

Federal Reserve Bank of Dallas

March 1983

Fed Announces 1983 Monetary Targets

The Federal Reserve will continue on a course of monetary discipline designed to stimulate expansion in business activity without a resurgence of inflation, according to Federal Reserve Chairman Paul A. Volcker. In testimony before Congress February 16 and 22, Volcker addressed the performance of the economy in 1982 and discussed the economic outlook for 1983. He said that while the Federal Open Market Committee will continue to set target ranges for the monetary aggregates M1, M2, and M3, expansion of those ranges is necessary, in some cases, to compensate for the current distortions resulting from the creation of new deposit accounts at financial institutions. The ongoing process of deregulation has created unusual situations which must be accounted for in calculating money supply figures.

The target growth ranges of 2.5 to 5.5 percent established for M1 in 1982 were expanded to a 4 to 8 percent range for 1983. Ranges for M2 were also changed from a 6 to 9 percent range for 1982 to a 7 to 10 percent range for 1983. The 6.5 to 9.5 percent range for M3 was unaltered.

Dallas Fed President Robert H. Boykin, speaking before the local news media in connection with Volcker's testimony, said allowing money target ranges to grow "does not signal a policy change by the Federal Reserve or a shift into a posture of permitting money growth to be excessive." Boykin emphasized the progress made in cur-



Robert Boykin addresses media members.

tailoring inflation and stated that the new ranges should not re-ignite inflationary pressures on the economy. Nevertheless, current Fed policy is consistent with a noticeable improvement in economic activity which will be evident in 1983.

Evidence of recovery is already present in the Texas economy, which has held up better than the nation as a whole according to Boykin. He said the

Texas economy has a more favorable business climate, a more stable industry mix, and a strong defense sector which help this part of the country remain strong during recessionary times. Even with this area's relatively strong economy, Texas may lag behind the rest of the nation during a recovery due to the recent energy price declines, the residual effects of peso devaluations, and the depressed agricultural sector, Boykin said.

Both Volcker and Boykin expressed optimism for the economy in 1983. Volcker stated, "There has been substantial progress toward restoring price stability and there is good reason to believe that further progress can be achieved even as business activity picks up."

The Federal Reserve is required by the Full Employment and Balanced Growth Act of 1978 to submit a written report twice yearly on the state of the economy and the course of monetary policy. In conjunction with Volcker's address to Congress regarding those reports, the Dallas Fed holds press conferences to inform the local media on Federal Reserve policies.

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Advisory Committee Gives Input to Fed

Members of the Advisory Committee met recently at the Dallas Federal Reserve to discuss new services in check processing and collection and their effects on financial institutions. The committee, composed of representatives from the banking, savings and loan, and credit union industries, was established by the Dallas Fed to work in conjunction with the Board of Directors to bring to the Bank a variety of backgrounds and experience as input to policy decisions.

At their meeting, members were briefed on the new return item pilot program implemented February 24 and the effects that program will have on the pricing of checks services. They also discussed new proposals for inter-district transportation of checks and the elimination of float from the system.



Committee members express their views on checks collection.

Suspension List Expanded

In January, the Board of Governors of the Federal Reserve System granted, for certain Louisiana parishes, a temporary suspension of early time deposit withdrawal penalties associated with Regulation Q. As a result of the severe storms that occurred in December 1982, that order has been expanded to include the following parishes: Caldwell, Franklin, Lincoln, Morehouse, Richland, and Union. Depositors who have suffered storm-related losses may withdraw deposits without penalty upon presentation of an officer-approved statement describing the loss.

The penalty suspension was made retroactive for these parishes to include deposits withdrawn on or after January 17, 1983, and remains in effect until midnight July 11, 1983.



