**	**282.2**	**285.0**	**288.5**	**289.7**	n.a.
18 Wages and salary disbursements	189.3	230.1	257.5	259.2	260.0	262.0	266.1	268.8	271.5	274.3	n.a.
19 Manufacturing	177.1	198.6	223.6	224.9	224.5	226.4	230.3	234.8	238.0	239.7	n.a.
20 Disposable personal income	217.5	239.3	266.5	.....	269.7	.....	.....	277.7	.....	.....	n.a.
21 Retail sales[5]	203.5	224.4	248.0	244.9	251.7	253.5	257.5	262.0	265.3	266.3	n.a.
Prices:[6]											
22 Consumer[7]	170.5	181.5	195.4	196.7	197.8	199.3	200.9	202.0	202.9	204.7	n.a.
23 Producer finished goods[8]	170.3	180.6	194.6	196.0	195.3	196.9	199.7	200.6	202.4	205.3	207.4

[1] Ratios of indexes of production to indexes of capacity. Based on data from Federal Reserve, McGraw-Hill Economics Department, and Department of Commerce.

[2] Index of dollar value of total construction contracts, including residential, nonresidential, and heavy engineering, from McGraw-Hill Informations Systems Company, F. W. Dodge Division.

[3] Based on data in *Employment and Earnings* (U.S. Department of Labor). Series covers employees only, excluding personnel in the Armed Forces.

[4] Based on data in *Survey of Current Business* U.S. Department of Commerce). Series for disposable income is quarterly.

[5] Based on Bureau of Census data published in *Survey of Current Business* (U.S. Department of Commerce).

[6] Data without seasonal adjustment, as published in *Monthly Labor Review* (U.S. Department of Labor). Seasonally adjusted data for changes in the price indexes may be obtained from the Bureau of Labor Statistics, U.S. Department of Labor.

[7] Beginning Jan. 1978, based on new index for all urban consumers.

[8] Beginning with the November 1978 BULLETIN, producer price data in this table have been changed to the BLS series for producer finished goods. The previous data were producer prices for all commodities.

NOTE. Basic data (not index numbers) for series mentioned in notes 3, 4, and 5, and indexes for series mentioned in notes 2 and 6 may also be found in the *Survey of Current Business* (U.S. Department of Commerce).

Figures for industrial production for the last two months are preliminary and estimated, respectively.

2.11 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION

Seasonally adjusted

Series	1978 Q1	1978 Q2	1978 Q3	1978 Q4r	1978 Q1	1978 Q2	1978 Q3	1978 Q4	1978 Q1	1978 Q2	1978 Q3	1978 Q4r
	Output (1967 = 100)				Capacity (percent of 1967 output)				Utilization rate (percent)			
1 **Manufacturing**	**139.8**	**144.4**	**147.7**	**150.6**	**170.3**	**172.0**	**173.7**	**175.4**	**82.1**	**84.0**	**85.0**	**89.5**
2 Primary processing	148.2	154.1	158.2	162.0	176.8	178.5	180.2	181.9	83.8	86.3	87.8	89.0
3 Advanced processing	135.4	139.3	142.1	144.5	166.9	168.5	170.2	171.8	81.1	82.7	83.5	84.1
4 **Materials**	**139.2**	**145.1**	**148.7**	**152.6**	**170.4**	**171.7**	**173.0**	**174.2**	**81.7**	**84.5**	**86.0**	**87.6**
5 Durable goods	137.9	144.0	150.4	155.3	174.0	175.2	176.3	177.4	79.3	82.2	85.3	87.5
6 Basic metal	110.5	117.5	124.6	129.5	145.8	146.1	146.5	146.8	75.8	80.4	85.1	88.2
7 Nondurable goods	158.0	163.2	163.2	166.8	182.3	184.4	186.5	188.5	86.7	88.5	87.5	88.5
8 Textile, paper, and chemical	163.1	167.7	168.4	172.1	190.8	193.1	195.4	197.5	85.5	86.8	86.2	87.2
9 Textile	115.3	117.1	117.3	119.4	143.5	144.1	144.7	145.2	80.3	81.2	81.0	82.2
10 Paper	136.5	139.7	134.8	136.9	153.6	154.8	155.8	156.9	88.9	90.3	86.5	87.2
11 Chemical	194.9	201.4	204.4	209.5	226.6	230.1	233.5	236.8	86.0	87.5	87.5	88.5
12 Energy	119.1	125.5	127.0	128.5	147.2	147.8	148.4	148.9	80.9	84.9	85.6	86.3

2.12 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data are seasonally adjusted. Exceptions noted.

Category	1976	1977	1978	1978					1979	
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
	Household survey data									
1 **Noninstitutional population**[1]	**156,048**	**158,559**	**161,058**	**161,348**	**161,570**	**161,829**	**162,033**	**162,250**	**162,448**	**162,633**
2 **Labor force (including Armed Forces)**[1]	**96,917**	**99,534**	**102,537**	**102,785**	**103,097**	**103,199**	**103,745**	**103,975**	**104,277**	**104,621**
3 Civilian labor force	94,773	97,401	100.420	100,663	100,974	101,077	101,628	101,867	102,183	102,527
Employment:										
4 Nonagricultural industries[2]	84,188	87,302	91,031	91,372	91,604	91,867	92,476	92,468	93,068	93,335
5 Agriculture	3,297	3,244	3,342	3,351	3,406	3,374	3,275	3,387	3,232	3,311
Unemployment:										
6 Number	7,288	6,855	6,047	5.940	5.964	5,836	5,877	6,012	5,883	5,881
7 *Rate (percent of civilian labor force)*	*7.7*	*7.0*	*6.0*	*5.9*	*5.9*	*5.8*	*5.8*	*5.9*	*5.8*	*5.7*
8 **Not in labor force**	**59,130**	**59,025**	**58,521**	**58,563**	**58,473**	**58,630**	**58,288**	**58,275**	**58,170**	**58,012**
	Establishment survey data[4]									
9 **Nonagricultural payroll employment**[3]	**79,382**	**82,256**	[p]85,763	**86,149**	**86,163**	**86,573**	**87,036**	[r]87,281	[p]87,465	[p]87,766
10 Manufacturing	18,997	19,647	[p]20.332	20,278	20,286	20,436	20,601	[r]20,729	[p]20,812	[p]20,885
11 Mining	779	809	[p]837	887	887	893	903	[r]904	[p]908	[p]916
12 Contract construction	3,576	3,833	[p]4,212	4,298	4,298	4,341	4,368	[r]4,397	[p]4,379	[p]4,348
13 Transportation and public utilities	4,582	4,696	[p]4,859	4,846	4,855	4,922	4,947	[r]4,967	[p]4,962	[p]4,998
14 Trade	17,755	18,492	[p]19,394	19,523	19,546	19,632	19,701	[r]19,697	[p]19,797	[p]19,927
15 Finance	4,271	4,452	[p]4,676	4,707	4,719	4,737	4,774	[r]4,789	[p]4,811	[p]4,820
16 Service	14,551	15,249	[p]15,979	16,074	16,127	16,169	16,270	[r]16,327	[p]16,315	[p]16,378
17 Government	14,871	15,079	[p]15.476	15,536	15,445	15,443	15,472	[r]15,471	[p]15,481	[p]15,486

[1] Persons 16 years of age and over. Monthly figures, which are based on sample data, relate to the calendar week that contains the 12th day; annual data are averages of monthly figures. By definition, seasonality does not exist in population figures. Based on data from *Employment and Earnings* (U.S. Dept. of Labor).

[2] Includes self-employed, unpaid family, and domestic service workers.

[3] Data include all full- and part-time employees who worked during, or received pay for, the pay period that includes the 12th day of the month, and exclude proprietors, self-employed persons, domestic servants, unpaid family workers, and members of the Armed Forces. Data are adjusted to the February 1977 benchmark. Based on data from *Employment and Earnings* (U.S. Dept. of Labor).

[4] The establishment survey data in this table have been revised to conform to the industry definitions of the 1972 Standard Industrial Classification (SIC) Manual and to reflect employment benchmark levels for March 1977. In addition, seasonal factors for these data have been revised, based on experience through May 1978.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value

Monthly data are seasonally adjusted.

	Grouping	1967 proportion	1978 average[p]	1977	1978								1979	
				Dec.	Jan.	Feb.	July	Aug.	Sept.	Oct.	Nov.[r]	Dec.	Jan.[p]	Feb.[e]
	MAJOR MARKET	Index (1967 = 100)												
1	**Total index**	**100.00**	**145.2**	**139.7**	**138.8**	**139.2**	**146.1**	**147.1**	**147.8**	**148.7**	**149.6**	**150.8**	**150.8**	**151.2**
2	**Products**	**60.71**	**144.3**	**140.3**	**138.5**	**139.6**	**145.0**	**146.2**	**146.5**	**147.0**	**147.7**	**148.9**	**149.1**	**149.6**
3	*Final products*	*47.82*	*141.4*	*137.6*	*134.9*	*136.4*	*142.2*	*143.3*	*143.7*	*144.1*	*144.5*	*145.5*	*145.6*	*146.0*
4	Consumer goods	27.68	147.4	145.8	141.8	143.8	147.7	148.4	149.0	149.2	149.7	150.7	150.5	150.5
5	Equipment	20.14	133.1	126.2	125.4	126.2	134.7	136.3	136.4	137.0	137.3	138.5	138.9	139.8
6	Intermediate products	12.89	155.3	150.4	151.6	151.4	155.6	156.4	157.0	158.0	159.3	161.6	162.6	162.9
7	**Materials**	**39.29**	**146.5**	**138.8**	**139.2**	**138.6**	**147.9**	**148.6**	**149.7**	**151.4**	**152.7**	**153.6**	**153.4**	**153.8**
	Consumer goods													
8	*Durable consumer goods*	*7.89*	*158.9*	*155.8*	*146.5*	*151.2*	*160.9*	*161.5*	*160.3*	*161.6*	*161.8*	*161.9*	*160.7*	*160.4*
9	Automotive products	2.83	178.6	172.4	157.5	162.8	182.2	182.1	178.3	185.6	189.0	185.1	181.2	179.4
10	Autos and utility vehicles	2.03	172.5	165.5	145.5	153.9	176.7	175.6	170.0	180.5	185.0	179.3	173.8	171.0
11	Autos	1.90	148.5	143.6	127.4	131.5	152.7	151.1	144.4	154.2	159.7	151.8	145.9	144.5
12	Auto parts and allied goods	.80	194.0	190.4	187.8	185.3	196.1	198.0	199.8	199.1	199.0	200.1	200.0	200.6
13	Home goods	5.06	147.8	146.6	140.3	144.6	148.9	150.0	150.2	148.2	146.5	148.9	149.0	149.8
14	Appliances, A/C, and TV	1.40	132.5	132.8	116.1	133.3	133.7	133.9	134.4	128.7	123.4	129.1	126.4	128.0
15	Appliances and TV	1.33	134.5	134.6	117.4	135.7	136.8	135.6	136.9	129.9	124.4	129.8	127.3	.....
16	Carpeting and furniture	1.07	164.3	161.5	159.1	160.2	168.5	167.9	169.0	168.0	164.9	166.8	168.1	.....
17	Miscellaneous home goods	2.59	149.3	147.7	145.9	144.3	149.1	151.3	150.8	150.6	151.3	152.0	153.6	153.9
18	*Nondurable consumer goods*	*19.79*	*142.8*	*141.8*	*139.9*	*140.8*	*142.4*	*143.1*	*144.4*	*144.3*	*144.8*	*146.2*	*146.3*	*146.6*
19	Clothing	4.29	.....	126.9	118.3	121.1	125.1	126.6	128.9	128.3	.....	.....	.....	.....
20	Consumer staples	15.50	147.6	145.9	145.9	146.3	147.3	147.8	148.8	148.8	149.2	150.8	150.9	151.4
21	Consumer foods and tobacco	8.33	140.1	137.9	136.5	138.3	140.2	140.8	141.2	140.4	141.0	143.1	142.3	.....
22	Nonfood staples	7.17	156.2	155.2	156.6	155.8	155.5	155.9	157.4	158.5	158.8	159.9	160.7	161.3
23	Consumer chemical products	2.63	187.1	186.5	187.4	184.3	186.7	188.0	190.1	191.9	190.7	193.2	195.1	.....
24	Consumer paper products	1.92	118.1	119.8	121.4	118.8	117.5	117.3	118.2	116.7	117.6	117.2	119.6	.....
25	Consumer energy products	2.62	153.2	149.7	151.5	154.5	151.9	152.0	153.3	155.4	156.7	157.6	156.3	.....
26	Residential utilities	1.45	.....	158.5	161.7	167.6	159.9	160.1	160.9	162.8	162.1	.....	.....	.....
	Equipment													
27	*Business*	*12.63*	*162.0*	*154.0*	*152.6*	*154.2*	*163.8*	*165.4*	*165.8*	*166.9*	*167.2*	*168.6*	*168.9*	*169.7*
28	Industrial	6.77	149.9	143.0	144.3	144.6	151.9	152.8	152.7	152.9	151.8	152.2	153.3	154.5
29	Building and mining	1.44	223.4	208.3	211.1	214.9	228.9	228.1	226.3	226.5	223.8	222.3	221.3	220.5
30	Manufacturing	3.85	121.9	118.2	118.8	117.7	122.6	123.9	124.4	125.0	124.2	124.7	126.1	127.5
31	Power	1.47	151.0	143.7	146.1	145.8	152.8	154.6	154.8	154.0	153.4	155.6	157.9	160.0
32	Commercial transit, farm	5.86	175.9	166.9	162.2	165.5	177.5	179.9	180.8	182.9	184.9	187.6	186.7	187.2
33	Commercial	3.26	208.5	198.8	198.5	200.9	210.6	212.2	214.1	215.1	214.9	216.6	217.1	218.8
34	Transit	1.93	133.6	121.1	111.1	115.9	134.9	138.5	138.6	142.6	147.5	151.2	148.4	146.9
35	Farm	.67	138.9	144.5	131.4	134.8	138.5	141.3	142.0	143.2	145.8	151.0	148.7	.....
36	*Defense and space*	*7.51*	*84.5*	*79.5*	*79.7*	*79.2*	*85.9*	*87.1*	*87.1*	*86.7*	*87.2*	*87.9*	*88.6*	*89.5*
	Intermediate products													
37	Construction supplies	6.42	153.3	148.3	149.2	148.6	153.5	154.7	155.6	157.0	159.0	161.6	161.9	162.1
38	Business supplies	6.47	157.2	152.6	153.8	154.2	157.6	158.2	158.4	159.2	159.9	161.8	163.2	.....
39	Commercial energy products	1.14	166.3	165.6	165.5	165.6	164.1	167.4	169.9	168.8	168.8	168.0	169.1	.....
	Materials													
40	*Durable goods materials*	*20.35*	*146.9*	*138.7*	*138.2*	*137.0*	*148.7*	*150.4*	*152.1*	*154.0*	*154.9*	*157.0*	*156.2*	*156.8*
41	Durable consumer parts	4.58	140.3	135.7	133.0	131.1	142.0	142.2	144.8	147.3	147.4	148.4	147.2	146.9
42	Equipment parts	5.44	159.1	149.2	148.7	146.6	161.7	162.9	164.6	166.0	167.6	170.5	170.8	172.0
43	Durable materials n.e.c.	10.34	143.4	134.3	134.9	134.6	144.7	147.6	148.7	150.5	151.6	153.7	152.8	153.2
44	Basic metal materials	5.57	120.4	110.3	110.2	111.0	121.7	125.4	126.7	128.2	129.1	131.2	127.1	.....
45	*Nondurable goods materials*	*10.47*	*162.9*	*155.3*	*155.0*	*158.5*	*162.5*	*162.7*	*164.4*	*165.7*	*167.8*	*167.0*	*167.9*	*169.0*
46	Textile, paper, and chemical materials	7.62	167.9	159.3	160.7	162.8	168.3	167.0	170.0	171.0	173.3	172.1	173.4	174.3
47	Textile materials	1.85	117.2	117.3	114.9	115.8	117.1	116.0	118.7	118.7	120.4	119.0	118.9	.....
48	Paper materials	1.62	136.9	130.2	135.0	136.8	135.1	131.5	137.7	137.3	137.6	135.7	133.7	.....
49	Chemical materials	4.15	202.6	189.5	191.4	194.2	204.0	203.7	205.5	207.6	210.7	210.3	213.2	.....
50	Containers, nondurable	1.70	160.5	154.4	150.4	158.7	155.4	161.8	161.1	163.4	165.6	165.5	166.0	.....
51	Nondurable materials n.e.c.	1.14	133.1	129.9	123.6	128.9	135.7	134.8	131.8	134.5	135.5	135.3	134.6	.....
52	Energy materials	8.48	125.2	118.7	122.2	117.7	127.9	127.0	126.0	128.0	128.4	129.0	128.3	127.8
53	Primary energy	4.65	112.7	103.0	105.2	101.0	116.7	115.4	111.8	115.9	117.4	117.0	114.6	.....
54	Converted fuel materials	3.82	140.4	137.7	142.8	138.0	141.6	141.3	143.4	142.7	141.8	143.6	144.9	.....
	Supplementary groups													
55	Home goods and clothing	9.35	137.6	137.5	130.2	133.8	138.0	139.2	140.3	139.1	138.5	140.3	140.3	140.4
56	Energy, total	12.23	135.0	129.7	132.5	130.0	136.4	136.1	135.9	137.6	138.2	138.7	138.1	137.5
57	Products	3.76	157.2	154.5	155.8	157.9	155.6	156.7	158.3	159.3	160.4	160.7	160.1	.....
58	Materials	8.48	125.2	118.7	122.2	117.7	127.9	127.0	126.0	128.0	128.4	129.0	128.3	127.8

For NOTE see opposite page.

