Voice

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El Paso · Houston · San Antonio

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Farmers and Consumers: Conflict Ahead?

By Don A. Riffe

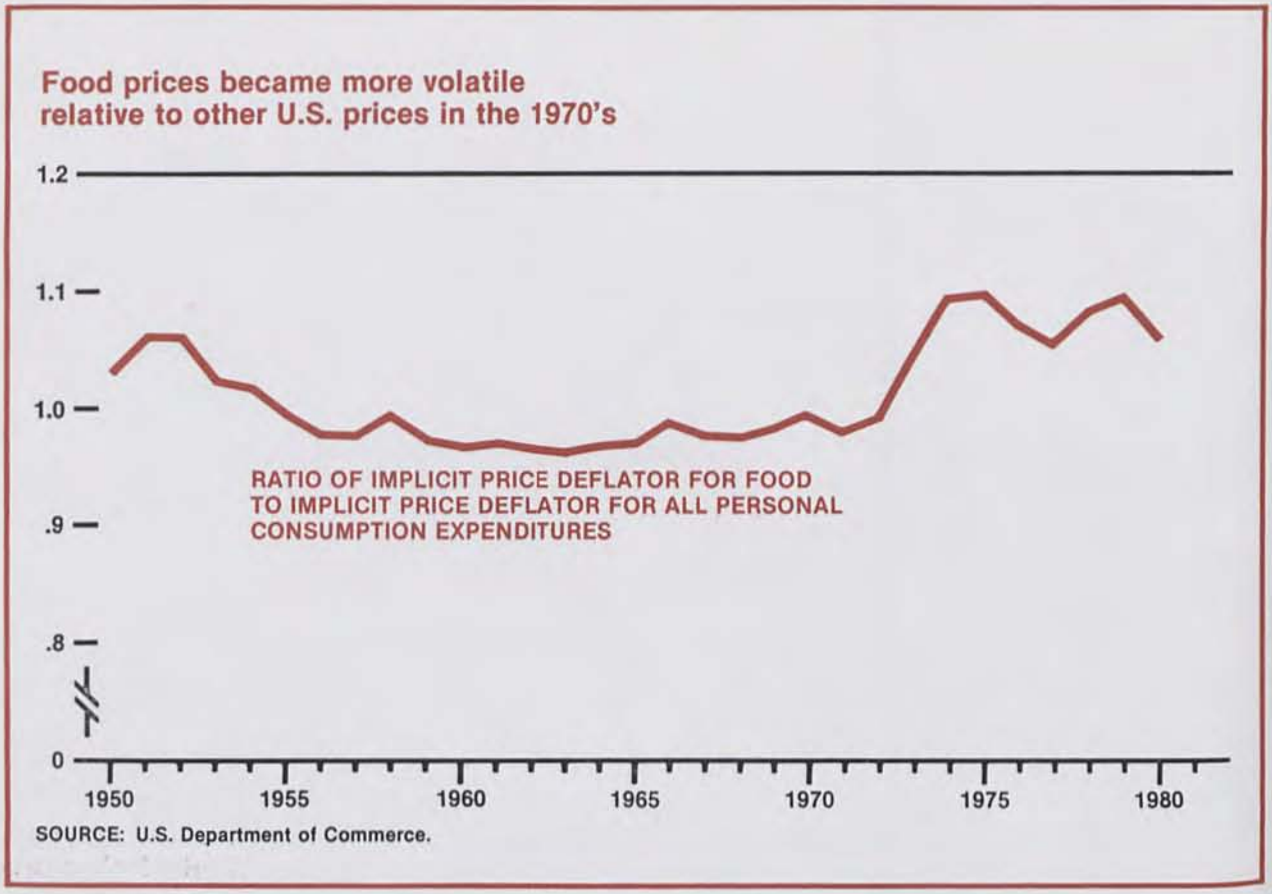
The early 1970's were a time of extraordinary occurrences in markets for food and agricultural products. A series of national and international events combined to produce a sharp rise in domestic food prices during 1973-74—the sharpest rise since World War II. These years were also a time of historic conflict between farmer and consumer interests. As had often been done for farmers, an attempt was made to insulate domestic consumers from world market conditions. Unfortunately, the resulting price and export controls were costly to farmers and not especially beneficial to consumers. But the period did mark an increased participation by consumers in policy decisions affecting agriculture.

