DALLASFED ROUNDUP

Federal Reserve Bank of Dallas March 1982

Fed to Continue Strict Monetary Policy in 1982

The Federal Reserve will remain committed to its policy of restricting growth in the money supply during 1982, according to testimony given before Congress by Paul A. Volcker, Chairman of the Board of Governors of the Federal Reserve System. The report given by Volcker February 10 and 11 outlined the Fed's target ranges for growth in the money supply and discussed the economic outlook for the coming year.

A written report on the state of the economy and the course of monetary policy is required twice a year of the Federal Reserve Board by the Full Employment and Balanced Growth Act of 1978. Volcker's testimony was given in conjunction with the submission of this written report.

"The Federal Reserve remains committed to restraint on the growth of money and credit in order to exert continuing downward pressure on the rate of inflation," the Board's report said. "Such a policy is essential if the groundwork is to be laid for sustained economic expansion."

Volcker explained that inflation cannot persist over an extended period unless it is financed by excessive growth of money. Therefore, a policy of restraint on the growth of the monetary aggregates is a key element in an anti-inflation strategy. Volcker warned, however, that very large federal deficits, particularly if expected to continue at exceptionally high levels in later years, will adversely influence current financial market conditions and place upward pressure on interest rates.

The Federal Reserve Board acknowledged that there would be short-term difficulties associated with this restrictive policy. However, "failure to continue on the current path would mean that the next effort would be associated with still greater hardship," the report continued.

The Reserve Board adopted a target growth range of 2.5 to 5.5 percent for the monetary aggregate M1 in 1982, reaffirming the tentative range it set out in its mid-1981 report. The 1981 target range for M1-B, last year's comparable monetary aggregate, was between 3.5 and 6 percent. Other 1982 target growth ranges adopted are 6 to 9 percent for M2, 6.5 to 9.5 percent for M3, and 6 to 9 percent for commercial bank credit.

The actual average annual growth of M1-B during 1981 was 4.7 percent, compared to 5.9 percent in 1980, 7.7 percent in 1979, and 8.2 percent in 1978.

Chairman Volcker explains the course of monetary policy for 1982.

INSIDE

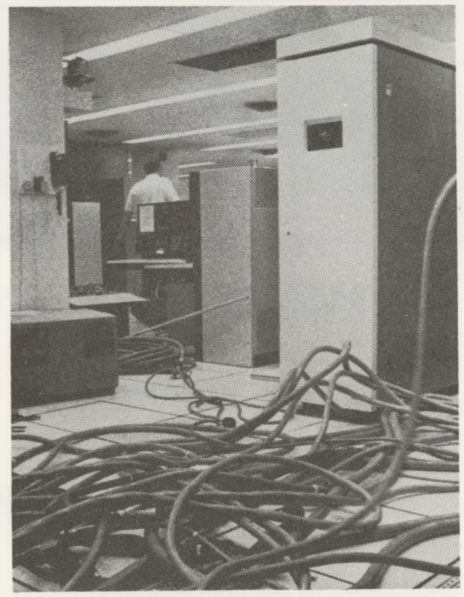
Dallas Fed is First to Buy 3081

The Dallas Reserve Bank is the first financial institution in the state of Texas, and the first among the Federal Reserve System District offices nationwide, to install IBM's newest large system computer.

The high performance 3081 processor will accommodate the increasing demand for services the Reserve Bank currently provides to financial institutions via online terminal arrangements. During 1981 the number of institutions having such arrangements increased from 92 to 162, utilizing over 300 terminals. In 1982, the Dallas Reserve Bank expects that growth will increase at an even greater pace.

Some of the services accessed using online arrangements include electronic transferring of funds and securities, check collection and clearing, automated clearinghouse (ACH) services and net settlement. The increased capacity of the processor will also make provisions for a number of new services that the Reserve Bank could offer such as online Treasury Tax and Loan information and currency and coin ordering.

The 3081, with its advanced technology and architecture, has greater performance and flexibility. This improvement will be used to enhance the reliability and quality of service to online users.



New wiring preceded the 3081.