2.13 Continued

Grouping	SIC code	1967 proportion	1978 average[p]	1977 Dec.	1978 Jan.	1978 Feb.	1978 July	1978 Aug.	1978 Sept.	1978 Oct.	1978 Nov.[r]	1978 Dec.	1979 Jan.[p]	1979 Feb.[e]
MAJOR INDUSTRY	Index (1967 = 100)													
1 *Mining and utilities*	.....	*12.05*	*141.5*	*133.9*	*137.4*	*137.7*	*142.6*	*142.5*	*142.1*	*144.1*	*144.5*	*144.7*	*143.4*	*143.1*
2 Mining	.....	6.36	124.2	113.4	115.0	114.4	127.1	126.0	124.1	127.6	128.1	127.5	.....	122.1
3 Utilities	.....	5.69	160.9	156.7	162.3	163.5	159.9	160.8	162.3	162.4	162.9	163.9	165.2	166.4
4 Electric	.....	3.88	.....	175.9	183.6	184.3	182.1	183.2	184.4	184.1	185.0	.....	.....	.....
5 *Manufacturing*	.....	*87.95*	*145.6*	*140.5*	*138.7*	*139.4*	*146.7*	*147.6*	*148.7*	*149.5*	*150.4*	*151.8*	*151.9*	*152.4*
6 Nondurable	.....	35.97	154.8	150.9	149.8	150.6	155.0	155.6	157.1	157.4	158.5	159.4	160.3	160.8
7 Durable	.....	51.98	139.3	133.4	131.1	131.5	141.1	142.2	142.8	144.0	144.8	146.5	146.0	146.7
Mining														
8 Metal	10	.51	121.0	104.3	121.4	119.9	117.0	117.9	115.6	122.1	125.3	123.9	123.9	.....
9 Coal	11, 12	.69	115.8	74.6	54.8	56.5	131.7	124.9	114.7	144.0	145.1	146.8	117.6	103.0
10 Oil and gas extraction	13	4.40	124.7	118.4	121.1	120.4	126.8	126.2	124.9	124.5	124.9	123.7	123.0	122.2
11 Stone and earth minerals	14	.75	131.1	126.5	130.0	129.1	131.3	131.6	133.8	134.0	132.9	134.2	136.7	.....
Nondurable manufactures														
12 Foods	20	8.75	142.9	140.4	139.3	140.8	142.9	144.0	144.4	143.2	144.2	145.5	145.9	.....
13 Tobacco products	21	.67	119.1	120.6	113.4	117.7	120.8	118.6	120.6	119.0	121.5	121.7	.....	.....
14 Textile mill products	22	2.68	140.0	143.7	137.1	136.4	141.0	139.5	142.2	142.1	143.9	144.9	144.4	.....
15 Apparel products	23	3.31	.....	125.8	118.6	121.1	124.5	127.2	130.9	130.6	.....	.....	.....	.....
16 Paper and products	26	3.21	144.4	138.6	139.9	143.9	140.5	141.9	142.3	145.8	145.3	147.1	144.9	146.0
17 Printing and publishing	27	4.72	129.9	127.5	129.9	128.3	130.3	129.5	131.0	130.5	132.1	133.0	134.9	136.0
18 Chemicals and products	28	7.74	190.7	183.0	184.4	183.7	192.3	192.2	194.2	195.9	197.6	197.9	201.1	.....
19 Petroleum products	29	1.79	144.2	139.3	139.7	139.0	144.3	144.1	147.1	147.9	148.9	149.9	148.6	147.3
20 Rubber and plastic products	30	2.24	254.7	240.1	238.7	240.0	259.1	261.1	263.1	264.1	264.2	265.6	266.5	.....
21 Leather and products	31	.86	74.1	77.3	74.5	73.0	74.5	74.0	74.1	73.8	74.1	74.0	74.3	.....
Durable manufactures														
22 Ordnance, private and government	19, 91	3.64	73.7	73.8	72.3	71.2	75.2	75.2	74.3	73.9	73.6	74.0	73.6	73.5
23 Lumber and products	24	1.64	138.9	138.1	138.5	135.5	138.1	136.9	139.2	141.2	142.5	146.3	146.5	.....
24 Furniture and fixtures	25	1.37	154.7	146.6	146.4	150.1	158.1	159.0	160.7	160.9	157.6	156.7	157.8	.....
25 Clay, glass, stone products	32	2.74	159.2	152.1	152.2	152.6	158.8	159.5	160.9	162.1	166.3	167.7	168.3	.....
26 Primary metals	33	6.57	119.1	111.0	107.4	106.2	123.0	126.0	127.9	128.6	129.0	131.0	124.0	124.3
27 Iron and steel	331, 2	4.21	113.2	103.8	99.5	96.3	119.0	120.9	123.2	123.8	124.1	125.9	115.2	.....
28 Fabricated metal products	34	5.93	142.6	136.4	136.9	136.9	144.0	145.8	146.3	146.0	146.9	149.0	150.8	151.5
29 Nonelectrical machinery	35	9.15	155.6	151.7	150.1	150.1	156.1	157.3	158.7	160.3	160.3	161.8	162.5	163.8
30 Electrical machinery	36	8.05	154.3	147.3	144.0	146.4	157.9	156.9	158.3	157.9	159.0	161.9	163.7	165.2
31 Transportation equipment	37	9.27	130.5	122.2	116.2	118.4	132.1	133.4	132.8	137.0	139.3	139.4	138.0	137.9
32 Motor vehicles and parts	371	4.50	168.3	161.8	146.6	153.1	169.7	171.0	168.9	176.8	180.8	179.5	174.4	172.2
33 Aerospace and miscellaneous transportation equipment	372–9	4.77	94.9	84.9	87.6	85.8	96.5	98.3	98.9	99.6	100.2	101.7	103.7	105.4
34 Instruments	38	2.11	171.6	164.7	163.4	163.5	172.2	175.4	174.6	175.3	172.2	179.5	180.8	182.5
35 Miscellaneous manufactures	39	1.51	153.3	152.5	153.0	151.8	153.2	153.8	154.1	153.9	152.1	153.8	153.9	153.3
MAJOR MARKET	Gross value (billions of 1972 dollars, annual rates)													
36 **Products, total**	.....	[1]507.4	609.4	594.7	582.0	591.2	610.3	613.3	613.6	621.3	625.3	630.7	629.9	630.3
37 *Final*	.....	[1]*390.9*	*469.1*	*458.7*	*445.1*	*454.4*	*469.6*	*472.2*	*471.8*	*478.8*	*481.6*	*484.8*	*483.0*	*483.9*
38 Consumer goods	.....	[1]277.5	324.1	320.4	311.2	318.6	323.4	324.7	324.4	328.1	330.8	332.4	330.7	330.3
39 Equipment	.....	[1]113.4	145.2	138.2	133.9	135.8	146.4	147.5	147.7	150.6	150.9	152.3	152.1	153.3
40 Intermediate	.....	[1]116.6	140.4	135.9	136.7	137.0	140.7	141.4	141.9	142.6	144.0	146.0	146.9	146.7

[1] 1972 dollars.

NOTE. Published groupings include some series and subtotals not shown separately. For description and historical data, see *Industrial Production—1976 Revision* (Board of Governors of the Federal Reserve System: Washington, D.C.), December 1977.

2.14 HOUSING AND CONSTRUCTION

Monthly figures are at seasonally adjusted annual rates except as noted.

Item	1976	1977	1978	1978 July	1978 Aug.	1978 Sept.	1978 Oct.	1978 Nov.	1978 Dec.r	1979 Jan.
	Private residential real estate activity (thousands of units)									
NEW UNITS										
1 *Permits authorized*	*1,296*	*r1,677*	*1,658*	*1,632*	*1,563*	*1,731*	*r1,729*	*1,724*	*1,664*	*1,363*
2 1-family	894	r1,126	1,078	1,035	1,020	1,092	r1,135	1,114	1,149	864
3 2-or-more-family	402	r551	581	597	543	639	592	610	515	499
4 *Started*	*1,538*	*1,986*	*2,019*	*r2,104*	*r2,004*	*r2,024*	*r2,054*	*r2,107*	*2,062*	*1,656*
5 1-family	1,163	1,451	1,433	r1,455	r1,431	r1,432	r1,436	r1,502	1,529	1,136
6 2-or-more-family	377	535	586	666	585	612	636	597	533	520
7 *Under construction, end of period* [1]	*1,147*	*1,442*	*1,355*	*r1,301*	*r1,303*	*r1,311*	*1,320*	*r1,337*	*1,355*	*1,378*
8 1-family	655	829	1,378	r781	r786	r784	r781	r791	802	821
9 2-or-more-family	492	613	553	r520	r517	r526	r539	r545	553	556
10 *Completed*	*1,362*	*1,652*	*1,866*	*r1,928*	*r1,948*	*r1,900*	*r1,883*	*r1,885*	*1,872*	*1,814*
11 1-family	1,026	1,254	1,368	r1,320	r1,363	r1,370	r1,414	r1,375	1,405	1,314
12 2-or-more-family	336	398	498	r608	r584	r530	r468	r510	467	500
13 Mobile homes shipped	246	277	276	232	283	272	r286	r280	303	303
Merchant builder activity in 1-family units:										
14 Number sold	639	819	817	r829	r778	r796	r900	r811	814	776
15 Number for sale, end of period [1]	433	407	423	r417	r418	r417	r407	r412	415	414
Price (thous. of dollars) [2]										
Median:										
16 Units sold	44.2	48.9	55.9	54.8	56.1	57.3	58.3	58.8	59.9	60.3
17 Units for sale	41.6	48.2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Average:										
18 Units sold	48.1	54.4	62.7	62.9	63.0	64.4	.....	r66.2	67.2	68.0
EXISTING UNITS (1-family)										
19 Number sold	3,002	3,572	3,905	3,890	4,080	3,950	4,290	4,350	4,160	3,710
Price of units sold (thous. of dollars): [2]										
20 Median	38.1	42.9	48.7	49.4	50.3	50.2	50.1	50.7	50.9	52.0
21 Average	42.2	47.9	55.1	56.5	57.5	57.7	57.3	57.4	58.1	59.8
	Value of new construction [4] (millions of dollars)									
CONSTRUCTION										
22 **Total put in place**	**148,778**	**172,552**	**201,538**	**210,192**	**208,724**	**209,227**	**r209,815**	**r212,764**	**r215,741**	**208,110**
23 *Private*	*110,416*	*134,723*	*156,801*	*161,804*	*160,562*	*161,258*	*r161,909*	*r164,851*	*r168,162*	*162,239*
24 Residential	60,519	80,957	92,658	95,888	95,011	94,249	r93,568	r95,377	r96,945	92,582
25 Nonresidential, total	49,897	53,766	64,143	65,916	65,551	67,009	68,341	69,474	r71,217	69,657
Buildings:										
26 Industrial	7,182	7,713	10,763	11,170	12,043	12,634	12,627	12,529	r13,273	12,719
27 Commercial	12,757	14,789	18,308	19,463	18,835	18,926	19,410	20,294	r20,049	19,893
28 Other	6,155	6,200	6,661	7,036	6,721	6,686	6,667	6,877	r6,922	6,675
29 Public utilities and other	23,803	25,064	28,411	28,247	27,952	28,763	29,637	29,774	r30,973	30,370
30 *Public*	*38,312*	*37,828*	*44,737*	*48,388*	*43,162*	*47,970*	*r47,970*	*47,913*	*r47,579*	*45,871*
31 Military	1,521	1,517	2,181	1,493	1,520	1,615	r1,426	1,431	r1,458	1,572
32 Highway	9,439	9,280	8,627	9,833	11,427	10,862	11,428	n.a.	n.a.	n.a.
33 Conservation and development	3,751	3,882	3,697	4,989	5,231	5,660	3,851	n.a.	n.a.	n.a.
34 Other [3]	23,601	23,149	23,503	32,073	29,984	29,833	31,211	n.a.	n.a.	n.a.

[1] Not at annual rates.
[2] Not seasonally adjusted.
[3] Beginning Jan. 1977 Highway imputations are included in Other.
[4] Value of new construction data in recent periods may not be strictly comparable with data in prior periods due to changes by the Bureau of the Census in its estimating techniques. For a description of these changes see *Construction Reports* (C-30-76-5), issued by the Bureau in July 1976.

NOTE. Census Bureau estimates for all series except (a) mobile homes which are private, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (b) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from originating agency. Permit authorizations are for 14,000 jurisdictions reporting to the Census Bureau.

2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data, except as noted.

Item	12 months to—		3 months (at annual rate) to—				1 month to—					Index level Jan. 1979 (1967 = 100)[2]
	1978 Jan.	1979 Jan.	1978				1978				1979	
			Mar.	June	Sept.	Dec.	Sept.	Oct.	Nov.	Dec.	Jan.	
	Consumer prices[3]											
1 **All items**	**6.8**	9.3	**8.9**	**10.7**	**8.5**	**8.5**	.9	.8	.6	.6	.9	**204.7**
2 *Commodities*	*6.2*	*9.3*	*8.5*	*10.5*	*7.3*	*9.6*	*.8*	*.8*	*.7*	*.8*	*1.1*	*195.8*
3 Food	8.6	12.4	14.9	18.3	4.8	10.2	.7	.9	.6	1.0	1.4	223.9
4 Commodities less food	5.0	7.9	5.8	7.2	8.3	9.6	.9	.7	.7	.8	.9	181.9
5 Durable	4.8	9.2	7.9	9.0	9.1	11.3	.9	.8	1.0	.8	.9	182.0
6 Nondurable	4.8	6.2	3.8	5.5	6.9	6.7	.6	.5	.5	.6	1.1	180.3
7 *Services*	*7.8*	*9.5*	*9.1*	*11.0*	*10.3*	*7.2*	*.9*	*.9*	*.5*	*.4*	*.5*	*221.1*
8 Rent	6.2	7.2	6.5	8.2	7.3	7.7	.7	.6	.7	.6	.3	170.3
9 Services less rent	8.0	9.8	9.5	11.3	10.8	7.1	.9	.9	.4	.4	.6	230.4
Other groupings:												
10 All items less food	6.3	8.7	7.6	8.9	9.3	8.5	.8	.8	.6	.6	.8	199.8
11 All items less food and energy	6.4	8.6	6.3	10.4	9.7	7.7	1.0	.8	.7	.4	.5	197.0
12 Homeownership	9.3	12.4	11.4	13.2	14.6	10.9	1.3	1.4	.8	.4	.8	241.6
	Producer prices, formerly Wholesale prices											
13 Finished goods	6.8	9.8	8.7	10.3	7.4	10.1	.8	r.8	r.9	.8	1.3	205.3
14 Consumer	6.5	10.4	9.5	10.6	7.5	10.8	.9	r.8	r.9	r.9	1.4	203.6
15 Foods	7.4	12.9	16.8	11.4	4.9	15.3	1.5	r1.6	r.9	1.0	1.8	220.1
16 Excluding foods	6.0	9.0	5.3	10.5	8.8	8.4	.5	r.4	r.9	.8	1.2	193.3
17 Capital equipment	7.5	8.4	7.1	9.1	7.0	8.8	.5	r.6	r.7	.7	1.0	209.2
18 Materials	r6.1	10.9	r11.0	r9.9	r7.5	r13.0	.9	r1.5	r.9	r.7	1.4	232.5
19 Intermediate[1]	6.6	8.7	8.1	7.2	6.9	10.8	.6	r1.1	r.8	.7	1.2	226.4
Crude:												
20 Nonfood	10.3	16.4	10.7	14.9	16.9	19.6	1.6	r1.7	r1.6	1.2	1.7	311.6
21 Food	2.3	20.1	25.1	26.6	2.8	21.0	1.8	r3.7	r1.1	.1	2.8	232.9

[1] Excludes intermediate materials for food manufacturing and manufactured animal feeds.
[2] Not seasonally adjusted.
[3] Beginning Jan. 1978 figures for consumer prices are those for all urban consumers.
The Consumer Price Index has been revised back to 1974.

SOURCE. Bureau of Labor Statistics.

2.16 GROSS NATIONAL PRODUCT AND INCOME

Billions of current dollars except as noted; quarterly data are at seasonally adjusted annual rates.

