

Federal Reserve Bank of Dallas March 1984

Boykin Outlines Eleventh District Performance

A faster-paced economy, combined with a drop in unemployment, helped make 1983 a good year for this District as well as the nation, according to Dallas Fed President Robert H. Boykin. Boykin's February 10 remarks before the news media were held in conjunction with Congressional testimony on monetary policy given twice yearly by Federal Reserve Chairman Paul A. Volcker.

Speaking primarily on economic conditions in the Eleventh District, Boykin addressed topics concerning growth in residential and commercial construction, retail sales and defense contracts—stating that each has experienced strong performance in the District and is expected to continue to do so in 1984. Boykin said that this area began to experience a recovery about the same time as the rest of the nation but, because of the diversity of industries here, the recovery was felt more in some sectors than others.

According to Boykin, two areas which have been weak are the energy industry and the economy along the Texas/Mexico border. The energy industry, which began to show modest growth in oil and gas drilling in mid-1983, will continue to make moderate gains through 1984. Perhaps the hardest hit sector of this District's economy has been the border area—plagued with peso devaluations and their effect on trade, retail sales and agriculture. Boykin noted that conditions appear to be improving and that efforts are underway to diversify that



Boykin: The recovery in this District is expected to continue.

particular area. "We anticipate that economic conditions will improve along the border, although admittedly at a much slower pace than we would like to see," he said.

Boykin also summarized Volcker's testimony on progress made by the economy in 1983 and the hope for it to continue through 1984. The nation's economy saw real gains in GNP, employment, inflation and short-term interest rates in 1983. However—even as gains are being made in these sectors—Boykin expressed concern about federal deficits and their effect on the economy, particularly interest rates and business investment. "The great uncertainty in the outlook for 1984 will be the effects of continued record budget deficits," he said. "These deficits, if they continue, will drain off

an extremely large portion of net savings at a time when business credit demands will be growing." In his testimony, Volcker also expressed concern over growing deficits, saying that ignoring them too long would be taking risks with the American economy. "It is already late," Volcker said. "The stakes are large. Markets have a mind of their own; they have never waited on the convenience of kings or Congressmen—or elections."

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New ACH Prices Effective March 29

A revised fee schedule for the automated clearinghouse service has been approved by the Federal Reserve Board of Governors and will be effective March 29, 1984 (see table). Reserve Banks will begin to charge a receiver handling fee once a day per endpoint when ACH transactions are delivered and also will offer two new ACH services—a presorted deposit option and telephone advice for night cycle transactions.

Under the presorted deposit option, ACH originators will be assessed lower fees or be able to deposit transactions later if they sort transactions according to the receiving Federal Reserve office. The telephone advice service will be provided by Reserve Banks to financial institutions whose ACH night cycle transactions cannot be delivered by ground transportation in time for settlement.

REVISED ACH FEE SCHEDULE

	INTRA-ACH (cents)	UNSORTED DEPOSIT (cents)	INTER-ACH PRESORTED DEPOSIT (cents)	NEW YORK (cents)
Debits originated	1.5	3.0	2.5	2.5
Debits received	0.5	1.0	1.0	0.5
Credits originated	0.5	1.0	0.5	0.5
Credits received	1.5	3.0	3.0	2.5

Fixed ACH Fees

Deposit Fees		Telephone advice fees	
Tape handling	\$3.00 per tape	Advices including 10 pieces of information	\$2.50
File processing	\$1.00 per file	Each additional piece of information	\$0.05
Receiver handling fees		Nighttime deposit surcharges	
Non-electronic	\$1.75 per delivery	Debits originated	\$0.06
Electronic	\$0.75 per transmission	Credits originated	\$0.03

Volumes Announced for 1983 Operations

The Federal Reserve Bank of Dallas experienced an active year of operations in 1983. The Dallas Fed, along with its three branches, processed almost one billion checks with an associated dollar value of over \$630 billion. Of these, over 900 million checks processed were commercial checks with a dollar value of almost \$600 billion.

Automated clearinghouse operations continued to be affected by the rapid growth experienced over the past several years. Commercial ACH items processed by the Dallas Fed increased approximately 47 percent from 1982 to 1983, growing from 9.5 million items to approximately 14 million items. The dollar amount associated with commercial ACH items increased 97 percent, growing from \$36.2 billion in 1982 to \$71.3 billion in 1983. In addition, the Dallas Fed processed over 18 million U.S. Government ACH items with an associated dollar value of \$9.4 billion. In the wire transfer of funds area, close to five million items were handled during the year, with a dollar value of \$6.5

trillion.

The offices of the Dallas Federal Reserve received and counted over 630 million pieces of currency and 1.2 billion pieces of coin during 1983.

Loans to financial institutions increased to 978 from 667 processed in 1982, and the dollar amount associated with those loans increased from \$10 billion to \$76 billion.

Computerized Cash Order System Installed

A new method for placing cash orders is being offered by the Federal Reserve Bank of Dallas. An electronic system for receiving cash orders and early credit information from financial institutions was installed in February. The new system, known as ORDERRECORDER, is a supplement to the RESPONSE communications network introduced by the Bank in 1982. The system uses a touchtone-activated, voice response personal computer.

No computer terminals are necessary to access the

ORDERRECORDER system. Financial institutions need only touchtone telephone equipment and a minimum of instructions. If an institution has rotary dial telephones and a system capable of transferring a touchtone signal through its lines, an adapter may be purchased for \$30 which will emit the required touchtone signal.

Financial institutions wishing to learn more about the ORDERRECORDER system should contact the Cash Department at the Dallas Fed for information and a training guide.

THE EMINENT M

More than a letter of the alphabet, it is watched continuously by economists, investors and analysts. But this illustrious letter also represents a major function of the Federal Reserve System.