1982 FCA Program Extended to Non-Members

The Federal Reserve's functional cost analysis program will be expanded in 1982 to include all types of depository institutions for the first time. In the past, participation in the program has been limited to member banks, according to Jerry Bramlett, Senior Technical Assistance Representative in charge of the FCA program for the Dallas Fed.

Functional cost analysis is a tool designed to help management evaluate performance by providing comparisons of their own data from year-to-year and comparisons of data among similar institutions, Bramlett said. The program enables participants to compile and analyze income and expense data to measure the profitability of principal banking activities, such as deposit taking, lending and fee-based services. The analysis includes key cost units, break-even points, account size analysis and personnel efficiency indicators.

To participate in the FCA program, an institution submits data to its regional Federal Reserve Bank under uniform procedures designed to make the data comparable. The national data are compiled at the New York Fed. Information returned to participants includes an individual report as well as comparison averages of institutions with similar activities or volumes.

Bramlett will send work papers to all interested member and non-member banks and pilot thrift institutions this spring. These institutions will receive published individual FCA reports in 1982. The reports published in 1983 will include an expanded group of thrift institution participants.

Published average reports for the 1981 functional cost program will be available this summer. Institutions interested in participating in the 1982 FCA program should contact Bramlett in the Department of Communications, Financial and Community Affairs.

New M1 Replaces Old Aggregates

The Federal Reserve Board has redefined its most narrow definition of the money supply used to conduct national monetary policy. The new monetary aggregate M1 will replace the aggregate M1-B which has been used the past two years. The aggregate M1-A has been eliminated.

The new M1 is composed of currency, demand deposits at commercial banks, traveler's checks, and other checkable deposits such as negotiable order of withdrawal (NOW) accounts, automatic transfer service (ATS) accounts, and credit union share draft balances.

Financial developments in the late 1970's, especially the emergence of NOW and ATS accounts, reduced the significance of the old M1 measure which did not include these types of accounts. In February, 1980, the Board did away with the old definition of M1 and replaced it with M1-A, essentially the same as the old M1, and M1-B, which included NOW and ATS accounts. The new definitions were intended primarily as transitional measures until the new types of accounts became fully entrenched in the financial payments system.

Federal Reserve Board authorities determined that the bulk of the shift to NOW accounts had occurred by late 1981, and that the M1-A and M1-B definitions were no longer necessary.

Salary Surveys Give District Averages

The average chief executive officer's salary was $55,270 in 1981 for those banks who participated in the Dallas Fed's Officers' Salary Survey, published earlier this year. This survey, along with the Employees' Salary Survey, is published each year by the Department of Communications, Financial and Community Affairs. In 1981, both member and non-member banks in the Eleventh Federal Reserve District were given the chance to participate in the surveys for the first time, with over 400 banks responding.

The 1981 surveys provide information on the average, maximum and minimum salaries for 31 official positions and 28 employee positions. Compensation in addition to salaries is also reported. The information is compiled according to each of nine geographic areas and according to each of six deposit size categories, in addition to averages reported for all participating banks in the Eleventh District.

The Officers' Salary Survey, for example, indicates an average chief executive officer's salary of $55,270 across the Eleventh District in 1981, with a minimum of $12,000 and a maximum of $175,200. Persons in these positions had an average 22 years of banking experience, with eight years in the chief executive position. These positions also included an average bonus of $10,609, average profit sharing of $5,488, average insurance benefits of $1,196, and average retirement plan benefits of $7,362. In addition, 334 of the chief executive officer positions included an automobile and 299 of the positions included a club membership. The average salaries of chief executive officers according to total deposit size of the bank are shown in a graph accompanying this article.