	Account	1976	1977	1978	1977		1978			
					Q3	Q4	Q1	Q2	Q3	Q4
		Gross national product								
1	**Total**	**1,700.1**	**1,887.2**	**2,106.9**	**1,916.8**	**1,958.1**	**1,992.0**	**2,087.5**	**2,136.1**	**2,212.1**
	By source:									
2	*Personal consumption expenditures*	*1,090.2*	*1,206.5*	*1,340.4*	*1,214.5*	*1,255.2*	*1,276.7*	*1,322.9*	*1,356.9*	*1,405.1*
3	Durable goods	156.6	178.4	197.5	177.4	187.2	183.5	197.8	199.5	209.2
4	Nondurable goods	442.6	479.0	526.5	479.7	496.9	501.4	519.3	531.7	553.5
5	Services	491.0	549.2	616.4	557.5	571.1	591.8	605.8	625.8	642.5
6	*Gross private domestic investment*	*243.0*	*297.8*	*344.6*	*309.7*	*313.5*	*322.7*	*345.4*	*350.1*	*360.1*
7	Fixed investment	232.8	282.3	329.1	287.8	300.5	306.0	325.3	336.5	348.5
8	*Nonresidential*	*164.6*	*190.4*	*222.1*	*193.5*	*200.3*	*205.6*	*220.1*	*227.5*	*235.2*
9	Structures	57.3	63.9	77.6	65.4	67.4	68.5	76.6	80.9	84.6
10	Producers' durable equipment	107.3	126.5	144.5	128.1	132.8	137.1	143.5	146.6	150.7
11	Residential structures	68.2	91.9	107.0	94.3	100.2	100.3	105.3	109.0	113.3
12	Nonfarm	65.8	88.9	103.8	91.2	97.5	97.3	102.1	105.7	110.0
13	Change in business inventories	10.2	15.6	15.5	21.9	13.1	16.7	20.1	13.6	11.6
14	Nonfarm	12.2	15.0	16.4	22.0	10.4	16.9	22.1	14.6	12.2
15	*Net exports of goods and services*	*7.4*	*−11.1*	*−12.0*	*−7.0*	*−23.2*	*−24.1*	*−5.5*	*−10.7*	*−7.8*
16	Exports	163.2	175.5	204.8	180.8	172.1	181.7	205.4	210.1	222.0
17	Imports	155.7	186.6	216.8	187.8	195.2	205.8	210.9	220.8	229.7
18	*Government purchases of goods and services*	*359.5*	*394.0*	*434.0*	*399.5*	*412.5*	*416.7*	*424.7*	*439.8*	*454.6*
19	Federal	129.9	145.1	153.7	146.8	152.2	151.5	147.2	154.0	162.3
20	State and local	229.6	248.9	280.2	252.7	260.3	265.2	277.6	285.8	292.3
	By major type of product:									
21	Final sales, total	1,689.9	1,871.6	2,091.4	1,894.9	1,945.0	1,975.3	2,067.4	2,122.5	2,200.5
22	*Goods*	*760.3*	*832.6*	*917.6*	*844.7*	*859.6*	*861.8*	*912.2*	*927.3*	*969.3*
23	Durable	304.6	341.3	376.3	346.5	347.4	351.2	375.8	380.1	398.3
24	Nondurable	455.7	491.3	541.3	498.2	512.2	510.6	536.4	547.2	571.0
25	Services	778.0	862.8	962.7	875.3	893.6	926.4	952.0	973.7	998.8
26	Structures	161.9	191.8	226.6	196.8	204.9	203.8	223.4	235.0	244.0
27	Change in business inventories	10.2	15.6	15.5	21.9	13.1	16.7	20.1	13.6	11.6
28	Durable goods	5.3	8.4	11.6	11.9	6.3	14.8	10.8	10.2	10.3
29	Nondurable goods	4.9	7.2	4.0	10.0	6.8	1.9	9.3	3.4	1.3
30	MEMO: **Total GNP in 1972 dollars**	**1,271.0**	**1,332.7**	**1,385.3**	**1,343.9**	**1,354.5**	**1,354.2**	**1,382.6**	**1,391.4**	**1,413.0**
		National income								
31	**Total**	**1,359,2**	**1,515.3**	**1,704.1**	**1,537.6**	**1,576.9**	**1,603.1**	**1,688.1**	**1,728.4**	n.a.
32	Compensation of employees	1,036.8	1,153.4	1,301.4	1,165.8	1,199.7	1,241.0	1,287.8	1,317.1	1,359.6
33	*Wages and salaries*	*890.1*	*983.6*	*1,100.9*	*993.6*	*1,021.2*	*1,050.8*	*1,090.2*	*1,113.4*	*1,149.2*
34	Government and government enterprises	187.6	200.8	216.1	201.7	208.1	211.4	213.9	216.8	222.3
35	Other	702.5	782.9	884.8	791.9	813.1	839.3	876.3	896.6	926.9
36	*Supplement to wages and salaries*	*146.7*	*169.8*	*200.5*	*172.2*	*178.4*	*190.2*	*197.6*	*203.6*	*210.4*
37	Employer contributions for social insurance	69.7	79.4	94.5	79.9	82.4	90.2	93.6	95.7	98.6
38	Other labor income	77.0	90.4	105.9	92.2	96.1	100.0	104.0	107.9	111.8
39	*Proprietors' income*[1]	*88.6*	*99.8*	*112.9*	*97.2*	*107.3*	*105.0*	*110.1*	*114.5*	*122.1*
40	Business and professional[1]	70.2	79.5	87.8	80.8	82.3	83.1	86.1	89.6	92.6
41	Farm[1]	18.4	20.3	25.1	16.5	25.1	21.9	24.0	25.0	29.5
42	Rental income of persons[2]	22.5	22.5	23.4	22.4	22.7	22.8	22.2	24.3	24.4
43	Corporate profits[1]	127.0	144.2	160.2	154.8	148.2	132.6	163.4	165.2	n.a.
44	Profits before tax[3]	155.9	173.9	202.6	177.5	178.3	172.1	205.5	205.4	n.a.
45	Inventory valuation adjustment	−14.5	−14.8	−24.3	−7.7	−14.8	−23.5	−24.9	−20.9	−27.9
46	Capital consumption adjustment	−14.4	−14.9	−18.1	−15.0	−15.3	−16.1	−17.2	−19.3	−19.9
47	Net interest	84.3	95.4	106.2	97.3	99.0	101.7	104.6	107.4	111.1

[1] With inventory valuation and capital consumption adjustments.
[2] With capital consumption adjustments.
[3] For after-tax profits, dividends, and the like, see table 1.50.

SOURCE. *Survey of Current Business* (U.S. Dept. of Commerce).

2.17 PERSONAL INCOME AND SAVING

Billions of current dollars; quarterly data are at seasonally adjusted annual rates. Exceptions noted.

Account	1976	1977	1978	1977		1978			
				Q3	Q4	Q1	Q2	Q3	Q4
	Personal income and saving								
1 **Total personal income**	**1,380.9**	**1,529.0**	**1,707.6**	**1,543.7**	**1,593.0**	**1,628.9**	**1,682.4**	**1,731.7**	**1,787.3**
2 *Wage and salary disbursements*	*890.1*	*983.6*	*1,100.9*	*993.6*	*1,021.2*	*1,050.8*	*1,090.2*	*1,113.2*	*1,149.2*
3 Commodity-producing industries	307.5	343.7	390.2	348.3	357.1	365.9	387.0	396.4	411.3
4 Manufacturing	237.5	266.3	299.8	269.3	277.3	286.9	296.1	302.0	314.3
5 Distributive industries	216.4	239.1	268.8	241.2	247.5	257.0	266.4	271.6	280.3
6 Service industries	178.6	200.1	225.8	202.3	208.5	216.5	222.8	228.5	235.3
7 Government and government enterprises	187.6	200.8	216.1	201.7	208.1	211.4	213.9	216.7	222.3
8 Other labor income	77.0	90.4	105.9	92.2	96.1	100.0	104.0	107.9	111.8
9 *Proprietors' income*[1]	*88.6*	*99.8*	*112.9*	*97.2*	*107.3*	*105.0*	*110.1*	*114.5*	*122.1*
10 Business and professional[1]	70.2	79.5	87.8	80.8	82.3	83.1	86.1	89.6	92.6
11 Farm[1]	18.4	20.3	25.1	16.5	25.1	21.9	24.0	25.0	29.5
12 Rental income of persons[2]	22.5	22.5	23.4	22.4	22.7	22.8	22.2	24.3	24.4
13 Dividends	37.9	43.7	49.3	44.1	46.3	47.0	48.1	50.1	51.9
14 Personal interest income	126.3	141.2	158.9	143.6	146.0	151.4	156.3	161.7	166.2
15 Transfer payments	193.9	208.8	226.0	211.9	215.9	219.2	220.6	230.4	235.8
16 Old-age survivors, disability, and health insurance benefits	92.9	105.0	117.4	108.5	110.1	112.1	113.7	121.1	122.7
17 LESS: Personal contributions for social insurance	55.5	61.0	69.7	61.4	62.6	67.2	69.2	70.5	72.0
18 EQUALS: Personal income	1,380.9	1,529.0	1,707.6	1,543.7	1,593.0	1,628.9	1,682.4	1,731.7	1,787.3
19 LESS: Personal tax and nontax payments	196.5	226.0	256.2	224.6	233.3	237.3	249.1	263.2	275.0
20 EQUALS: Disposable personal income	1,184.4	1,303.0	1,451.4	1,319.1	1,359.6	1,391.6	1,433.3	1,468.4	1,512.3
21 LESS: Personal outlays	1,116.3	1,236.1	1,375.2	1,244.8	1,285.9	1,309.2	1,357.0	1,392.5	1,442.1
22 EQUALS: Personal saving	68.0	66.9	76.2	74.3	73.7	82.4	76.3	76.0	70.2
MEMO ITEMS:									
Per capita (1972 dollars):									
23 Gross national product	5,906	6,144	6,340	6,191	6,226	6,215	6,334	6,359	6,446
24 Personal consumption expenditures	3,808	3,954	4,082	3,953	4,030	4,009	4,060	4,091	4,163
25 Disposable personal income	4,136	4,271	4,419	4,293	4,365	4,370	4,399	4,428	4,480
26 Saving rate (per cent)	5.7	5.1	5.3	5.6	5.4	5.9	5.3	5.2	4.6
	Gross saving								
27 **Gross private saving**	**270.7**	**290.8**	**318.5**	**310.7**	**304.3**	**305.4**	**319.9**	**325.7**	n.a.
28 Personal saving	68.0	66.9	76.2	74.3	73.7	82.4	76.3	76.0	70.2
29 Undistributed corporate profits[1]	24.8	28.7	26.8	38.0	28.0	15.6	30.3	29.0	n.a.
30 Corporate inventory valuation adjustment	−14.5	−14.8	−24.3	−7.7	−14.8	−23.5	−24.9	−20.9	−27.9
Capital consumption allowances:									
31 Corporate	111.5	120.9	132.5	122.6	124.6	127.4	130.5	134.7	137.4
32 Noncorporate	66.3	74.3	84.4	75.9	77.9	79.9	82.8	86.1	89.0
33 Wage accruals less disbursements	.....	.....	.....	.....	.....	.....	.....	.....	.....
34 *Government surplus, or deficit (−), national income and product accounts*	*−33.2*	*−18.6*	*−1.4*	*−25.2*	*−29.6*	*−21.1*	*6.2*	*.6*	n.a.
35 Federal	−53.8	−48.1	−29.7	−56.4	−58.6	−52.6	−23.6	−22.8	n.a.
36 State and local	20.7	29.6	28.3	31.2	29.0	31.5	29.8	23.4	n.a.
37 Capital grants received by the United States, net	.....	.....	.....	.....	.....	.....	.....	.....	.....
38 *Investment*	*241.7*	*276.9*	*319.4*	*292.6*	*279.5*	*286.4*	*326.6*	*326.6*	*337.9*
39 Gross private domestic	243.0	297.8	344.6	309.7	313.5	322.7	345.4	350.1	360.1
40 Net foreign	−1.2	−20.9	−25.2	−17.1	−34.1	−36.3	−18.9	−23.5	−22.2
41 Statistical discrepancy	4.2	4.7	.9	7.1	4.8	2.2	.5	.4	n.a.

[1] With inventory valuation and capital consumption adjustments.
[2] With capital consumption adjustment.

SOURCE. *Survey of Current Business* (U.S. Dept. of Commerce).

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

Millions of dollars; quarterly data are seasonally adjusted except as noted.[1]

Item credits or debits	1975	1976	1977	1977		1978		
				Q3	Q4	Q1	Q2	Q3
1 Merchandise exports	107,088	114,694	120,576	31,009	29,461	30,664	35,067	36,930
2 Merchandise imports	98,041	124,047	151,706	38,277	39,664	41,865	42,869	44,975
3 Merchandise trade balance[2]	9,047	−9,353	−31,130	−7,268	−10,203	−11,201	−7,802	−8,045
4 Military transactions, net	−876	312	1,334	467	5	210	592	177
5 Investment income, net[3]	12,795	15,933	17,507	4,609	3,813	4,877	4,583	4,550
6 Other service transactions, net	2,095	2,469	1,705	583	482	538	842	761
7 **Balance on goods and services[3,4]**	**23,060**	**9,361**	**−10,585**	**−1,609**	**−5,903**	**−5,576**	**−1,785**	**−2,557**
8 Remittances, pensions, and other transfers	−1,721	−1,878	−1,932	−490	−473	−504	−536	−493
9 U.S. government grants (excluding military)	−2,894	−3,145	−2,776	−787	−591	−778	−781	−774
10 **Balance on current account[3]**	**18,445**	**4,339**	**−15,292**	**−2,886**	**−6,967**	**−6,858**	**−3,102**	**−3,824**
11 *Not seasonally adjusted[3]*	.....	.....	.....	*−5,196*	*−5,245*	*−6,382*	*−2,656*	*−6,341*
12 Change in U.S. government assets, other than official reserve assets, net (increase, −)	−3,470	−4,213	−3,679	−1,098	−838	−896	−1,176	−1,494
13 *Change in U.S. official reserve assets (increase, −)*	*−607*	*−2,530*	*−231*	*151*	.....	*246*	*329*	*180*
14 Gold	.....	.....	−118	.....	−60	.....	.....	.....
15 Special Drawing Rights (SDRs)	−66	−78	−121	−9	−29	−16	−104	−43
16 Reserve position in International Monetary Fund (IMF)	−466	−2,212	−294	133	42	324	437	165
17 Foreign currencies	−75	−240	302	27	47	−62	−4	58
18 **Change in U.S. private assets abroad (increase, −)[3]**	**−35,368**	**−43,865**	**−30,740**	**−5,668**	**−13,862**	**−14,386**	**−5,287**	**−9,692**
19 Bank-reported claims	−13,532	−21,368	−11,427	−1,779	−8,750	−6,270	−503	−7,137
20 *Nonbank-reported claims*	*−1,357*	*−2,030*	*−1,700*	*1,389*	*−1,184*	*−2,222*	*267*	*275*
21 Long-term	−366	5	25	205	−279	−57	80	−11
22 Short-term	−991	−2,035	−1,725	1,184	−905	−2,165	187	286
23 U.S. purchase of foreign securities, net	−6,235	−8,852	−5,398	−2,165	−731	−949	−1,103	−467
24 U.S. direct investments abroad, net[3]	−14,244	−11,614	−12,215	−3,113	−3,197	−4,945	−3,948	−2,363
25 *Change in foreign official assets in the United States (increase, +)*	*6,907*	*18,073*	*37,124*	*8,246*	*15,543*	*15,760*	*−5,685*	*4,904*
26 U.S. Treasury securities	4,408	9,333	30,294	6,948	12,900	12,965	−5,728	3,146
27 Other U.S. government obligations	905	573	2,308	627	973	117	211	443
28 Other U.S. government liabilities[5]	1,647	4,993	1,644	332	390	804	−312	350
29 Other U.S. liabilities reported by U.S. banks	−2,158	969	773	−163	909	1,456	−493	881
30 Other foreign official assets[6]	2,104	2,205	2,105	502	371	418	637	84
31 **Change in foreign private assets in the United States (increase, +)[3]**	**8,643**	**18,897**	**13,746**	**6,005**	**4,522**	**2,336**	**6,090**	**9,708**
32 U.S. bank-reported liabilities	628	10,990	6,719	2,640	3,143	−314	1,836	8,044
33 *U.S. nonbank-reported liabilities*	*319*	*−507*	*257*	*590*	*425*	*495*	*248*	*482*
34 Long-term	406	−958	−620	18	−242	38	−68	91
35 Short-term	−87	451	877	572	667	457	316	391
36 Foreign private purchases of U.S. Treasury securities, net	2,590	2,783	563	1,251	−299	881	847	−1,053
37 Foreign purchases of other U.S. securities, net	2,503	1,284	2,869	513	803	462	1,308	442
38 Foreign direct investments in the United States, net[3]	2,603	4,347	3,338	1,012	450	812	1,852	1,793
39 Allocation of SDRs	.....	.....	.....	.....	.....	.....	.....	.....
40 *Discrepancy*	*5,449*	*9,300*	*−927*	*−4,751*	*1,602*	*3,798*	*8,830*	*218*
41 Owing to seasonal adjustments	.....	.....	.....	−2,229	2,276	160	−1	−2,411
42 Statistical discrepancy in recorded data before seasonal adjustment	5,449	9,300	−927	−2,522	−674	3,638	8,831	2,629
MEMO ITEMS:								
Changes in official assets:								
43 U.S. official reserve assets (increase, −)	−607	−2,530	−231	151	.....	246	329	180
44 Foreign official assets in the United States (increase, +)	5,259	13,080	35,480	7,914	15,153	14,956	−5,373	4,554
45 Changes in Organization of Petroleum Exporting Countries (OPEC) official assets in the Unites States (part of line 25 above)	7,092	9,581	6,733	1,438	1,024	1,963	−2,838	−1,593
46 Transfers under military grant programs (excluded from lines 1, 4, and 9 above)	2,207	373	194	31	71	75	57	69

[1] Seasonal factors are no longer calculated for lines 13 through 46.

[2] Data are on an international accounts (IA) basis. Differs from the census basis primarily because the IA basis includes imports into the U.S. Virgin Islands, and it excludes military exports, which are part of line 4.

[3] Includes reinvested earnings of incorporated affiliates.

[4] Differs from the definition of "net exports of goods and services" in the national income and product (GNP) account. The GNP definition excludes certain military sales to Israel from exports and excludes U.S. government interest payments from imports.

[5] Primarily associated with military sales contracts and other transactions arranged with or through foreign official agencies.

[6] Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

NOTE. Data are from Bureau of Economic Analysis, *Survey of Current Business* (U.S. Department of Commerce).

3.11 U.S. FOREIGN TRADE

Millions of dollars; monthly data are seasonally adjusted.