Although consumers have continued to exert a greater influence upon food and agricultural policy decisions, a moderation in the rise of food prices relative to the prices of other goods has lessened the attention focused on food since the middle 1970's. The share of disposable personal income spent on food has resumed its downward trend in the United States. However, the U.S. Department of Agriculture (USDA) has identified some emerging trends that may increase the probability that the world food balance will again tighten suddenly and significantly before the end of the 1980's. If this should occur, food prices will again be the focus of national attention. A brief look at the past may hold some lessons for the future.

Looking back: Caught by surprise . . .

In late 1971, abundant U.S. and world grain stocks led to declining prices for corn and wheat and to pressure for increased acreage diversion in the United States. Diverted acreage was increased from 37.6 million acres in 1971 to 62.1 million in 1972. No one could foresee that world output of wheat and coarse grains would drop 3 percent in 1972 or that the Soviet Union and the People's Republic of China would begin to respond to food shortages by importing. World production declined significantly and demand for grain increased as 62.1 million acres sat idle in the United States.

A devaluation of the dollar in February 1973 made U.S. commodities even more attractive to foreign buyers, and export volume grew rapidly. Food prices, as measured by the consumer price index, were rising at double-digit annual rates by 1973 for the first time since 1951. More important, food prices outpaced incomes enough to cause a decline in the living standards of some domestic consumers.



. . . consumers and farmers found themselves at odds

The food price inflation gave a boost to the emerging consumer movement, which became a force to be reckoned with politically. Many of the control measures on food in 1973 appear to have been in reaction to public pressure to "do something" about rising prices.[1] Public support for the controls, along with organized meat boycotts and accusations about food quality, was understandably offensive to farmers and placed farmers squarely opposite consumers in political debate.

Food became a major target in the later stages of the Economic Stabilization Program undertaken during 1971-74. Although there was genuine concern about the inflationary effect that rising food prices would have on other sectors of the economy (through wage escalations based on the consumer price index), public opinion had a great deal of influence upon the handling of price and export controls on food and agricultural products. This was largely because of pressure from the growing consumer movement, the visibility of food prices, and the apparent perception by the controllers that the success or failure of the entire program would be judged by the behavior of food prices.[2]

A general freeze on prices in all sectors of the economy in mid-1973 was short-lived but particularly disruptive for the food and agricultural sector. Prices of commodities at the farm level, although technically exempt from control, were affected because no "pass-through" of rising costs was allowed at retail. The timing of the freeze was poor with respect to seasonal price pressures for some commodities, and price ceilings on meats resulted in a serious misallocation of resources. It has been suggested that the price freeze in mid-1973 had the overall effect of increasing food price inflation in

1. Kenneth J. Fedor and Reginald J. Brown, "The Design and Implementation of Food Price Regulations," and John T. Dunlop, "Lessons of Food Controls, 1971-1974," both in *The Lessons of Wage and Price Controls—The Food Sector*, ed. John T. Dunlop and Kenneth J. Fedor (Cambridge: Harvard University Press, 1977).

2. Dunlop, "Lessons of Food Controls."

The importance of food expenditures to U.S. consumers . . .

TABLE 1. Food-Income Ratios, by Income Group

Data source	Period	Family or household income groups[1] 1	2	3	4	5
		Food expenditures as percent of total income				
Consumer Expenditure Survey (CES)	1960-61	34	26	22	20	17
	1972-73	34	21	16	14	10
Nationwide Food Consumption Survey (NFCS)[2] . . .	1977-78	50	32	25	20	14
Special USDA survey[3]	1979	35	22	16	15	10

1. Income groups represent equal fifths of survey populations and are ranked from lowest to highest, with Group 1 having the lowest income.
2. NFCS includes more than food expenditures. A value was placed on all food consumed, whether purchased, produced at home, or obtained otherwise.
3. Survey covered only 2,000 households and may not be as reliable as the CES or the NFCS because of underrepresentation of highest and lowest income groups.

SOURCE: U.S. Department of Agriculture.

1974.[3] Export controls during the same period, primarily on oilseeds and related products, provided some benefits to consumers, but these benefits must be weighed against the costs of lower prices to farmers and the damage to international relations that resulted from breaking contracts with U.S. trading partners.

It is important to note that while agricultural forecasting error was a problem in 1973, the potentially negative effects of the controls were not unknown and some measures were implemented against the advice of economic advisers. In the end, supply disruptions in the food sector contributed to a reversal of public attitudes toward controls and a dismantling of the Economic Stabilization Program.