Penalty suspension effective January 11, 1983 through July 11, 1983 for these parishes screened on the map:

Allen	LaSalle
Beauregard	Natchitoches
Calcasieu	Quachita
Catahoula	Rapides
Grant	Winn

Penalty suspension effective January 17, 1983 through July 11, 1983 for these parishes outlined on the map:

Caldwell	Morehouse
Franklin	Richland
Lincoln	Union

Director Chosen For El Paso Branch Board

David L. Stone has been appointed to the Board of Directors of the El Paso Branch of the Federal Reserve Bank of Dallas. Stone, president of The Portales National Bank in Portales, New Mexico, will fill the unexpired portion of a three-year term which ends December 31, 1983.

A graduate of The University of Texas at Austin, Stone began his banking career in Dallas as a credit analyst for the Texas Bank and Trust Company. Prior to being named president of The Portales National Bank, he was executive vice president in charge of lending and business development of the First National Bank of Richardson, Texas, and was senior vice president of the Promenade National Bank, also in Richardson.

Treasury Securities Available From Fed

The Treasury Department, as one of its responsibilities, provides financing for the Federal Government. The majority of funds gathered are raised by selling marketable securities such as Treasury bills, notes, and bonds to the general public. The 12 Federal Reserve Banks act as an agent for the Treasury in the selling of these securities, which may be purchased without charge from a Reserve Bank, a Reserve Bank Branch, or from the Treasury directly. Securities may also be purchased through financial institutions. Securities are sold on a definitive (registered) or book-entry basis. Purchase of a definitive security means the buyer receives a certificate verifying ownership. With the book-entry method, a purchaser receives a receipt rather than a certificate as evidence of purchase.

Each year, billions of dollars worth of Treasury securities are bought and sold. During 1982, the Dallas Federal Reserve processed over eight million definitive securities with a dollar value of over \$3 billion. There were also 150,000 book-entry securities handled with an associated dollar value of over \$226 billion.

Treasury Bills

Treasury bills are short-term securities with maturities of 13, 26, and 52 weeks respectively. They are sold in minimum amounts of \$10,000 and in multiples of \$5,000 above the minimum. Currently, Treasury bills are sold only on a book-entry basis. In this way, a purchaser is protected from loss, theft, or counterfeiting, and the processing costs to the Treasury are reduced. The 13- and 26-week Treasury bills are offered each week as follows:

1. the offering is announced on Tuesday
2. the bills are auctioned the following Monday
3. the bills are issued the following Thursday

The 52-week bills are offered according to this schedule:

1. the offering is announced every fourth Friday
2. the bills are auctioned the following Thursday
3. the bills are issued one week later on Thursday

When purchasing a bill, the full face value is paid by 12:30 p.m. on the auction day. The auction will determine an average selling price for the bills. The difference between the actual price of the bills and their face value is called the "discount." The discount is returned to individuals on the issue date and the full face value is paid upon maturity.

Notes and Bonds

Treasury notes and bonds are securities with longer maturities than bills. Notes have a maturity of not less than two years or more than 10 years. Bonds generally have a maturity of more than 10 years. Both securities are offered on a definitive or book-entry basis. Book-entry notes and bonds can be purchased through financial institutions. Notes and bonds are issued in \$1,000, \$5,000, \$10,000, \$100,000, and \$1 million denominations. Investors

pay the face value at purchase and receive interest payments semi-annually during the life of the note or bond. Face value is returned at maturity. Both notes and bonds are offered quarterly in February, May, August, and November. In addition, notes are usually offered once a month or whenever the Treasury's needs arise.