Item	1976	1977	1978	1978[r]						1979
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
1 EXPORTS of domestic and foreign merchandise excluding grant-aid shipments	115,156	121,150	143,575	11,661	12,294	13,274	12,901	13,451	13,282	13,133
2 GENERAL IMPORTS including merchandise for immediate consumption plus entries into bonded warehouses	121,009	147,685	172,026	14,545	14,133	14,820	14,852	14,825	15,032	16,231
3 **Trade balance**	**−5,853**	**−26,535**	**−28,451**	**−2,883**	**−1,839**	**−1,545**	**−1,950**	**−1,374**	**−1,749**	**−3,098**

NOTE. Bureau of Census data reported on a free-alongside-ship (f.a.s.) value basis. Effective January 1978, major changes were made in coverage, reporting, and compiling procedures. The international-accounts-basis data adjust the Census basis data for reasons of coverage and timing. On the *export side*, the largest adjustments are: (a) the addition of exports to Canada not covered in Census statistics, and (b) the exclusion of military exports (which are combined with other military transactions and are reported separately in the "service account"). On the *import side*, the largest single adjustment is the addition of imports into the Virgin Islands (largely oil for a refinery on St. Croix), which are not included in Census statistics.

SOURCE. FT 900 "Summary of U.S. Export and Import Merchandise Trade" (U.S. Department of Commerce, Bureau of the Census).

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Type	1975	1976	1977	1978					1979	
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.[p]
1 **Total**	**16,226**	**18,747**	**19,312**	**18,783**	**18,850**	**18,935**	**17,967**	**18,650**	**20,468**	[3] **21,641**
2 Gold stock, including Exchange Stabilization Fund[1]	11,599	11,598	11,719	11,679	11,668	11,655	11,642	11,671	11,592	11,544
3 Special Drawing Rights[2]	2,335	2,395	2,629	2,885	2,942	3,097	1,522	1,558	2,661	[3] 2,672
4 Reserve position in International Monetary Fund	2,212	4,434	4,946	4,196	4,214	4,147	1,099	1,047	1,017	[3] 1,120
5 Convertible foreign currencies[4]	80	320	18	23	26	36	3,704	4,374	5,198	6,305

[1] Gold held under earmark at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.24.

[2] Includes allocations by the International Monetary Fund of SDRs as follows: $867 million on Jan. 1, 1970; $717 million on Jan. 1, 1971; $710 million on Jan. 1, 1972; and $1,103 million on Jan. 1, 1979; plus net transactions in SDRs.

[3] Beginning July 1974, the IMF adopted a technique for valuing the SDR based on a weighted average of exchange rates for the currencies of 16 member countries. The U.S. SDR holdings and reserve position in the IMF also are valued on this basis beginning July 1974.

[4] Beginning November 1978, valued at current market exchange rates.

3.13 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data

Millions of dollars, end of period

Asset account	1975	1976	1977	1978[2]						
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.[p]
	All foreign countries									
1 **Total, all currencies**	**176,493**	**219,420**	**258,897**	**271,696**	**269,542**	r**274,929**	**287,369**	r**292,305**	**295,984**	**305,590**
2 *Claims on United States*	*6,743*	*7,889*	*11,623*	*10,891*	*9,254*	r*10,024*	*14,976*	r*12,169*	*13,375*	*16,660*
3 Parent bank	3,665	4,323	7,806	6,750	5,096	r5,818	10,693	7,879	9,017	12,153
4 Other	3,078	3,566	3,817	4,141	4,158	4,206	4,283	r4,290	4,358	4,507
5 *Claims on foreigners*	*163,391*	*204,486*	*238,848*	*251,783*	*250,700*	r*254,782*	*262,063*	r*269,121*	*271,446*	*277,612*
6 Other branches of parent bank	34,508	45,955	55,772	55,357	55,236	58,746	63,493	r67,654	r68,016	70,216
7 Banks	69,206	83,765	91,883	96,638	94,659	r92,811	95,222	r98,198	r100,987	102,797
8 Public borrowers[1]	5,792	10,613	14,634	22,654	23,288	r23,354	23,896	r23,936	22,696	23,664
9 Nonbank foreigners	53,886	64,153	76,560	77,134	77,517	r79,871	79,452	r79,333	78,847	80,935
10 Other assets	6,359	7,045	8,425	9,022	9,588	r10,123	10,330	r11,015	11,163	11,318
11 **Total payable in U.S. dollars**	**132,901**	**167,695**	**193,764**	**202,792**	**198,205**	r**200,779**	**212,063**	r**210,939**	**218,266**	**224,109**
12 *Claims on United States*	*6,408*	*7,595*	*11,049*	*10,107*	*8,473*	r*9,219*	*14,168*	r*11,328*	*12,471*	*15,702*
13 Parent bank	3,628	4,264	7,692	6,580	4,906	r5,628	10,535	7,688	8,840	11,967
14 Other	2,780	3,332	3,357	3,527	3,567	3,591	3,633	r3,640	3,631	3,735
15 *Claims on foreigners*	*123,496*	*156,896*	*178,896*	*188,590*	*185,425*	r*187,041*	*193,457*	r*194,882*	*200,788*	*203,347*
16 Other branches of parent bank	28,478	37,909	44,256	43,544	43,447	46,326	50,880	52,887	r55,080	55,288
17 Banks	55,319	66,331	70,786	74,842	71,592	r69,560	71,892	r72,644	r76,335	78,381
18 Public borrowers[1]	4,864	9,022	12,632	19,674	20,291	r20,255	20,505	r20,301	19,367	19,853
19 Nonbank foreigners	34,835	43,634	51,222	50,530	50,095	r50,900	50,180	r49,050	50,006	49,825
20 Other assets	2,997	3,204	3,820	4,095	4,307	r4,519	4,438	r4,729	5,007	5,060
	United Kingdom									
21 **Total, all currencies**	**74,883**	**81,466**	**90,933**	**93,538**	**92,989**	r**93,333**	**99,084**	**101,887**	**102,032**	**106,605**
22 *Claims on United States*	*2,392*	*3,354*	*4,341*	*3,142*	*2,615*	r*2,624*	*2,940*	*3,119*	*3,706*	*5,370*
23 Parent bank	1,449	2,376	3,518	2,279	1,515	r1,595	2,014	2,230	2,779	4,448
24 Other	943	978	823	863	1,100	1,029	926	889	927	922
25 *Claims on foreigners*	*70,331*	*75,859*	*84,016*	*87,808*	*87,479*	r*87,772*	*93,364*	*95,774*	*95,220*	*98,149*
26 Other branches of parent bank	17,557	19,753	22,017	19,944	20,438	21,661	24,691	26,422	26,190	27,830
27 Banks	35,904	38,089	39,899	43,044	42,462	40,350	42,677	44,020	44,174	45,013
28 Public borrowers[1]	881	1,274	2,206	4,559	4,637	4,583	4,549	r4,692	4,237	4,522
29 Nonbank foreigners	15,990	16,743	19,895	20,261	19,942	r21,178	21,447	r20,640	20,619	20,784
30 Other assets	2,159	2,253	2,576	2,588	2,895	r2,937	2,780	2,994	3,106	3,086
31 **Total payable in U.S. dollars**	**57,361**	**61,587**	**66,635**	**67,016**	**65,452**	r**64,449**	**70,008**	**70,209**	**71,761**	**75,860**
32 *Claims on United States*	*2,273*	*3,275*	*4,100*	*2,870*	*2,321*	r*2,335*	*2,598*	*2,877*	*3,475*	*5,113*
33 Parent bank	1,445	2,374	3,431	2,178	1,386	r1,481	1,895	2,187	2,727	4,386
34 Other	828	902	669	692	935	854	703	690	748	727
35 *Claims on foreigners*	*54,121*	*57,488*	*61,408*	*63,043*	*61,938*	r*60,910*	*66,242*	*66,132*	*67,031*	*69,416*
36 Other branches of parent bank	15,645	17,249	18,947	17,025	17,438	18,305	20,934	21,377	21,585	22,838
37 Banks	28,224	28,983	28,530	30,686	29,455	27,268	29,859	29,680	30,386	31,482
38 Public borrowers[1]	648	846	1,669	3,525	3,660	3,544	3,471	r3,595	3,227	3,317
39 Nonbank foreigners	9,604	10,410	12,263	11,807	11,385	r11,793	11,978	r11,480	11,833	11,779
40 Other assets	967	824	1,126	1,103	1,193	r1,204	1,168	1,200	1,255	1,331
	Bahamas and Caymans									
41 **Total, all currencies**	**45,203**	**66,774**	**79,052**	**84,692**	**82,145**	**85,654**	**88,755**	r**86,291**	**89,560**	**90,885**
42 *Claims on United States*	*3,229*	*3,508*	*5,782*	*6,441*	*5,132*	*5,620*	*10,053*	r*7,247*	*7,461*	*8,982*
43 Parent bank	1,477	1,141	3,051	3,449	2,381	2,751	7,090	4,255	4,399	5,771
44 Other	1,752	2,367	2,731	2,992	2,751	2,869	2,963	r2,992	3,062	3,211
45 *Claims on foreigners*	*41,040*	*62,048*	*71,671*	*76,282*	*74,988*	*77,949*	*76,651*	r*76,868*	*79,890*	*79,579*
46 Other branches of parent bank	5,411	8,144	11,120	10,803	10,292	12,134	12,348	12,618	13,433	12,776
47 Banks	16,298	25,354	27,939	30,307	29,302	29,749	29,472	r30,317	33,025	33,646
48 Public borrowers[1]	3,576	7,105	9,109	12,394	12,599	12,461	12,362	r12,094	11,534	11,505
49 Nonbank foreigners	15,756	21,445	23,503	22,778	22,795	23,605	22,469	21,839	21,898	21,652
50 Other assets	933	1,217	1,599	1,969	2,025	2,085	2,051	r2,176	2,209	2,324
51 **Total payable in U.S. dollars**	**41,887**	**62,705**	**73,987**	**79,277**	**76,494**	**79,701**	**83,007**	r**80,223**	**83,568**	**84,586**

For notes see opposite page.

3.13 Continued

Liability account	1975	1976	1977	1978[2] June	July	Aug.	Sept.	Oct.	Nov.	Dec.[p]
	All foreign countries									
52 **Total, all currencies**	**176,493**	**219,420**	**258,897**	**271,696**	**269,542**	**r274,929**	**287,369**	**r292,305**	**295,984**	**305,590**
53 *To United States*	*20,221*	*32,719*	*44,154*	*50,534*	*51,583*	*r52,441*	*49,325*	*r51,506*	*57,030*	*58,478*
54 Parent bank	12,165	19,773	24,542	25,199	27,722	28,923	24,590	27,619	31,788	29,841
55 Other banks in United States	8,057	12,946	19,613	10,371	8,608	7,659	10,064	r8,362	9,089	12,670
56 Nonbanks				14,964	15,253	r15,859	14,671	15,525	16,153	15,967
57 *To foreigners*	*149,815*	*179,954*	*206,579*	*213,670*	*209,810*	*r213,974*	*228,733*	*r231,152*	*229,230*	*236,959*
58 Other branches of parent bank	34,111	44,370	53,244	53,547	53,788	56,955	61,599	65,104	65,762	68,064
59 Banks	72,259	83,880	94,140	93,413	r88,561	89,234	97,629	r95,956	94,098	97,787
60 Official institutions	22,773	25,829	28,110	r31,420	r31,640	r31,461	r33,086	r32,246	31,222	30,581
61 Nonbank foreigners	20,672	25,877	31,085	r35,290	r35,821	r36,324	r36,419	r37,846	38,148	40,527
62 Other liabilities	6,456	6,747	8,163	7,492	8,149	r8,514	9,311	r9,647	9,724	10,153
63 **Total payable in U.S. dollars**	**135,907**	**173,071**	**198,572**	**207,117**	**202,407**	**r204,938**	**215,496**	**r215,518**	**222,887**	**229,978**
64 *To United States*	*19,503*	*31,932*	*42,881*	*48,820*	*49,668*	*r50,325*	*47,171*	*r49,273*	*55,079*	*56,344*
65 Parent bank	11,939	19,559	24,213	24,477	26,951	28,031	23,640	r26,684	30,959	28,815
66 Other banks in United States	7,564	12,373	18,669	10,078	8,286	7,286	9,724	r8,008	8,818	12,416
67 Nonbanks				14,265	14,431	r15,008	13,807	14,581	15,302	15,113
68 *To foreigners*	*112,879*	*137,612*	*151,363*	*154,513*	*148,630*	*r150,478*	*163,626*	*r161,542*	*162,832*	*168,406*
69 Other branches of parent bank	28,217	37,098	43,268	42,682	42,852	45,620	49,978	52,052	53,370	53,950
70 Banks	51,583	60,619	64,872	62,434	r56,405	55,285	63,271	r58,912	58,835	63,072
71 Official institutions	19,982	22,878	23,972	r26,593	r26,717	r26,184	r27,367	r26,341	25,451	25,049
72 Nonbank foreigners	13,097	17,017	19,251	r22,804	r22,656	r23,389	r23,010	r24,237	25,176	26,335
73 Other liabilities	3,526	3,527	4,328	3,784	4,109	r4,135	4,699	r4,703	4,976	5,228
	United Kingdom									
74 **Total, all currencies**	**74,883**	**81,466**	**90,933**	**93,538**	**92,989**	**r93,333**	**99,084**	**101,887**	**102,032**	**106,605**
75 *To United States*	*5,646*	*5,997*	*7,753*	*8,174*	*8,011*	*6,978*	*8,033*	*8,347*	*9,053*	*10,235*
76 Parent bank	2,122	1,198	1,451	1,822	1,959	1,905	1,872	2,176	2,367	2,669
77 Other banks in United States	3,523	4,798	6,302	3,273	2,987	2,290	3,150	2,949	3,234	4,395
78 Nonbanks				3,079	3,065	2,783	3,011	3,222	3,452	3,171
79 *To foreigners*	*67,240*	*73,228*	*80,736*	*82,703*	*81,847*	*82,991*	*87,678*	*r89,979*	*89,347*	*92,709*
80 Other branches of parent bank	6,494	7,092	9,376	9,700	10,098	11,708	12,006	12,269	13,153	12,928
81 Banks	32,964	36,259	37,893	36,856	34,859	35,293	37,677	r39,277	38,167	40,704
82 Official institutions	16,553	17,273	18,318	20,074	20,666	19,863	21,493	21,193	20,182	20,181
83 Nonbank foreigners	11,229	12,605	15,149	16,073	16,224	16,127	16,502	r17,240	17,845	18,896
84 Other liabilities	1,997	2,241	2,445	2,661	3,131	r3,364	3,373	3,561	3,632	3,661
85 **Total payable in U.S. dollars**	**57,820**	**63,174**	**67,573**	**67,936**	**65,671**	**r64,918**	**70,227**	**71,158**	**72,812**	**77,030**
86 *To United States*	*5,415*	*5,849*	*7,480*	*7,852*	*7,652*	*6,606*	*7,650*	*7,985*	*8,666*	*9,833*
87 Parent bank	2,083	1,182	1,416	1,794	1,926	1,852	1,805	2,116	2,321	2,618
88 Other banks in United States	3,332	4,667	6,064	3,176	2,904	2,209	3,092	2,902	3,178	4,307
89 Nonbanks				2,882	2,822	2,545	2,753	2,967	3,167	2,908
90 *To foreigners*	*51,447*	*56,372*	*58,977*	*58,856*	*56,636*	*57,015*	*61,231*	*r61,802*	*62,631*	*65,711*
91 Other branches of parent bank	5,442	5,874	7,505	7,259	7,696	9,163	9,317	9,301	10,302	9,764
92 Banks	23,330	25,527	25,608	23,472	r20,659	20,601	22,936	r23,260	23,044	26,062
93 Official institutions	14,498	15,423	15,482	16,866	r17,265	16,113	17,659	17,106	16,317	16,309
94 Nonbank foreigners	8,176	9,547	10,382	11,259	11,016	11,138	11,319	r12,135	12,968	13,576
95 Other liabilities	959	953	1,116	1,228	1,383	r1,297	1,346	r1,371	1,515	1,486
	Bahamas and Caymans									
96 **Total, all currencies**	**45,203**	**66,774**	**79,052**	**84,692**	**82,145**	**85,654**	**88,755**	**r86,291**	**89,560**	**90,885**
97 *To United States*	*11,147*	*22,721*	*32,176*	*35,185*	*37,041*	*39,532*	*34,378*	*r35,676*	*40,557*	*39,048*
98 Parent bank	7,628	16,161	20,956	19,078	21,755	23,187	18,410	20,179	24,008	20,804
99 Other banks in United States	3,520	6,560	11,220	5,514	4,587	4,509	5,511	r4,415	4,857	6,401
100 Nonbanks				10,593	10,699	11,836	10,457	11,082	11,692	11,843
101 *To foreigners*	*32,949*	*42,899*	*45,292*	*48,088*	*43,649*	*44,597*	*52,574*	*48,955*	*47,321*	*50,017*
102 Other branches of parent bank	10,569	13,801	12,816	11,657	11,165	11,436	14,762	15,635	14,715	16,115
103 Banks	16,825	21,760	24,717	25,752	21,951	21,884	27,372	22,471	22,002	22,861
104 Official institutions	3,308	3,573	3,000	r4,589	r4,227	r4,604	r4,477	r4,449	4,349	4,139
105 Nonbank foreigners	2,248	3,765	4,759	r6,090	r6,306	r6,673	r5,963	r6,400	6,255	6,902
106 Other liabilities	1,106	1,154	1,584	1,419	1,455	1,525	1,803	r1,660	1,682	1,820
107 **Total payable in U.S. dollars**	**42,197**	**63,417**	**74,463**	**80,650**	**78,131**	**81,314**	**84,317**	**r81,324**	**84,878**	**86,182**

[1] In May 1978 a broader category of claims on foreign public borrowers, including corporations that are majority owned by foreign governments, replaced the previous, more narrowly defined claims on foreign official institutions.