For most of us, it represents the thirteenth letter of the alphabet. For those who follow the Fed and monetary policy, however, "M" is also the symbol of the nation's money supply.

Each nation has its own money supply, and in the United States it is the responsibility of the Federal Reserve

System to monitor that supply and see to it that its long-run growth is conducive to achieving low unemployment, price stability and moderate interest rates. Members of the Federal Open Market Committee—the arm of the Federal Reserve with responsibility for setting money supply target ranges—study the level of funds available for use. These funds, together with the number of times funds change hands (velocity), are what help determine prices (the level of inflation) and the expansion of economic activity.

The money supply has been broken down into three Ms which also are known as monetary aggregates. M1 is the narrowest measure of the money supply. Basically, it is currency and coin in the hands of the public plus accounts that are used primarily for check writing purposes. M2 is comprised of M1 plus funds in savings accounts and small time deposit accounts, including the new money market deposit accounts (MMDAs) held by financial institutions and money market mutual funds (MMMFs) held by organizations such as Merrill Lynch and Sears Roebuck and Co. M3 is the broadest measure of the money supply. It includes the funds in M1 and M2 and adds other assets such as Eurodollars held by U.S. residents, large time deposits (\$100,000 or more) and repurchase agreements (see box).

When Federal Reserve Chairman Paul Volcker testifies before Congress on the money supply as he did February 7 (see front page article), a great deal of attention is focused on the target ranges the Federal Open Market Committee announces for growth in each of the Ms. In all cases, the ranges established for 1984 were reduced from those set in 1983. The range for M1 was reduced to 4 to 8 percent from the 5 to 9 percent range

established in 1983. Ranges for M2 and M3 also were reduced. The ranges for M2 and M3 each were set at 6 to 9 percent—down from 7 to 10 percent and 6.5 to 9.5 percent respectively. In his testimony, Volcker stated that these target ranges remain consistent with a policy of slowly reducing the ranges over time to contain inflation, and yet they allow sufficient leeway for continued economic expansion.

The Fed considers a number of factors when it defines the monetary aggregates. But what ultimately matters is how the public uses the different forms of money. For example, depositors can write checks on their MMDAs or their MMMFs. However, most people use these types of accounts primarily for savings and only secondarily for transactions. Therefore, the Fed has placed these accounts in M2 along with savings and time deposit accounts because they also are used primarily as savings accounts. On the other hand, deposits in NOW, super NOW and automatic transfer accounts are included in M1 because they mainly are used as transaction accounts even though they pay interest to the holder and depositors also use them for savings.

Money Supply Components

M1 consists of currency and coin in the hands of the public, travelers checks, demand deposits (balances in checking accounts), balances in NOW and super NOW accounts, balances in automatic transfer service (ATS) accounts, and balances in credit union share draft accounts.

M2 consists of M1 plus savings and small time deposits (less than \$100,000) at financial institutions (including MMDAs), overnight repurchase agreements at commercial banks, certain Eurodollar deposits, and shares in money market mutual funds held primarily by households and small businesses.

M3 consists of M1, M2, and adds large time deposits (\$100,000 or more) at financial institutions, repurchase agreements with maturities longer than one day at commercial banks and savings and loan associations, and shares in money market mutual funds which are held by large financial institutions and corporations.

Directors Chosen to Serve Branch Boards

The Federal Reserve Bank of Dallas has announced appointments to its branch boards of directors for 1984.

Mary Carmen Saucedo, associate superintendent of the Central Area Office of the El Paso Independent School District, has been elected chairman of the board of directors for the El Paso Branch. John Sibley, manager and part-owner of the Triangle Ranch in Carlsbad, New Mexico, has been elected chairman pro tem. Sibley is a new appointee to the El Paso board. Peyton Yates, president of Yates Petroleum in Artesia, New Mexico, has been appointed a director, and David L. Stone, president of Portales National Bank in Portales, New Mexico, has been reappointed to the board. Other directors of the El Paso Branch are: Stanley J. Jarmiolowski, chairman of the board and chief executive officer, InterFirst Bank El Paso; Ernest M. Schur, chairman of the executive committee, InterFirst Bank Odessa; and

Gerald W. Thomas, president, New Mexico State University in Las Cruces.

Paul N. Howell, chairman of the board of Howell Corporation in Houston, has been elected chairman of the board of directors for the Houston Branch. Howell also was reappointed a director. George V. Smith, Sr., president of Smith Companies, Inc., in Houston, has been elected chairman pro tem. Marcella D. Perry, president and managing officer of Heights Savings Association in Houston, has been appointed a director. Other directors of the Houston Branch are: Ralph E. David, chairman of the board and chief executive officer, First Freeport National Bank; Thomas B. McDade, vice chairman, Texas Commerce Bancshares, Inc.; Robert T. Sakowitz, chairman of the board and president, Sakowitz, Inc.; and Will E. Wilson, chairman of the board of the executive committee, First City Bank of Beaumont.

Lawrence L. Crum, professor of banking and finance at The University of Texas at Austin, has been elected chairman of the board of the San Antonio Branch. Crum also was reappointed a director. Robert F. McDermott, chairman of the board and president of the United Services Automobile Association in San Antonio, has been elected chairman pro tem. In addition, C. Ivan Wilson, chairman of the board and chief executive officer of First City Bank of Corpus Christi, has been appointed a director. Other directors of the San Antonio Branch are: Joe D. Barbee, president and chief executive officer, Barbee-Neuhaus Implement Company in Weslaco; George Brannies, chairman of the board and president, The Mason National Bank; Charles E. Cheever, Jr., chairman of the board, Broadway National Bank in San Antonio; and Carlos A. Zuniga, Laredo Freight Services, Inc.



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