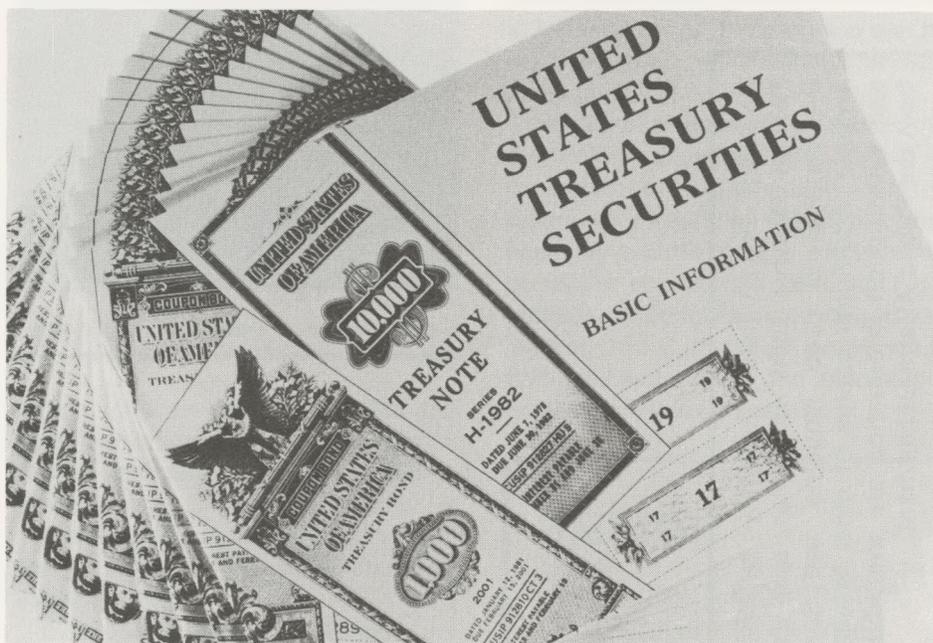
Interest earned on bills, notes, and bonds is exempt from state and local taxes, but purchasers must pay federal taxes on them. A form known as a "tender" or a signed letter must be submitted as application for these securities.

Telephone Numbers for Periodic Securities Offerings

(recorded messages)

Dallas
(214) 651-6384

Washington, D.C.
(202) 287-4113



A new brochure describing the purchase, sale, and redemption of Treasury securities is available from the Dallas Fed. Please phone (214) 651-6268 for ordering information.

Volume Statistics Announced For 1982 Operations

Operations at the Federal Reserve Bank of Dallas experienced an active year in 1982. The Dallas Fed, along with its three branches, processed almost one billion checks during 1982 with an associated dollar value of over \$600 billion. Of these, almost 900 million checks processed were commercial checks with a dollar value of over \$560 billion. Automated clearinghouse operations, which process payments electronically instead of by paper check, continued to be affected by the significant growth trend of the past several years. Commercial ACH items processed by the Dallas Fed increased approximately 73 percent from 1981 to 1982, growing from 5.5 million items to 9.5 million items. The dollar amount associated with commercial

ACH items increased almost 150 percent, growing from \$14.6 billion in 1981 to \$36.2 billion in 1982. In addition, the Dallas Fed processed over 15 million U.S. Government ACH items with an associated dollar value of \$7.5 billion. In the wire transfer of funds area, close to five million items were handled during the year, with a dollar value of \$6.6 trillion.

The offices of the Dallas Federal Reserve received and counted almost 600 million pieces of currency and over one billion pieces of coin during 1982. Loans to financial institutions processed during the year decreased to 667 from 891 processed in 1981, but the dollar value associated with these loans increased from almost \$7 billion to over \$10 billion.

New Service Now Available

On February 15, the Federal Reserve Bank of Dallas expanded its noncash collection services offered to financial institutions. In addition to accepting for collection matured corporate and municipal coupons on a cash processing basis, the Dallas Fed has begun including matured corporate and municipal bonds payable in the Eleventh District in its cash processing procedure. Under cash processing, credit will be passed to depositors on a pre-set time schedule. Any questions regarding the new service should be directed to the Securities Department of the Dallas Fed.

Roundup is published monthly by the Federal Reserve Bank of Dallas and its Branches at El Paso, Houston, and San Antonio. Additional copies of most issues and subscription information are available from the Public Affairs Department.

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