[2] In May 1978 the exemption level for branches required to report was increased, which reduced the number of reporting branches.

3.14 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1975	1976	1977	1978						1979
				July[r]	Aug.[r]	Sept.[r]	Oct.[r]	Nov.	Dec.[p]	Jan.[p]
	A. By type									
1 **Total**[1]	**82,572**	**95,634**	**131,097**	**144,222**	**146,168**	**145,293**	**152,463**	**156,261**	**162,174**	**162,536**
2 Liabilities reported by banks in the United States[2]	16,262	17,231	18,003	19,516	20,120	19,822	22,300	21,695	22,957	22,513
3 U.S. Treasury bills and certificates[3]	34,199	37,725	47,820	56,842	56,299	55,014	57,967	62,635	67,650	68,421
U.S. Treasury bonds and notes:										
4 Marketable	6,671	11,788	32,164	34,162	34,873	35,577	36,153	36,222	35,877	35,987
5 Nonmarketable[4]	19,976	20,648	20,443	19,214	20,375	20,304	21,426	20,993	20,970	20,952
6 U.S. securities other than U.S. Treasury securities[5]	5,464	8,242	12,667	14,488	14,501	14,576	14,617	14,716	14,720	14,663
	B. By area									
7 **Total**	**82,572**	**95,634**	**131,097**	**144,222**	**146,168**	**145,293**	**152,463**	**156,261**	**162,174**	**162,536**
8 Western Europe[1]	45,701	45,882	70,748	75,740	79,724	80,268	85,294	88,389	92,891	94,311
9 Canada	3,132	3,406	2,334	2,490	2,071	1,497	2,619	2,446	2,486	2,150
10 Latin America and Caribbean	4,461	4,926	4,649	4,631	4,621	3,899	4,611	4,495	4,990	4,285
11 Asia	24,411	37,767	50,693	58,156	56,923	56,883	57,016	57,835	58,618	58,966
12 Africa	2,983	1,893	1,742	2,220	2,036	2,006	2,184	2,301	2,443	2,299
13 Other countries[6]	1,884	1,760	931	985	793	740	739	795	746	525

[1] Includes the Bank for International Settlements.

[2] Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.

[3] Includes nonmarketable certificates of indebtedness (including those payable in foreign currencies through 1974) and Treasury bills issued to official institutions of foreign countries.

[4] Excludes notes issued to foreign official nonreserve agencies. Includes bonds and notes payable in foreign currencies.

[5] Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.

[6] Includes countries in Oceania and Eastern Europe.

NOTE. Based on Treasury Department data and on data reported to the Treasury Department by banks (including Federal Reserve Banks) and securities dealers in the United States.

For a description of the changes in the International Statistics tables, see July 1978 BULLETIN, p. 612.

3.15 LIABILITIES TO FOREIGNERS Reported by Banks in the United States
Payable in U.S. dollars
Millions of dollars, end of period

Item	1975	1976	1977	1978 July[r]	1978 Aug.[r]	1978 Sept.[r]	1978 Oct.	1978 Nov.	1978 Dec.[p]	1979 Jan.[p]
	A. By holder and type of liability									
1 **All foreigners**	**95,590**	**110,657**	**126,168**	**137,291**	**140,535**	**144,116**	**150,584**	**158,421**	**166,318**	**163,808**
2 Banks' own liabilities	.....	.....	.....	61,424	63,931	68,593	71,102	75,166	77,849	74,104
3 Demand deposits	13,564	16,803	18,996	17,953	16,104	17,204	17,557	18,264	19,203	17,780
4 Time deposits[1]	10,267	11,347	11,521	11,921	12,634	12,154	12,279	12,514	12,295	12,165
5 Other[2]	.....	.....	.....	6,872	7,234	6,697	9,756	8,645	9,766	8,994
6 Own foreign offices[3]	.....	.....	.....	24,679	27,960	32,538	31,511	35,744	36,585	35,165
7 Banks' custody liabilities[4]	.....	.....	.....	75,867	76,604	75,523	79,482	83,255	88,469	89,704
8 U.S. Treasury bills and certificates[5]	37,414	40,744	48,906	57,629	57,264	56,665	59,077	63,434	68,434	69,192
9 Other negotiable and readily transferable instruments[6]	.....	.....	.....	15,964	17,198	16,492	17,619	17,424	17,501	18,105
10 Other	.....	.....	.....	2,274	2,142	2,366	2,786	2,397	2,535	2,407
11 **Nonmonetary international and regional organizations[7]**	**5,699**	**5,714**	**3,274**	**2,678**	**2,823**	**3,406**	**2,929**	**2,225**	**2,617**	**2,292**
12 Banks' own liabilities	.....	.....	.....	1,017	808	767	336	417	916	762
13 Demand deposits	139	290	231	257	142	144	133	153	330	333
14 Time deposits[1]	148	205	139	116	97	99	116	102	94	88
15 Other[2]	.....	.....	.....	644	569	523	87	161	492	340
16 Banks' custody liabilities[4]	.....	.....	.....	1,662	2,014	2,639	2,593	1,809	1,701	1,530
17 U.S. Treasury bills and certificates	2,554	2,701	706	228	368	1,036	403	183	201	183
18 Other negotiable and readily transferable instruments[6]	.....	.....	.....	1,432	1,645	1,603	2,189	1,625	1,499	1,342
19 Other	.....	.....	.....	1	1	1	1	1	1	5
20 **Official institutions[8]**	**50,461**	**54,956**	**65,822**	**76,357**	**76,419**	**74,836**	**80,267**	**84,329**	**90,606**	**90,935**
21 Banks' own liabilities	.....	.....	.....	9,422	9,085	9,455	11,474	10,820	11,681	10,487
22 Demand deposits	2,644	3,394	3,528	3,473	2,643	3,307	3,046	3,414	3,388	2,701
23 Time deposits[1]	3,423	2,321	1,797	2,277	2,595	2,563	2,399	2,345	2,329	2,289
24 Other[2]	.....	.....	.....	3,673	3,848	3,585	6,030	5,060	5,963	5,498
25 Banks' custody liabilities[4]	.....	.....	.....	66,935	67,334	65,381	68,793	73,510	78,925	80,448
26 U.S. Treasury bills and certificates[5]	34,199	37,725	47,820	56,842	56,299	55,014	57,967	62,635	67,650	68,421
27 Other negotiable and readily transferable instruments[6]	.....	.....	.....	9,962	10,831	10,122	10,616	10,768	11,105	11,838
28 Other	.....	.....	.....	132	205	245	210	107	170	189
29 **Banks[9]**	**29,330**	**37,174**	**42,335**	**42,916**	**45,532**	**50,515**	**51,379**	**55,273**	**57,039**	**54,514**
30 Banks' own liabilities	.....	.....	.....	38,354	41,028	45,744	46,425	50,440	52,219	49,771
31 Unaffiliated foreign banks	.....	.....	.....	13,675	13,068	13,206	14,914	14,696	15,634	14,606
32 Demand deposits	7,534	9,104	10,933	10,240	9,229	9,713	10,156	10,068	11,239	10,382
33 Time deposits[1]	1,873	2,297	2,040	1,321	1,390	1,269	1,552	1,735	1,491	1,493
34 Other[2]	.....	.....	.....	2,114	2,449	2,223	3,206	2,893	2,904	2,731
35 Own foreign offices[3]	.....	.....	.....	24,679	27,960	32,538	31,511	35,744	36,585	35,165
36 Banks' custody liabilities[4]	.....	.....	.....	4,562	4,504	4,771	4,955	4,834	4,819	4,743
37 U.S. Treasury bills and certificates	335	119	141	269	296	307	381	371	300	302
38 Other negotiable and readily transferable instruments[6]	.....	.....	.....	2,418	2,382	2,536	2,447	2,561	2,417	2,422
39 Other	.....	.....	.....	1,875	1,827	1,928	2,126	1,902	2,103	2,019
40 **Other foreigners**	**10,100**	**12,814**	**14,736**	**15,340**	**15,761**	**15,359**	**16,008**	**16,593**	**16,056**	**16,067**
41 Banks' own liabilities	.....	.....	.....	12,631	13,009	12,627	12,867	13,490	13,032	13,084
42 Demand deposits	3,248	4,015	4,304	3,983	4,090	4,039	4,222	4,628	4,246	4,364
43 Time deposits[1]	4,823	6,524	7,546	8,208	8,552	8,222	8,213	8,331	8,380	8,295
44 Other[2]	.....	.....	.....	441	368	365	432	531	406	425
45 Banks' custody liabilities[4]	.....	.....	.....	2,708	2,752	2,732	3,141	3,103	3,024	2,983
46 U.S. Treasury bills and certificates	325	198	240	290	301	308	326	245	282	285
47 Other negotiable and readily transferable instruments[6]	.....	.....	.....	2,153	2,341	2,231	2,367	2,471	2,480	2,503
48 Other	.....	.....	.....	265	110	193	448	387	262	195
49 MEMO: Negotiable time certificates of deposit held in custody for foreigners	.....	.....	.....	9,592	10,181	10,043	10,977	10,803	10,895	11,017

[1] Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
[2] Includes borrowings under repurchase agreements.
[3] U.S. banks: includes amounts due to own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. Agencies, branches, and majority-owned subsidiaries of foreign banks: principally amounts due to head office or parent foreign bank, and foreign branches, agencies or wholly-owned subsidiaries of head office or parent foreign bank.
[4] Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks.
[5] Includes nonmarketable certificates of indebtedness (including those payable in foreign currencies through 1974) and Treasury bills issued to official institutions of foreign countries.
[6] Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
[7] Principally the International Bank for Reconstruction and Development, and the Inter-American and Asian Development Banks.
[8] Foreign central banks and foreign central governments and the Bank for International Settlements.
[9] Excludes central banks, which are included in "Official institutions."

NOTE. Data for time deposits prior to April 1978 represent short-term only.

For a description of the changes in the International Statistics tables, see July 1978 BULLETIN, p. 612.

3.15 Continued

Item	1975	1976	1977	1978 July	1978 Aug.	1978 Sept.	1978 Oct.	1978 Nov.	1978 Dec.p	1979 Jan.p
	B. By area and country									
1 **Total**	**95,590**	**110,657**	**126,168**	r137,291	r140,535	r144,116	**150,584**	**158,421**	**166,318**	**163,808**
2 **Foreign countries**	**89,891**	**104,943**	**122,893**	r134,613	r137,712	r140,710	**147,655**	**156,196**	**163,701**	**161,516**
3 *Europe*	*44,072*	*47,076*	*60,295*	r64,658	r67,340	r69,157	*73,408*	*78,418*	*85,005*	*83,960*
4 Austria	759	346	318	372	424	431	473	514	506	555
5 Belgium-Luxembourg	2,893	2,187	2,531	2,277	2,174	2,368	2,464	2,471	2,557	2,465
6 Denmark	329	356	770	1,542	1,593	1,673	1,734	1,827	1,946	2,036
7 Finland	391	416	323	407	416	415	424	388	346	381
8 France	7,726	4,876	5,269	7,353	7,989	8,060	8,421	8,817	8,631	8,386
9 Germany	4,543	6,241	7,239	9,727	10,766	11,206	13,345	15,652	17,448	15,800
10 Greece	284	403	603	646	826	865	887	907	826	653
11 Italy	1,059	3,182	6,857	7,036	8,055	7,394	7,346	7,761	7,674	8,724
12 Netherlands	3,407	3,003	2,869	3,078	3,240	2,756	2,523	2,518	2,402	2,536
13 Norway	994	782	944	1,737	1,516	1,208	1,210	1,102	1,271	1,411
14 Portugal	193	239	273	227	324	521	386	379	330	255
15 Spain	423	559	619	709	752	765	702	885	778	759
16 Sweden	2,277	1,692	2,712	3,340	3,355	3,341	3,187	3,216	3,131	2,955
17 Switzerland	8,476	9,460	12,343	r11,883	r11,987	12,997	14,314	15,810	18,974	20,189
18 Turkey	118	166	130	147	137	226	164	163	156	141
19 United Kingdom	6,867	10,018	14,125	11,770	10,956	r11,807	12,438	12,826	14,211	13,120
20 Yugoslavia	126	189	232	192	149	167	158	190	254	174
21 Other Western Europe[1]	2,970	2,673	1,804	r1,941	r2,427	r2,631	2,887	2,719	3,156	3,119
22 U.S.S.R.	40	51	98	r50	46	65	82	73	82	150
23 Other Eastern Europe[2]	197	236	236	222	210	262	262	198	325	152
24 *Canada*	*2,919*	*4,659*	*4,607*	*5,623*	*5,890*	r5,101	*7,418*	*8,001*	*6,911*	*6,522*
25 *Latin America and Caribbean*	*15,028*	*19,132*	*23,670*	r24,833	r27,261	r29,216	*28,470*	*31,111*	*31,432*	*30,856*
26 Argentina	1,146	1,534	1,416	1,550	1,453	1,393	1,650	1,504	1,498	1,696
27 Bahamas	1,874	2,770	3,596	3,629	4,601	r7,251	4,880	6,309	6,615	7,308
28 Bermuda	184	218	321	383	372	409	387	425	428	386
29 Brazil	1,219	1,438	1,396	1,295	1,382	r1,275	1,441	1,234	1,130	1,102
30 British West Indies	1,311	1,877	3,998	4,009	5,474	5,380	5,919	6,692	5,974	5,670
31 Chile	319	337	360	380	346	351	333	341	399	376
32 Colombia	417	1,021	1,221	1,429	1,486	1,431	1,483	1,612	1,756	1,765
33 Cuba	6	6	6	9	10	7	7	7	13	7
34 Ecuador	120	320	330	378	347	405	369	348	322	321
35 Guatemala[3]	.....	.....	.....	415	419	347	368	357	416	352
36 Jamaica[3]	.....	.....	.....	75	59	78	57	43	52	72
37 Mexico	2,070	2,870	2,876	2,921	3,171	3,112	3,101	3,413	3,359	3,167
38 Netherlands Antilles[4]	129	158	196	435	288	317	352	368	308	377
39 Panama	1,115	1,167	2,331	2,639	2,628	2,741	2,396	2,808	2,992	2,826
40 Peru	243	257	287	309	311	321	323	337	363	321
41 Uruguay	172	245	243	218	185	197	210	211	233	223
42 Venezuela	3,309	3,118	2,929	r3,231	r3,210	r2,562	3,696	3,550	3,809	3,337
43 Other Latin America and Caribbean	1,393	1,797	2,167	1,530	1,517	r1,639	1,496	1,553	1,763	1,551
44 *Asia*	*22,384*	*29,766*	*30,488*	*35,171*	*33,463*	r33,501	*34,630*	*34,843*	*36,390*	*36,624*
45 China (Mainland)	123	48	53	47	44	46	49	57	67	65
46 China (Taiwan)	1,025	990	1,013	1,195	1,262	1,280	1,319	1,247	498	545
47 Hong Kong	605	894	1,094	1,191	1,211	r1,250	1,368	1,189	1,256	1,398
48 India	115	638	961	798	762	833	899	843	790	803
49 Indonesia	369	340	410	597	309	348	575	439	447	575
50 Israel	387	392	559	519	440	432	453	469	674	668
51 Japan	10,207	14,363	14,616	20,374	19,755	r19,933	19,937	21,355	21,956	21,407
52 Korea	390	438	602	714	736	776	790	750	795	772
53 Philippines	700	628	687	640	566	623	594	578	639	612
54 Thailand	252	277	264	320	296	290	352	279	427	379
55 Middle East oil-exporting countries[5]	7,355	9,360	8,979	7,267	6,719	6,350	6,911	6,381	7,416	8,121
56 Other Asia	856	1,398	1,250	1,510	1,364	1,341	1,384	1,256	1,426	1,279
57 *Africa*	*3,369*	*2,298*	*2,535*	*3,013*	*2,578*	*2,645*	*2,540*	*2,636*	*2,886*	*2,695*
58 Egypt	342	333	404	594	463	417	322	312	403	337
59 Morocco	68	87	66	28	67	74	84	30	32	29
60 South Africa	166	141	174	175	160	238	266	294	168	180
61 Zaire	62	36	39	73	52	45	39	43	43	48
62 Oil-exporting countries[6]	2,240	1,116	1,155	1,365	1,198	1,270	1,230	1,335	1,525	1,379
63 Other Africa	491	585	698	778	638	601	600	622	715	721
64 *Other countries*	*2,119*	*2,012*	*1,297*	*1,315*	*1,180*	*1,090*	*1,189*	*1,187*	*1,077*	*859*
65 Australia	2,006	1,905	1,140	1,158	1,051	899	975	950	838	655
66 All other	113	107	158	157	130	191	213	236	239	204
67 **Nonmonetary international and regional organizations**	**5,699**	**5,714**	**3,274**	**2,678**	**2,823**	**3,406**	**2,929**	**2,225**	**2,617**	**2,292**
68 International	5,415	5,157	2,752	2,027	2,157	2,339	1,789	1,033	1,485	1,210
69 Latin American regional	188	267	278	411	437	799	856	870	808	804
70 Other regional[7]	96	290	245	241	228	269	284	323	324	279

[1] Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.
[2] Beginning April 1978 comprises Bulgaria, Czechoslovakia, German Democratic Republic, Hungary, Poland, and Romania.
[3] Included in "Other Latin America and Caribbean" through March 1978.
[4] Includes Surinam through December 1975.
[5] Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
[6] Comprises Algeria, Gabon, Libya, and Nigeria.
[7] Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Western Europe."

NOTE. For a description of the changes in the International Statistics tables, see July 1978 BULLETIN, p. 612.