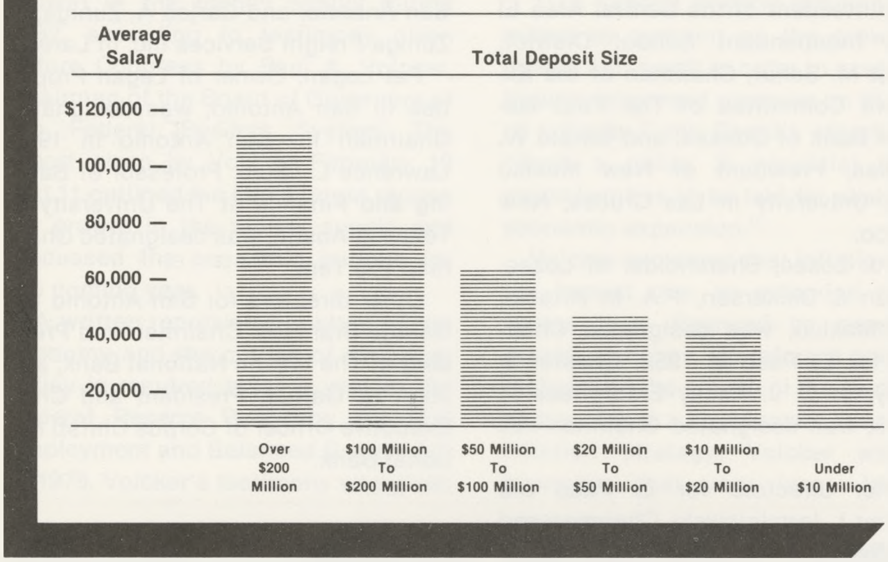
In addition to the chief executive officer position, the Officers' Salary Survey provides data on loan officers, trust officers, controllers and branch managers among other official positions.

The Employees' Salary Survey indicates that paying and receiving tellers had an average salary of $9,029 in 1981, with a minimum of $4,550 and a maximum of $15,600 reported for this category. Persons in these positions had an average four years of banking experience, an average bonus of $557, average profit sharing of $446, and average insurance benefits of $524. The average salaries of paying and receiving tellers according to total deposit size of the bank are shown in a graph accompanying this article.

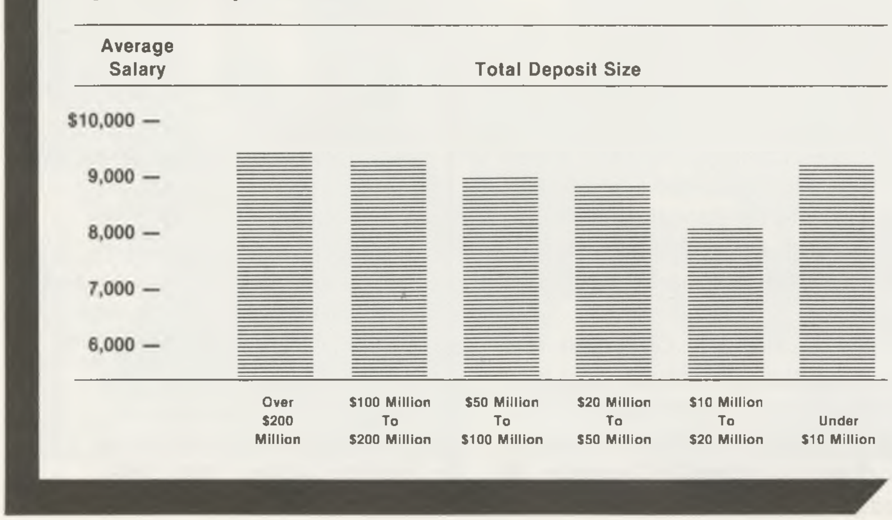
In addition to these positions, the Employees' Salary Survey provides data on clerks, machine operators, bookkeepers, programmers, custodians, and other categories of tellers and secretaries among others.

Invitations to participate in the 1982 salary surveys will be sent to all banks in the district this summer. Additional copies of the 1981 surveys are available upon request to the Department of Communications, Financial and Community Affairs.

Chief Executive Officer Average Salaries By Total Deposit Size



Paying and Receiving Teller Average Salaries By Total Deposit Size



Directors Announced for Dallas and Branches

Newly appointed and reappointed members have been announced for 1982 for the Federal Reserve Bank of Dallas Board of Directors and for the boards of the three branch offices of the Dallas Fed. The 1982 Chairman and Deputy Chairman for the Dallas board and the chairmen and chairmen pro tem for the branch boards have been announced also.