3.16 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in U.S. Dollars

Millions of dollars, end of period

Area and country	1975	1976	1977	1978						1979
				July[r]	Aug.[r]	Sept.	Oct.	Nov.	Dec.[p]	Jan.[p]
1 **Total**	**58,308**	**79,301**	**90,206**	**88,388**	**92,269**	**[r]94,620**	**96,820**	**105,337**	**114,216**	**105,791**
2 **Foreign countries**	**58,275**	**79,261**	**90,163**	**88,353**	**92,231**	**[r]94,581**	**96,779**	**105,291**	**114,160**	**105,751**
3 *Europe*	*11,109*	*14,776*	*18,114*	*16,567*	*17,172*	*[r]18,390*	*19,327*	*20,504*	*24,128*	*20,727*
4 Austria	35	63	65	110	107	95	111	142	147	147
5 Belgium-Luxembourg	286	482	561	780	847	[r]964	1,052	1,232	1,192	1,504
6 Denmark	104	133	173	129	146	147	160	193	244	172
7 Finland	180	199	172	187	216	221	232	260	305	281
8 France	1,565	1,549	2,082	2,226	2,573	[r]2,831	2,752	2,716	3,737	2,627
9 Germany	380	509	644	706	645	742	808	838	898	840
10 Greece	290	279	206	190	125	126	161	134	164	162
11 Italy	443	993	1,334	1,093	1,037	1,016	1,355	1,453	1,504	1,411
12 Netherlands	305	315	338	436	403	379	494	602	680	683
13 Norway	131	136	162	208	163	263	238	282	299	251
14 Portugal	30	88	175	132	105	99	106	180	171	169
15 Spain	424	745	722	684	676	[r]735	929	980	1,099	905
16 Sweden	198	206	218	244	290	325	348	465	537	445
17 Switzerland	199	379	564	771	1,013	871	781	1,045	1,282	1,050
18 Turkey	164	249	360	313	305	305	293	283	273	181
19 United Kingdom	5,170	7,033	8,964	7,015	7,206	[r]7,890	8,065	8,356	10,118	8,426
20 Yugoslavia	210	234	311	301	281	[r]307	293	302	363	393
21 Other Western Europe[1]	76	85	86	165	125	128	147	107	122	135
22 U.S.S.R.	406	485	413	313	343	370	387	321	364	327
23 Other Eastern Europe[2]	513	613	566	566	564	575	617	612	629	620
24 *Canada*	*2,834*	*3,319*	*3,355*	*3,136*	*3,349*	*[r]3,451*	*3,586*	*4,552*	*5,141*	*4,956*
25 *Latin America and Caribbean*	*23,863*	*38,879*	*45,850*	*47,047*	*49,216*	*[r]49,482*	*49,267*	*54,341*	*56,286*	*52,784*
26 Argentina	1,377	1,192	1,478	1,572	1,566	1,690	1,447	1,698	2,258	2,134
27 Bahamas	7,583	15,464	19,858	19,541	21,825	[r]19,110	19,208	23,541	21,115	20,890
28 Bermuda	104	150	232	145	194	141	352	141	189	185
29 Brazil	3,385	4,901	4,629	4,612	4,838	5,252	5,596	6,137	6,148	6,249
30 British West Indies	1,464	5,082	6,481	6,994	7,019	8,397	7,170	6,432	9,215	5,285
31 Chile	494	597	675	745	809	742	832	862	962	1,012
32 Colombia	751	675	671	649	687	727	793	936	990	1,051
33 Cuba	14	13	10	1	1	1	*	4	*	3
34 Ecuador	252	375	517	546	560	646	621	680	697	675
35 Guatemala[3]	.....	.....	.....	83	86	79	85	89	94	87
36 Jamaica[3]	.....	.....	.....	49	44	46	45	49	40	37
37 Mexico	3,745	4,822	4,909	5,099	5,016	[r]5,010	4,927	5,255	5,357	5,453
38 Netherlands Antilles[4]	72	140	224	206	198	230	212	242	269	259
39 Panama	1,138	1,372	1,410	2,281	1,631	2,280	2,480	2,531	3,061	3,655
40 Peru	805	933	962	919	930	[r]967	945	931	887	873
41 Uruguay	57	42	80	52	56	51	63	58	47	50
42 Venezuela	1,319	1,828	2,318	2,338	2,513	[r]2,746	3,105	3,367	3,468	3,323
43 Other Latin America and Caribbean	1,302	1,293	1,394	1,214	1,245	1,367	1,386	1,388	1,487	1,564
44 *Asia*	*17,706*	*19,204*	*19,236*	*18,468*	*19,256*	*[r]20,037*	*21,358*	*22,691*	*25,417*	*24,223*
45 China (Mainland)	22	3	10	5	31	8	10	6	35	21
46 China (Taiwan)	1,053	1,344	1,719	1,183	1,177	1,241	1,285	1,356	1,421	1,405
47 Hong Kong	289	316	543	698	790	[r]903	1,368	1,385	1,572	1,620
48 India	57	69	53	46	73	76	66	46	54	61
49 Indonesia	246	218	232	139	125	152	144	188	143	138
50 Israel	721	755	584	445	504	544	555	719	871	996
51 Japan	10,944	11,040	9,839	9,790	9,853	[r]10,260	10,568	11,997	12,699	12,563
52 Korea	1,791	1,978	2,336	1,936	1,925	[r]1,933	1,788	1,741	2,238	2,236
53 Philippines	534	719	594	638	728	730	732	717	678	605
54 Thailand	520	442	633	723	685	633	734	758	753	751
55 Middle East oil-exporting countries[5]	744	1,459	1,746	1,650	2,099	[r]2,200	2,097	2,188	3,119	2,332
56 Other Asia	785	863	947	1,216	1,265	[r]1,357	2,012	1,592	1,833	1,497
57 *Africa*	*1,933*	*2,311*	*2,518*	*2,136*	*2,264*	*2,158*	*2,219*	*2,163*	*2,216*	*2,145*
58 Egypt	123	126	119	79	62	67	56	68	107	82
59 Morocco	8	27	43	38	42	38	40	36	82	97
60 South Africa	657	957	1,066	1,036	1,058	1,022	990	906	860	838
61 Zaire	181	112	98	79	79	82	161	162	162	156
62 Oil-exporting countries[6]	382	524	510	341	458	406	438	439	449	444
63 Other	581	565	682	563	565	544	534	551	556	527
64 *Other countries*	*830*	*772*	*1,090*	*999*	*974*	*1,063*	*1,023*	*1,041*	*972*	*914*
65 Australia	700	597	905	833	829	894	879	894	870	799
66 All other	130	175	186	167	145	168	145	147	102	115
67 **Nonmonetary international and regional organizations**[7]	**33**	**40**	**43**	**36**	**38**	**39**	**41**	**45**	**56**	**40**

[1] Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.

[2] Beginning April 1978 comprises Bulgaria, Czechoslovakia, German Democratic Republic, Hungary, Poland, and Romania.

[3] Included in "Other Latin America and Caribbean" through March 1978.

[4] Includes Surinam through December 1975.

[5] Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

[6] Comprises Algeria, Gabon, Libya, and Nigeria.

[7] Excludes the Bank for International Settlements, which is included in "Other Western Europe."

NOTE. Data for period prior to April 1978 include claims of banks' domestic customers on foreigners. For a description of the changes in the International Statistics tables, see July 1978 BULLETIN, p. 612.

3.17 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States

Payable in U.S. Dollars

Millions of dollars, end of period

Type of claim	1975	1976	1977	1978						1979
				July[r]	Aug.[r]	Sept.[r]	Oct.	Nov.	Dec.[p]	Jan.[p]
1 **Total**	**58,308**	**79,301**	**90,206**	.....	.....	**103,736**	.....	.....	**125,226**	.....
2 Banks' own claims on foreigners	.....	.....	.....	88.388	92,269	94.620	96,820	105.337	114.216	105.791
3 Foreign public borrowers	.....	.....	.....	7.157	7.591	8,006	8,051	9,197	10.048	10.234
4 Own foreign offices[1]	.....	.....	.....	34.682	37,537	35.001	36,357	40,412	40.892	38.335
5 Unaffiliated foreign banks	.....	.....	.....	27,506	27.500	31.448	31.080	33.461	40.009	34.530
6 Deposits	.....	.....	.....	4,660	4.595	4.688	3.965	4,370	5.714	4,695
7 Other	.....	.....	.....	22.846	22.905	26,760	27,115	29.090	34.295	29.835
8 All other foreigners	.....	.....	.....	19.045	19.641	20.165	21.332	22.267	23.267	22.692
9 Claims of banks' domestic customers[2]	.....	.....	.....	.....	.....	9,116	.....	.....	11.009	.....
10 Deposits	.....	.....	.....	.....	.....	500	.....	.....	972	.....
11 Negotiable and readily transferable instruments[3]	.....	.....	.....	.....	.....	3,724	.....	.....	4,762	.....
12 Outstanding collections and other claims[4]	5,467	5,756	6,176	.....	.....	4.892	.....	.....	5,275	.....
13 MEMO: Customer liability on acceptances	.....	.....	.....	.....	.....	12.747	.....	.....	14.837	.....

[1] U.S. banks: includes amounts due from own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. Agencies, branches, and majority-owned subsidiaries of foreign banks: principally amounts due from head office or parent foreign bank, and foreign branches, agencies, or wholly-owned subsidiaries of head office or parent foreign bank.

[2] Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the account of their domestic customers.

[3] Principally negotiable time certificates of deposit and bankers acceptances.

[4] Data for March 1978 and for period prior to that are outstanding collections only.

NOTE. Beginning April 1978, data for banks' own claims are given on a monthly basis, but the data for claims of banks' domestic customers are available on a quarterly basis only.

For a description of the changes in the International Statistics tables, see July 1978 BULLETIN, p. 612.

3.18 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States Payable in U.S. Dollars

Millions of dollars, end of period

Maturity; by borrower and area	1978	1979	1978			1979		
			June	Sept.[p]	Dec.[p]	Mar.	June	Sept.
1 Total	...	...	55,128	59,516	73,250	...	...	...
By borrower:								
2 Maturity of 1 year or less[1]	...	...	43,682	46,684	57,982	...	...	...
3 Foreign public borrowers	...	...	2,919	3,640	4,497	...	...	...
4 All other foreigners	...	...	40,763	43,044	53,486	...	...	...
5 Maturity of over 1 year[1]	...	...	11,445	12,832	15,268	...	...	...
6 Foreign public borrowers	...	...	3,162	3,928	5,315	...	...	...
7 All other foreigners	...	...	8,283	8,904	9,952	...	...	...
By area:								
Maturity of 1 year or less[1]								
8 Europe	...	...	9,532	10,386	14,934	...	...	...
9 Canada	...	...	1,615	1,943	2,662	...	...	...
10 Latin America and Caribbean	...	...	17,036	18,518	20,813	...	...	...
11 Asia	...	...	13,515	13,712	17,500	...	...	...
12 Africa	...	...	1,461	1,535	1,512	...	...	...
13 All other[2]	...	...	523	591	562	...	...	...
Maturity of over 1 year[1]								
14 Europe	...	...	2,979	3,104	3,163	...	...	...
15 Canada	...	...	330	793	1,426	...	...	...
16 Latin America and Caribbean	...	...	5,979	6,843	8,444	...	...	...
17 Asia	...	...	1,282	1,305	1,393	...	...	...
18 Africa	...	...	629	577	629	...	...	...
19 All other[2]	...	...	247	211	214	...	...	...

[1] Remaining time to maturity.
[2] Includes nonmonetary international and regional organizations.

NOTE. The first available data are for June 1978. For a description of the changes in the International Statistics tables, see July 1978 BULLETIN, p. 612.

3.19 LIABILITIES TO AND CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in Foreign Currencies

Millions of dollars, end of period

Item	1975	1976	1977	1978			
				Mar.	June	Sept.[p]	Dec.[p]
1 Banks' own liabilities	560	781	925	986	1,704	1,981	2,055
2 Banks' own claims[1]	1,459	1,834	2,356	2,383	3,153	3,530	3,612
3 Deposits	656	1,103	941	948	1,290	1,386	1,797
4 Other claims	802	731	1,415	1,435	1,863	2,144	1,815
5 Claims of banks' domestic customers[2]	...	...	...	...	809	446	400

[1] Includes claims of banks' domestic customers through March 1978.
[2] Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the accounts of their domestic customers.

NOTE. Data on claims exclude foreign currencies held by U.S. monetary authorities.
For a description of the changes in the International Statistics tables, see July 1978 BULLETIN, p. 612.

3.20 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Holdings and Transactions

Millions of dollars

Country or area	1977	1978	1979	1978						1979
			Jan.–	July	Aug.	Sept.	Oct.	Nov.	Dec.p	Jan.p
	Holdings (end of period) [4]									
1 **Estimated total**[1]	**38,640**	**44,933**	.....	**r41,153**	**r41,578**	**r42,217**	**r43,627**	**43,852**	**44,933**	**46,166**
2 **Foreign countries**[1]	**33,894**	**39,812**	.....	**r36,311**	**r37,124**	**r37,830**	**r38,476**	**38,474**	**39,812**	**41,297**
3 *Europe*[1]	*13,936*	*17,072*	.....	*14,226*	*14,154*	*14,689*	*15,260*	*15,654*	*17,072*	*18,360*
4 Belgium-Luxembourg	19	19	.....	19	19	19	19	19	19	19
5 Germany[1]	3,168	8,705	.....	5,531	5,761	6,157	6,645	7,102	8,705	8,864
6 Netherlands	911	1,358	.....	1,113	1,278	1,306	1,356	1,351	1,358	1,433
7 Sweden	100	285	.....	200	210	211	231	266	285	320
8 Switzerland	497	977	.....	590	636	694	731	915	977	1,818
9 United Kingdom	8,888	5,373	.....	6,403	5,862	5,909	5,915	5,674	5,373	5,489
10 Other Western Europe	349	354	.....	370	387	393	365	327	354	417
11 Eastern Europe	4	.....	.....	.....	.....	.....	.....	.....	.....	.....
12 Canada	288	152	.....	275	276	276	151	151	152	150
13 Latin America and Caribbean	551	416	.....	485	545	445	426	416	416	395
14 Venezuela	199	144	.....	174	244	144	144	144	144	144
15 Other Latin American and Caribbean	183	110	.....	149	139	139	119	109	110	88
16 Netherlands Antilles	170	162	.....	162	162	162	162	162	162	162
17 Asia	18,745	21,483	.....	r20,836	r21,652	r21,924	r21,942	21,565	21,483	21,704
18 Japan	6,860	11,528	.....	9,927	10,791	11,096	11,560	11,483	11,528	12,226
19 Africa	362	691	.....	491	491	491	691	691	691	691
20 All other	11	−3	.....	−3	7	5	6	−3	−3	−3
21 **Nonmonetary international and regional organizations**	**4,746**	**5,121**	.....	**4,842**	**4,454**	**r4,387**	**r5,151**	**5,378**	**5,121**	**4,869**
22 International	4,646	5,089	.....	4,809	4,421	4,354	5,118	5,345	5,089	4,837
23 Latin American regional	100	33	.....	33	33	33	33	33	33	33
	Transactions (net purchases, or sales (−), during period)									
24 **Total**[1]	**22,843**	**6,292**	**1,233**	**490**	**425**	**639**	**1,410**	**225**	**1,081**	**1,233**
25 **Foreign countries**[1]	**21,130**	**5,916**	**1,485**	**1,342**	**813**	**706**	**646**	**−3**	**1,338**	**1,485**
26 Official institutions	r20,377	3,712	111	1,313	710	704	577	69	−346	111
27 Other foreign[1]	r753	2,205	1,374	29	103	3	69	−72	1,683	1,374
28 **Nonmonetary international and regional organizations**	**1,713**	**375**	**−252**	**−852**	**−387**	**−67**	**764**	**227**	**−256**	**−252**
MEMO: Oil-exporting countries										
29 Middle East [2]	4,451	−1,785	−461	−85	−31	−31	−401	−241	−127	−461
30 Africa [3]	−181	329	.....	.....	.....	.....	200	−1	.....	.....

[1] Includes U.S. Treasury notes publicly issued to private foreign residents.
[2] Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
[3] Comprises Algeria, Gabon, Libya, and Nigeria.
[4] Estimated official and private holdings of marketable U.S. Treasury securities with an original maturity of more than 1 year. Data are based on a benchmark survey of holdings as of Jan. 31, 1971, and monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.

3.21 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS

Millions of dollars, end of period

Assets	1975	1976	1977	1978					1979	
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.p
1 Deposits	353	352	424	309	325	305	379	367	338	343
Assets held in custody:										
2 U.S. Treasury securities[1]	60,019	66,532	91,962	102,902	102,699	107,934	112,434	117,126	116,961	114,005
3 Earmarked gold[2]	16,745	16,414	15,988	15,572	15,553	15,548	15,525	15,463	15,448	15,432

[1] Marketable U.S. Treasury bills, certificates of indebtedness, notes, and bonds; and nonmarketable U.S. Treasury securities payable in dollars and inforeign currencies.
[2] The value of earmarked gold increased because of the changes in par value of the U.S. dollar in May 1972 and in October 1973.

NOTE. Excludes deposits and U.S. Treasury securities held for international and regional organizations. Earmarked gold is gold held for foreign and international accounts and is not included in the gold stock of the United States.

3.22 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

	Transactions, and area or country	1977	1978	1979	1978						1979
				Jan.p	July	Aug.	Sept.	Oct.	Nov.	Dec.p	Jan.p
		U.S. corporate securities									
	Stocks										
1	Foreign purchases	14,155	20,130	1,361	r1,306	r2,446	2,357	1,509	1,461	1,438	1,361
2	Foreign sales	11,479	17,723	1,301	r1,297	r2,680	2,115	1,523	1,359	1,102	1,301
3	**Net purchases, or sales (−)**	**2,676**	**2,408**	**60**	**9**	**−235**	**241**	**−14**	**103**	**336**	**60**
4	**Foreign countries**	**2,661**	**2,454**	**61**	**9**	**−235**	**244**	**−15**	**102**	**336**	**61**
5	Europe	1,006	1,271	−7	−6	−152	−33	−91	−10	264	−7
6	France	40	47	−5	−15	9	2	−4	1	−38	−5
7	Germany	291	620	−18	17	−54	24	−30	8	264	−18
8	Netherlands	22	−22	−35	9	−22	7	7	6	−9	−35
9	Switzerland	152	−585	−30	−52	−184	−115	−118	−88	−23	−30
10	United Kingdom	613	1,218	85	50	110	54	58	67	74	85
11	Canada	65	74	7	−16	−18	117	22	6	38	7
12	Latin America and Caribbean	127	151	34	−35	48	1	13	−2	16	34
13	Middle East[1]	1,390	781	−16	69	−134	120	42	109	4	−16
14	Other Asia	59	187	49	−5	34	35	−4	1	15	49
15	Africa	5	−13	−2	1	−12	5	2	−2	−1	−2
16	Other countries	8	3	−4	*	−1	−1	2	1	1	−4
17	**Nonmonetary international and regional organizations**	**15**	**−46**	**−1**	*	*	**−3**	**1**	**1**	*	**−1**
	Bonds[2]										
18	Foreign purchases	7,739	7,955	641	1,029	r868	r610	727	437	884	641
19	Foreign sales	3,546	5,453	704	596	490	550	530	388	558	704
20	**Net purchases, or sales (−)**	**4,192**	**2,502**	**−63**	**433**	**r379**	**r60**	**197**	**49**	**326**	**−63**
21	**Foreign countries**	**4,096**	**2,093**	**54**	**411**	**r326**	**r62**	**137**	**39**	**134**	**54**
22	Europe	1,863	972	39	387	137	80	89	25	152	39
23	France	−34	30	18	13	6	−2	−10	3	17	18
24	Germany	−20	119	42	18	38	−5	−12	6	10	42
25	Netherlands	72	19	−4	11	18	19	−4	−1	−6	−4
26	Switzerland	94	−100	8	−74	−20	43	9	9	39	8
27	United Kingdom	1,703	936	−54	416	89	*	110	9	115	−54
28	Canada	141	102	11	14	24	16	−5	*	6	11
29	Latin America and Caribbean	64	78	23	−8	17	11	13	−1	5	23
30	Middle East[1]	1,695	810	−34	135	99	−73	−19	−8	−21	−34
31	Other Asia	338	131	16	−116	r48	r28	60	23	−5	16
32	Africa	−6	−1	*	*	*	*	*	*	*	*
33	Other countries	*	1	*	*	1	*	*	*	−3	*
34	**Nonmonetary international and regional organizations**	**96**	**409**	**−118**	**22**	**53**	**−3**	**60**	**10**	**192**	**−118**
		Foreign securities									
35	**Stocks, net purchases, or sales (−)**	**−410**	**527**	**11**	**10**	**r52**	**−69**	**−19**	**163**	**−12**	**11**
36	Foreign purchases	2,255	3,666	265	333	r383	261	299	360	232	265
37	Foreign sales	2,665	3,139	254	323	331	330	318	197	244	254
38	**Bonds, net purchases, or sales (−)**	**r−5,096**	**−3,970**	**−555**	**r−300**	**r−205**	**r36**	**−677**	**−446**	**121**	**−555**
39	Foreign purchases	8,040	11,044	783	r926	r990	r762	941	856	1,020	783
40	Foreign sales	r13,136	15,013	1,337	r1,225	r1,195	726	1,618	1,302	900	1,337
41	**Net purchases, or sales (−) of stocks and bonds**	**r−5,506**	**−3,443**	**−544**	**r−290**	**r−153**	**r−33**	**−696**	**−283**	**109**	**−544**
42	**Foreign countries**	**r−3,949**	**−3,265**	**−517**	**r−292**	**r−157**	**r−67**	**−507**	**−303**	**67**	**−517**
43	Europe	−1,100	−40	−124	−171	94	−86	13	−102	53	−124
44	Canada	−2,404	−3,237	−305	−146	−161	−41	−747	−246	−24	−305
45	Latin America and Caribbean	r−82	201	55	r7	−17	−12	−17	18	*	55
46	Asia	−97	397	−141	r37	r46	r72	236	21	32	−141
47	Africa	2	−441	−3	−25	−123	−1	1	1	*	−3
48	Other countries	−267	−146	1	7	3	1	6	4	5	1
49	**Nonmonetary international and regional organizations**	**−1,557**	**−177**	**−27**	**2**	**5**	**34**	**−189**	**20**	**41**	**−27**

[1] Comprises oil-exporting countries as follows: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

[2] Includes state and local government securities, and securities of U.S. government agencies and corporations. Also includes issues of new debt securities sold abroad by U.S. corporations organized to finance direct investments abroad.

3.23 SHORT-TERM LIABILITIES TO AND CLAIMS ON FOREIGNERS Reported by Nonbanking Concerns in the United States

Millions of dollars, end of period

	Type, and area or country	1977		1978			1977		1978		
		Sept.	Dec.	Mar.	June	Sept.	Sept.	Dec.	Mar.	June	Sept.
		Liabilities to foreigners					Claims on foreigners				
1	**Total**	**7,243**	**7,910**	**8,361**	**8,792**	**9,645**	**15,223**	**16,221**	**18,399**	**18,162**	**18,260**
	By type:										
2	*Payable in dollars*	*6,386*	*7,109*	*7,477*	*7,967*	*8,794*	*14,120*	*14,803*	*16,636*	*16,598*	*16,291*
3	*Payable in foreign currencies*	*857*	*801*	*884*	*825*	*851*	*1,104*	*1,418*	*1,763*	*1,564*	*1,969*
4	Deposits with banks abroad in reporter's name	.....	.....	.....	.....	.....	414	613	783	673	804
5	Other	.....	.....	.....	.....	.....	690	805	980	890	1,165
	By area or country:										
6	**Foreign countries**	**7,089**	**7,695**	**8,214**	**8,661**	**9,521**	**15,222**	**16,220**	**18,397**	**18,160**	**18,258**
7	*Europe*	*2,317*	*2,491*	*2,820*	*2,993*	*3,159*	*5,062*	*5,764*	*5,508*	*5,273*	*5,887*
8	Austria	19	21	26	26	33	24	24	21	28	25
9	Belgium-Luxembourg	126	116	171	167	165	226	211	187	155	172
10	Denmark	16	14	23	22	17	44	56	47	40	34
11	Finland	11	9	12	3	4	59	13	13	53	50
12	France	170	238	273	302	260	430	513	545	533	622
13	Germany	226	284	335	356	391	395	450	420	436	534
14	Greece	78	85	108	82	71	52	41	42	40	44
15	Italy	107	128	104	156	188	351	387	381	451	400
16	Netherlands	180	232	253	220	222	161	166	184	192	175
17	Norway	12	7	9	18	23	38	40	40	45	42
18	Portugal	12	11	7	25	11	34	69	27	54	34
19	Spain	74	77	94	105	110	307	387	408	376	351
20	Sweden	41	28	37	38	51	91	117	117	78	80
21	Switzerland	257	263	211	282	308	146	220	202	285	346
22	Turkey	97	108	93	92	102	32	39	35	29	31
23	United Kingdom	765	735	937	962	1,058	2,479	2,795	2,619	2,338	2,818
24	Yugoslavia	92	90	82	84	76	20	20	24	27	23
25	Other Western Europe	9	10	8	18	17	15	25	33	24	28
26	U.S.S.R.	11	24	15	19	27	62	55	44	37	33
27	Other Eastern Europe	14	12	23	17	25	96	135	121	51	45
28	*Canada*	*451*	*504*	*530*	*524*	*566*	*2,649*	*2,681*	*3,428*	*3,502*	*3,724*
29	*Latin America*	*1,038*	*1,201*	*1,353*	*1,421*	*1,532*	*4,619*	*4,467*	*5,943*	*6,001*	*5,142*
30	Argentina	50	40	53	74	131	53	53	53	61	65
31	Bahamas	248	329	327	321	353	1,963	2,019	3,122	3,081	2,350
32	Brazil	76	49	62	63	87	414	493	482	479	418
33	Chile	13	17	14	23	14	40	45	40	37	40
34	Colombia	24	42	26	42	42	85	84	80	79	69
35	Cuba	*	*	*	*	*	*	*	*	*	1
36	Mexico	103	114	169	185	235	302	314	312	331	382
37	Panama	12	22	12	71	59	222	91	175	97	76
38	Peru	13	15	22	17	19	30	32	30	30	25
39	Uruguay	4	3	5	9	7	5	5	6	4	5
40	Venezuela	210	216	264	185	232	251	269	306	309	284
41	Other Latin American republics	122	118	107	101	121	257	281	268	229	223
42	Netherlands Antilles	9	25	41	30	19	8	12	24	19	21
43	Other Latin America	154	209	250	299	213	989	768	1,045	1,245	1,183
44	*Asia*	*2,583*	*2,835*	*2,814*	*3,008*	*3,517*	*2,398*	*2,777*	*2,970*	*2,810*	*2,905*
45	China, (Mainland)	1	8	1	1	4	12	9	22	21	23
46	China, (Taiwan)	152	156	167	170	176	139	157	144	173	157
47	Hong Kong	25	40	32	30	61	73	98	85	92	127
48	India	44	37	26	10	23	42	38	85	93	85
49	Indonesia	60	56	57	59	49	184	375	185	152	167
50	Israel	58	63	68	59	68	46	38	47	43	86
51	Japan	604	695	761	807	865	1,026	1,068	1,379	1,142	1,157
52	Korea	75	103	99	107	103	153	171	133	168	161
53	Philippines	78	74	95	107	157	111	99	94	96	107
54	Thailand	17	17	11	27	43	24	23	32	30	29
55	Other Asia	1,469	1,588	1,498	1,631	1,968	587	702	764	800	804
56	*Africa*	*588*	*571*	*594*	*603*	*661*	*340*	*386*	*402*	*430*	*441*
57	Egypt	45	13	19	25	34	18	34	31	36	29
58	Morocco	105	112	130	148	145	10	21	22	16	16
59	South Africa	29	20	30	36	34	75	75	71	88	74
60	Zaire	48	46	55	57	56	19	15	11	16	12
61	Other Africa	361	380	360	338	391	218	241	268	274	311
62	*Other countries*	*111*	*93*	*104*	*111*	*85*	*153*	*146*	*145*	*143*	*158*
63	Australia	93	75	89	97	72	113	111	111	109	118
64	All other	18	18	14	14	14	41	35	34	34	40
65	**Nonmonetary international and regional organizations**	**154**	**215**	**147**	**132**	**125**	**1**	**1**	**1**	**2**	**2**

NOTE. Reported by exporters, importers, and industrial and commercial concerns and other nonbanking institutions in the United States. Data exclude claims held through U.S. banks and intercompany accounts between U.S. companies and their affiliates.

3.24 SHORT-TERM CLAIMS ON FOREIGNERS Reported by Large Nonbanking Concerns in the United States

Millions of dollars, end of period

Type and country	1974	1975	1976	1977 r	1978					
					July	Aug.	Sept.	Oct.	Nov.	Dec. p
1 **Total**	**3,357**	**3,799**	**5,720**	**7,136**	**8,949**	**10,098**	**8,635**	**10,503**	**11,223**	**9,515**
By type:										
2 *Payable in dollars*	*2,660*	*3,042*	*4,984*	*6,121*	*7,643*	*8,818*	*7,409*	*9,240*	*9,981*	*8,264*
3 Deposits	2,591	2,710	4,505	5,703	7,172	8,282	6,985	8,688	9,362	7,744
4 Short-term investments [1]	69	332	479	418	471	536	424	552	619	520
5 *Payable in foreign currencies*	*697*	*757*	*735*	*1,015*	*1,305*	*1,280*	*1,225*	*1,263*	*1,241*	*1,252*
6 Deposits	429	511	404	547	689	660	730	789	771	873
7 Short-term investments [1]	268	246	331	468	616	620	495	474	470	379
By country:										
8 United Kingdom	1,350	1,306	1,838	2,120	1,878	1,869	2,246	2,949	3,137	2,728
9 Canada	967	1,156	1,698	1,777	2,537	3,013	2,452	2,858	2,833	2,144
10 Bahamas	391	546	1,355	1,896	3,217	3,543	2,247	2,819	3,033	2,519
11 Japan	398	343	133	153	279	276	250	234	249	203
12 All other	252	446	716	1,190	1,038	1,397	1,440	1,643	1,971	1,921

[1] Negotiable and other readily transferable foreign obligations payable on demand or having a contractural maturity of not more than 1 year from the date on which the obligation was incurred by the foreigner.

NOTE. Data represent the assets abroad of large nonbanking concerns in the United States. They are a portion of the total claims on foreigners reported by nonbanking concerns in the United States and are included in the figures shown in table 3.26.

3.25 LONG-TERM LIABILITIES TO AND CLAIMS ON FOREIGNERS Reported by Nonbanking Concerns in the United States

Millions of dollars, end of period

Area and country	1977		1978			1977		1978		
	Sept.	Dec.	Mar.	June	Sept.	Sept.	Dec.	Mar.	June	Sept.
	Liabilities to foreigners					Claims on foreigners				
1 **Total**	**3,331**	**3,175**	**3,149**	**3,077**	**3,122**	**4,719**	**5,077**	**5,143**	**5,067**	**5,007**
2 Europe	2,555	2,425	2,498	2,422	2,471	833	864	937	943	927
3 Germany	407	255	295	282	290	79	74	75	71	76
4 Netherlands	272	287	292	266	275	81	82	81	76	74
5 Switzerland	224	241	241	236	246	42	49	48	55	58
6 United Kingdom	1,237	1,222	1,228	1,214	1,253	282	310	332	363	341
7 Canada	67	62	58	56	65	1,462	1,776	1,792	1,811	1,779
8 Latin America	289	284	248	248	234	1,367	1,402	1,387	1,298	1,283
9 Bahamas	151	148	142	141	138	36	40	42	2	2
10 Brazil	7	7	6	7	7	134	144	154	143	144
11 Chile	1	1	1	1	1	201	203	194	190	176
12 Mexico	30	30	27	26	29	187	177	183	188	217
13 Asia	358	342	284	290	289	829	817	810	803	812
14 Japan	319	305	250	255	254	94	66	83	78	70
15 Africa	3	2	2	2	3	165	161	156	154	149
16 All other [1]	59	60	60	60	61	63	59	60	59	56

[1] Includes nonmonetary international and regional organizations.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS

Percent per annum

Country	Rate on Feb. 28, 1979		Country	Rate on Feb. 28, 1979		Country	Rate on Feb. 28, 1979	
	Percent	Month effective		Percent	Month effective		Percent	Month effective
Argentina	18.0	Feb. 1972	France	9.5	Aug. 1977	Norway	7.0	Feb. 1978
Austria	3.75	Jan. 1979	Germany, Fed. Rep. of.	3.0	Dec. 1977	Sweden	6.5	July 1978
Belgium	6.0	July 1978	Italy	10.5	Sept. 1978	Switzerland	1.0	Feb. 1978
Brazil	33.0	Nov. 1978	Japan	3.5	Mar. 1978	United Kingdom	14.0	Feb. 1979
Canada	11.25	Jan. 1979	Mexico	4.5	June 1942	Venezuela	5.0	Oct. 1970
Denmark	8.0	July 1977	Netherlands	6.5	Oct. 1978			

NOTE. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper and/or government securities for commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood the central bank transacts the largest proportion of its credit operations.

3.27 FOREIGN SHORT-TERM INTEREST RATES

Percent per annum, averages of daily figures

Country, or type	1976	1977	1978	1978				1979	
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
1 Eurodollars	5.58	6.03	8.74	9.12	10.12	11.51	11.62	11.16	10.79
2 United Kingdom	11.35	8.07	9.18	9.29	10.44	12.00	12.28	12.61	13.28
3 Canada	9.39	7.47	8.52	9.08	9.68	10.37	10.44	10.87	10.94
4 Germany	4.19	4.30	3.67	3.67	3.90	3.81	4.09	3.85	4.13
5 Switzerland	1.45	2.56	0.74	0.58	0.24	0.20	0.22	0.05	0.13
6 Netherlands	7.02	4.73	6.53	6.91	11.23	8.86	10.25	8.69	7.42
7 France	8.65	9.20	8.10	7.40	7.37	7.06	6.59	6.55	6.83
8 Italy	16.32	14.26	11.40	10.94	10.99	11.17	11.24	11.12	11.38
9 Belgium	10.25	6.95	7.14	7.24	8.55	9.19	9.28	8.93	8.23
10 Japan	7.70	6.22	4.75	4.51	4.44	4.78	4.76	4.52	4.50

NOTE. Rates are for 3-month interbank loans except for—Canada, finance company paper; Belgium, time deposits of 20 million francs and over; and Japan, loans and discounts that can be called after being held over a minimum of two month-ends.