The directors of the Federal Reserve Bank of Dallas and its branches have responsibilities similar to directors of financial institutions and, in addition, are required to represent the broad business and public interests of the district. The Dallas board has three classes of directors, with each class having three members. Members of two of these classes are elected by district member banks, divided by size into three groups for electoral purposes. Members of the third class are appointed by the Board of Governors of the Federal Reserve System.

The boards of the branch offices consist of seven members each, three of whom are appointed by the Board of Governors and four of whom are appointed by the Dallas board.

Dallas

The directors announced for Dallas are J. Wayland Bennett, Charles C. Thompson Professor and Associate Dean of the College of Agricultural Sciences at Texas Tech University in Lubbock; Lewis H. Bond, Chairman and Chief Executive Officer of Texas American Bancshares Inc. in Fort Worth; and Gerald D. Hines, Owner of Gerald D. Hines Interests in Houston.

Gerald D. Hines was designated Chairman of the Board for Dallas in 1982, and John V. James, Chairman of Dresser Industries Inc. in Dallas, was designated Deputy Chairman. T. C. Frost, Chairman of Cullen/Frost Bankers Inc. in San Antonio, was appointed Federal Advisory Council Member.

Other directors for Dallas are Kent Gilbreath, Associate Dean of the Hankamer School of Business at Baylor University in Waco; John P. Gilliam, President and Chief Executive Officer of the First National Bank in Valley Mills; Robert D. Rogers, President of Texas Industries Inc. in Dallas; Margaret S. Wilson, Chairman and Chief Executive Officer of Scarbroughs Stores in Austin; and Miles D. Wilson, Chairman and President of The First National Bank of Bellville.

El Paso

The directors announced for El Paso are Mary Carmen Saucedo, Associate Superintendent of the Central Area El Paso Independent School District; Ernest M. Schur, Chairman of the Executive Committee of The First National Bank of Odessa; and Gerald W. Thomas, President of New Mexico State University in Las Cruces, New Mexico.

A. J. Losee, Shareholder of Losee, Carson & Dickerson, P.A. in Artesia, New Mexico, was designated Chairman for El Paso in 1982. Chester J. Kesey, of C. J. Kesey Enterprises in Pecos, was designated Chairman Pro Tem.

Other directors for El Paso are Stanley J. Jarmiolowski, Chairman and President of the First International Bank in El Paso, N.A.; and Claude E. Leyendecker, President of the Mimbres Valley Bank in Deming, New Mexico.

Houston

The directors announced for Houston are Ralph E. David, President of the First Freeport National Bank; Thomas B. McDade, Vice Chairman of Texas Commerce Bancshares Inc. in Houston; and George V. Smith, Sr., President of Smith Pipe & Supply Inc. in Houston.

Jerome L. Howard, Chairman and Chief Executive Officer of Mortgage and Trust Inc. in Houston, was designated Chairman for Houston in 1982. Paul N. Howell, Chairman of Howell Corporation in Houston, was designated Chairman Pro Tem.

Other directors for Houston are Raymond L. Britton, Labor Arbitrator and Professor of Law at the University of Houston; and Will E. Wilson, Chairman and Chief Executive Officer of the First Security Bank of Beaumont, N.A.

San Antonio

The directors announced for San Antonio are Joe D. Barbee, President and Chief Executive Officer of Barbee-Neuhaus Implement Company in Weslaco; Charles E. Cheever, Jr., President of Broadway National Bank in San Antonio; and Carlos A. Zuniga, of Zuniga Freight Services Inc. in Laredo.

Pat Legan, Owner of Legan Properties in San Antonio, was designated Chairman for San Antonio in 1982. Lawrence L. Crum, Professor of Banking and Finance at The University of Texas at Austin, was designated Chairman Pro Tem.

Other directors for San Antonio are George Brannies, Chairman and President of The Mason National Bank; and John H. Garner, President and Chief Executive Officer of Corpus Christi National Bank.

ROUNDUP

Federal Reserve Bank of Dallas
Station K
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