3.28 FOREIGN EXCHANGE RATES

Cents per unit of foreign currency

Country/currency	1976	1977	1978	1978				1979	
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
1 Australia/dollar	122.15	110.82	114.41	115.29	116.87	114.53	114.15	114.04	113.12
2 Austria/schilling	5.5744	6.0494	6.8958	7.0102	7.4526	7.1808	7.2621	7.3821	7.3510
3 Belgium/franc	2.5921	2.7911	3.1809	3.2207	3.4503	3.3389	3.3637	3.4276	3.4153
4 Canada/dollar	101.41	94.112	87.729	85.739	84.546	85.244	84.763	84.041	83.638
5 Denmark/krone	16.546	16.658	18.156	18.411	19.584	19.025	19.063	19.487	19.423
6 Finland/markka	25.938	24.913	24.337	24.586	25.454	24.932	24.957	25.252	25.186
7 France/franc	20.942	20.344	22.218	22.909	23.767	22.958	23.178	23.570	23.395
8 Germany/deutsche mark	39.737	43.079	49.867	50.778	54.430	52.508	53.217	54.056	53.862
9 India/rupee	11.148	11.406	12.207	12.445	12.643	12.458	12.174	12.185	12.124
10 Ireland/pound	180.48	174.49	191.84	195.95	200.75	196.08	198.61	200.53	200.42
11 Italy/lira	.12044	.11328	.11782	.12050	.12317	.11857	.11863	.11955	.11899
12 Japan/yen	.33741	.37342	.47981	.52656	.54478	.52066	.51038	.50571	.49877
13 Malaysia/ringgit	39.340	40.620	43.210	43.603	45.627	45.415	45.524	45.487	45.488
14 Mexico/peso	6.9161	4.4239	4.3896	4.3907	4.3904	4.3881	4.3950	4.4038	4.3952
15 Netherlands/guilder	37.846	40.752	46.284	46.733	50.017	48.512	49.120	50.082	49.856
16 New Zealand/dollar	99.115	96.893	103.64	105.58	107.37	105.41	105.45	105.64	105.32
17 Norway/krone	18.327	18.789	19.079	19.189	20.325	19.736	19.574	19.730	19.610
18 Portugal/escudo	3.3159	2.6234	2.2782	2.1948	2.2342	2.1510	2.1472	2.1358	2.1065
19 South Africa/rand	114.85	114.99	115.01	115.00	115.00	115.04	115.01	114.96	116.76
20 Spain/peseta	1.4958	1.3287	1.3073	1.3605	1.4317	1.4051	1.4085	1.4293	1.4427
21 Sri Lanka/rupee	11.908	11.964	6.3834	6.3855	6.3757	6.4695	6.4700	6.4491	6.4439
22 Sweden/krona	22.957	22.383	22.139	22.592	23.349	22.856	22.808	22.987	22.898
23 Switzerland/franc	40.013	41.714	56.283	63.765	65.117	59.766	59.703	59.840	59.699
24 United Kingdom/pound	180.48	174.49	191.84	195.95	200.75	196.08	198.61	200.53	200.42
MEMO:									
25 United States/dollar[1]	105.57	103.31	.....	89.51	86.04	88.86	88.52	87.77	88.25

[1] Index of weighted average exchange value of U.S. dollar against currencies of other G-10 countries plus Switzerland. March 1973 = 100. Weights are 1972–76 global trade of each of the 10 countries. Series revised as of August 1978. For description and back data, see "Index of the Weighted-Average Exchange Value of the U.S. Dollar: Revision" on page 700 of the August 1978 BULLETIN.

NOTE. Averages of certified noon buying rates in New York for cable transfers.

4.10 SALES, REVENUE, PROFITS, AND DIVIDENDS—Large Manufacturing Corporations

Millions of dollars

	Industry	1976	1977	1976	1977				1978		
				Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
	Total (170 corps.)										
1	Sales	667,821	748,757	180,462	177,430	190,302	180,384	200,641	r194,193	r210,546	207,767
2	Total revenue	676,596	758,013	181,546	179,496	192,996	182,488	203,033	r196,611	r212,932	210,962
3	Profits before taxes	71,885	78,909	18,587	18,874	21,468	18,146	20,421	r19,707	r22,684	20,817
4	Profits after taxes	34,707	37,854	8,113	9,056	10,472	9,337	8,989	9,693	11,599	10,422
5	MEMO: PAT unadjusted[1]	36,016	38,391	9,340	9,107	10,553	8,656	10,075	9,684	11,585	10,521
6	Dividends	14,491	17,532	4,371	3,840	4,269	3,985	5,438	4,306	4,556	4,471
	Nondurable goods industries (86 corps.):[2]										
7	Sales	362,935	404,141	99,926	95,836	101,035	97,144	110,126	104,522	109,310	111,760
8	Total revenue	368,184	409,601	100,174	96,948	102,807	98,232	111,614	105,877	110,824	113,607
9	Profits before taxes	42,694	45,906	10,793	11,074	12,064	11,195	11,573	11,347	12,178	12,146
10	Profits after taxes	18,571	22,284	4,058	4,837	5,160	5,144	4,430	5,137	5,729	5,517
11	MEMO: PAT unadjusted[1]	19,468	19,768	4,868	4,880	5,224	5,234	5,249	5,136	5,741	5,536
12	Dividends	7,910	8,944	2,094	2,185	2,227	2,268	2,264	2,402	2,419	2,481
	Durable goods industries (84 corps.):[3]										
13	Sales	304,886	344,616	80,536	81,594	89,267	83,240	90,515	r89,671	r101,236	96,007
14	Total revenue	308,412	348,412	81,372	82,548	90,189	84,256	91,419	r90,734	r102,108	97,355
15	Profits before taxes	29,191	33,003	7,794	7,800	9,404	6,951	8,848	r8,360	r10,506	8,671
16	Profits after taxes	16,136	18,283	4,055	4,219	5,312	4,193	4,559	4,556	5,870	4,905
17	MEMO: PAT unadjusted[1]	16,548	17,804	4,472	4,227	5,329	3,422	4,826	4,548	5,844	4,985
18	Dividends	6,577	8,588	2,277	1,655	2,042	1,717	3,174	1,904	2,137	1,990
	Selected industries:										
	Food and kindred products (28 corps.):										
19	Sales	62,568	68,422	16,701	15,903	16,776	16,947	18,796	17,470	18,763	19,361
20	Total revenue	63,142	69,168	16,533	16,155	17,136	17,239	18,638	17,860	19,180	19,490
21	Profits before taxes	5,750	6,040	1,310	1,448	1,560	1,526	1,506	1,535	1,767	1,802
22	Profits after taxes	2,890	3,172	630	739	825	826	782	839	967	982
23	MEMO: PAT unadjusted[1]	3,013	3,309	734	746	835	836	892	840	975	983
24	Dividends	1,259	1,433	318	342	352	364	375	397	400	409
	Chemical and allied products (22 corps.):										
25	Sales	64,125	70,251	16,410	17,103	17,347	17,586	18,215	18,930	19,981	19,880
26	Total revenue	64,837	70,906	16,612	17,271	17,526	17,743	18,366	19,117	20,143	20,086
27	Profits before taxes	8,197	8,530	1,893	2,112	2,290	2,062	2,066	2,353	2,459	2,478
28	Profits after taxes	4,511	4,604	929	1,192	1,288	1,184	940	1,334	1,403	1,406
29	MEMO: PAT unadjusted[1]	4,622	4,831	1,081	1,181	1,289	1,178	1,183	1,317	1,382	1,389
30	Dividends	1,918	2,186	548	514	539	553	580	567	587	592
	Petroleum refining (15 corps.):										
31	Sales	196,154	221,694	56,510	52,344	55,903	51,593	61,854	56,996	58,419	60,130
32	Total revenue	199,688	225,338	56,649	52,891	57,096	52,130	63,221	57,695	59,195	61,418
33	Profits before taxes	25,857	28,144	6,834	6,746	7,396	6,818	7,184	6,832	7,020	7,248
34	Profits after taxes	9,555	10,072	2,085	2,498	2,655	2,694	2,225	6,615	2,828	2,846
35	MEMO: PAT unadjusted[1]	10,168	10,684	2,617	2,546	2,708	2,756	2,674	2,627	2,847	2,861
36	Dividends	4,089	4,615	1,065	1,163	1,160	1,166	1,126	1,247	1,239	1,282
	Primary metals and products (23 corps.):										
37	Sales	54,044	58,713	13,119	13,773	15,573	14,454	14,913	15,459	17,560	17,348
38	Total revenue	54,825	59,488	13,313	13,963	15,769	14,636	15,120	15,681	17,822	17,693
39	Profits before taxes	2,834	1,476	576	460	100	239	677	r372	r1,275	1,128
40	Profits after taxes	1,652	1,579	127	260	536	493	290	173	794	661
41	MEMO: PAT unadjusted[1]	1,947	1,474	400	274	553	287	360	183	810	711
42	Dividends	926	1,088	251	234	246	266	342	226	239	242
	Machinery (27 corps.):										
43	Sales	87,274	96,820	24,059	22,727	24,380	24,317	25,396	25,472	27,857	27,848
44	Total revenue	88,519	98,380	24,460	23,051	24,702	24,767	25,860	25,831	27,977	28,374
45	Profits before taxes	11,320	13,158	3,370	2,900	3,318	3,264	3,676	3,209	3,996	3,458
46	Profits after taxes	6,181	7,158	1,837	1,573	1,805	1,771	2,009	1,749	2,270	1,974
47	MEMO: PAT unadjusted[1]	6,202	7,204	1,864	1,571	1,804	1,782	2,047	1,745	2,254	2,015
48	Dividends	2,383	3,495	663	712	767	702	1,314	823	892	821
	Motor vehicles and equipment (9 corps.):										
49	Sales	107,563	127,049	28,208	31,069	33,502	28,835	33,643	r32,834	r38,055	31,982
50	Total revenue	108,394	127,816	28,250	31,350	33,716	29,104	33,646	r33,127	r38,301	32,298
51	Profits before taxes	8,909	10,738	2,087	2,988	3,489	1,575	2,686	2,986	3,178	1,665
52	Profits after taxes	4,870	5,747	1,166	1,599	1,914	892	1,342	1,654	1,640	901
53	MEMO: PAT unadjusted[1]	4,918	5,861	1,219	1,603	1,926	898	1,434	1,648	1,637	903
54	Dividends	2,062	2,607	983	392	698	413	1,104	473	620	477

[1] Profits after taxes unadjusted are as reported by the individual companies. These data are not adjusted to eliminate differences in accounting treatments of special charges, credits, and other nonoperating items.

[2] Includes 21 corporations in groups not shown separately.

[3] Includes 25 corporations in groups not shown separately.

NOTE. Data are obtained from published reports of companies and reports made to the Securities and Exchange Commission. Sales are net of returns, allowances, and discounts, and exclude excise taxes paid directly by the company. Total revenue data include, in addition to sales, income from nonmanufacturing operations and nonoperating income. Profits are before dividend payments and have been adjusted to exclude special charges and credits to surplus reserves and extraordinary items not related primarily to the current reporting period. Income taxes (not shown) include federal, state and local government, and foreign.

Previous series last published in June 1972 BULLETIN, p. A-50.

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NEW YORK*	10045	Robert H. Knight Boris Yavitz	Paul A. Volcker Thomas M. Timlen	
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CLEVELAND*	44101	Robert E. Kirby Arnold R. Weber	Willis J. Winn Walter H. MacDonald	
Cincinnati	45201	Lawrence H. Rogers, II		Robert E. Showalter
Pittsburgh	15230	G. Jackson Tankersley		Robert D. Duggan
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Baltimore	21203	I. E. Killian		Jimmie R. Monhollon
Charlotte	28230	Robert E. Elberson		Stuart P. Fishburne
Culpeper Communications and Records Center	*22701*			Albert D. Tinkelenberg
ATLANTA	30303	Clifford M. Kirtland, Jr. William A. Fickling, Jr.	Monroe Kimbrel Kyle K. Fossum	
Birmingham	35202	William H. Martin, Jr.		Hiram J. Honea
Jacksonville	32203	Copeland D. Newbern		Charles B. East
Miami	33152	Castle W. Jordan		F. J. Craven, Jr.
Nashville	37203	Cecelia Adkins		Jeffrey J. Wells
New Orleans	70161	Levere C. Montgomery		George C. Guynn
CHICAGO*	60690	Robert H. Strotz John Sagan	Robert P. Mayo Daniel M. Doyle	
Detroit	48231	Jordan B. Tatter		William C. Conrad
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The Economy in 1978. 1/79.
Check Processing at Federal Reserve Offices. 2/79.

Index to Statistical Tables

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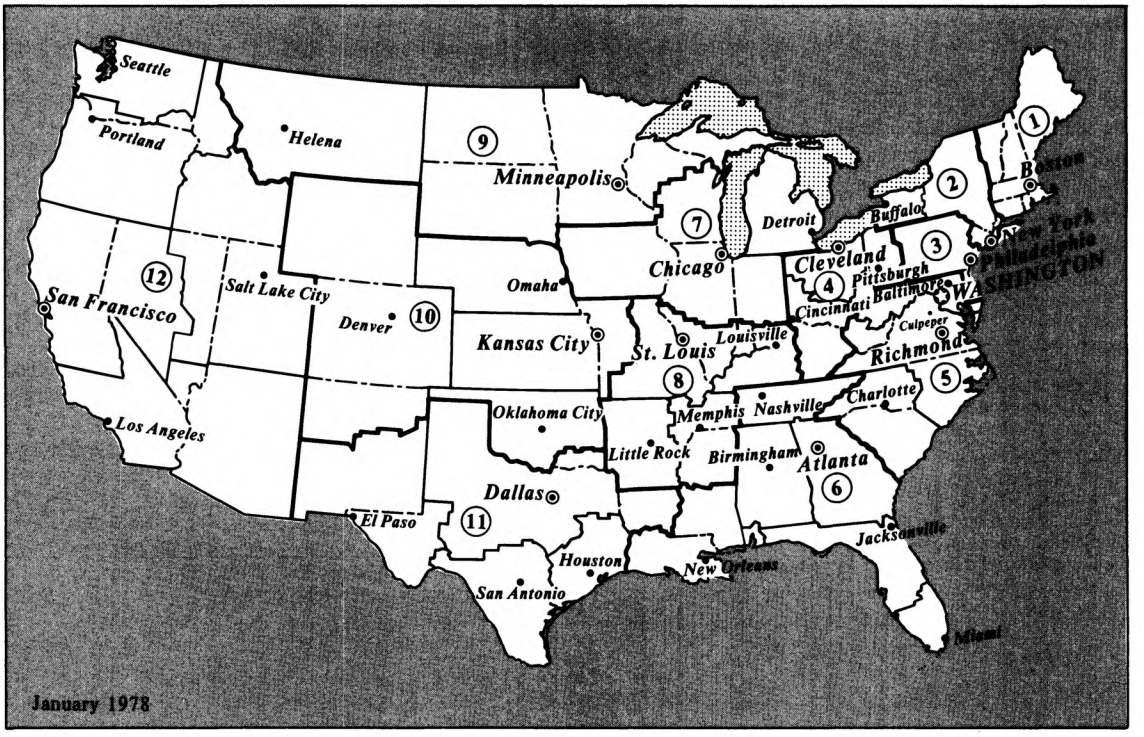
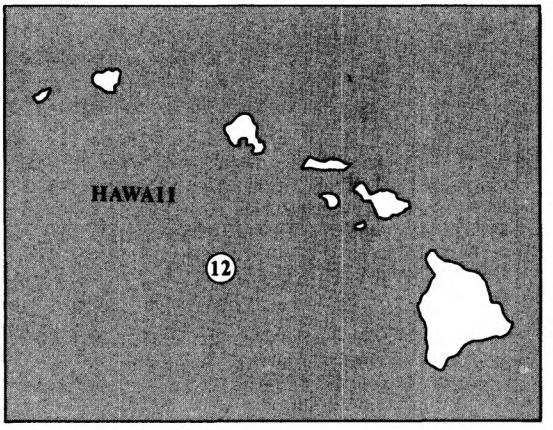
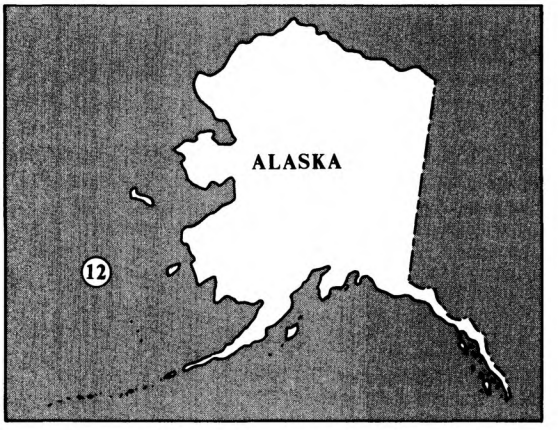
The Federal Reserve System

Boundaries of Federal Reserve Districts and Their Branch Territories







LEGEND

- Boundaries of Federal Reserve Districts
- Boundaries of Federal Reserve Branch Territories
- Board of Governors of the Federal Reserve System
- Federal Reserve Bank Cities
- Federal Reserve Branch Cities
- Federal Reserve Bank Facility

Guide to Tabular Presentation and Statistical Releases

GUIDE TO TABULAR PRESENTATION

Symbols and Abbreviations

c	Corrected
e	Estimated
p	Preliminary
r	Revised (Notation appears on column heading when more than half of figures in that column are changed.)
*	Amounts insignificant in terms of the last decimal place shown in the table (for example, less than 500,000 when the smallest unit given is millions)
0	Calculated to be zero
n.a.	Not available
n.e.c.	Not elsewhere classified
IPCs	Individuals, partnerships, and corporations
REITs	Real estate investment trusts
RPs	Repurchase agreements
SMSAs	Standard metropolitan statistical areas
.....	Cell not applicable

General Information

Minus signs are used to indicate (1) a decrease, (2) a negative figure, or (3) an outflow.

"U.S. government securities" may include guaranteed issues of U.S. government agencies (the flow of funds figures also include not fully guaranteed issues) as well as direct obligations of the Treasury. "State and local government" also includes municipalities, special districts, and other political subdivisions.

In some of the tables details do not add to totals because of rounding.

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