Importance of food a source of political pressure

The political pressure to do something about food prices was obviously a factor in the imposition of controls on food and agricultural products in 1973. With total food expenditures accounting for only about one-sixth of disposable personal income in the United States in 1973 (down from about one-fourth in the early 1950's), the strength of consumer pressure to get tough on food prices might seem puzzling. Indeed, farmers found it so, and their representatives emphasized the relatively low level of the food-income ratio in debates of food-related issues during the 1970's. However, as Blakley has pointed out, the commonly used aggregate food-income ratio is somewhat misleading, and emphasizing it may have damaged the public relations of agriculture.[4]

The food-income ratio is a ratio of national aggregates and does not necessarily describe the importance of food to a majority of consumers. While all such measurements are somewhat imprecise, it is possible to compute measures of the importance of food to "typical" consumers that are representative of various segments of the population.

Two important sources of information on consumer food expenditures are the Consumer Expenditure Survey by the U.S. Bureau of Labor Statistics and the USDA's Nationwide Food Consumption Survey. Unfortunately, these surveys have been conducted only intermittently.[5] Information for a smaller number of households is available from a special USDA survey conducted in 1979. For each of these surveys, the respondents have been divided into five equal groups according to income, and the food-income ratio has been calculated for each group (Table 1).

The survey data provide some clues about the distribution of consumers by share of income spent on food. The Consumer Expenditure Survey data are probably the most reliable and show that roughly 60 percent of all families surveyed spent

3. Albert Eckstein and Dale Heien, "The 1973 Food Price Inflation," *American Journal of Agricultural Economics*, May 1978.

4. Leo V. Blakley, "Domestic Food Costs," *American Journal of Agricultural Economics*, December 1974.

5. A continuing, quarterly Consumer Expenditure Survey is under way, but results will not be forthcoming until 1982.

. . . will likely affect the intensity of consumer participation in future farm and food policy debates

TABLE 2. Estimated Shares of Income Spent on Food by Representative Families, by Income Group

Year	Family income groups[1] 1	2	3	4	5	All U.S. families
	Food expenditures as percent of mean income					
1960 . . .	58	25	26	21	15	25
1965 . . .	46	22	22	18	13	21
1970 . . .	41	20	19	15	11	17
1975 . . .	47	23	20	16	12	18
1978 . . .	42	20	18	14	10	16

1. Income groups represent equal fifths of the number of families and are ranked from lowest to highest, with Group 1 having the lowest total income.

NOTE: Annual food costs for representative families were estimated using the USDA's food plans for meals at home. The low-cost plan was used for Groups 1 and 2, the moderate-cost plan for Groups 3 and 4, and the liberal plan for Group 5. An adjustment was made for differences in average family size across income groups. The moderate-cost plan was used for the aggregate group.

SOURCES: U.S. Department of Agriculture.
U.S. Department of Commerce.
Federal Reserve Bank of Dallas.

more of their income for food than is indicated by the aggregate ratios of 20 percent in 1960-61 and 15 percent in 1972-73.

Another perspective may be gained by tracking the share of income that would maintain a representative diet for the "average" family within various income groups (Table 2). The USDA family food budgets provide estimates of the cost of food at home for three meal plans—low-cost, moderate-cost, and liberal—making it possible to estimate annual food costs for a hypothetical family and allow for variations in diets as incomes rise. For each income group, one of the USDA family budgets was used to estimate representative annual food costs for a family having the mean income of the group.

In 1978, a family in the lowest income group with the mean income of that group would have spent about 42 percent of its total income on food by following the low-cost USDA food plan. A family with the mean income of the highest income group would have spent only about 10 percent of its total income on the liberal food plan.

The data suggest that about 40 percent of all families spend considerably more of their incomes on food than a single aggregate food-income ratio would indicate.[6] Rapidly rising food prices would be more likely to have a noticeable effect on the standards of living of these families than for the higher-income groups simply because food is a much larger budgetary item and less unallocated income is available to cushion the impact.

While many factors, including the visibility of food prices and the tendency of the public to view them as a barometer of inflation, may affect the public's sense of urgency to do something about food prices, the importance of food expenditures to a large number of consumers should not be discounted. If increases in food prices should again significantly outpace increases in incomes, less emphasis on the aggregate food-income ratio would seem appropriate.

Looking ahead: Could we be surprised again?

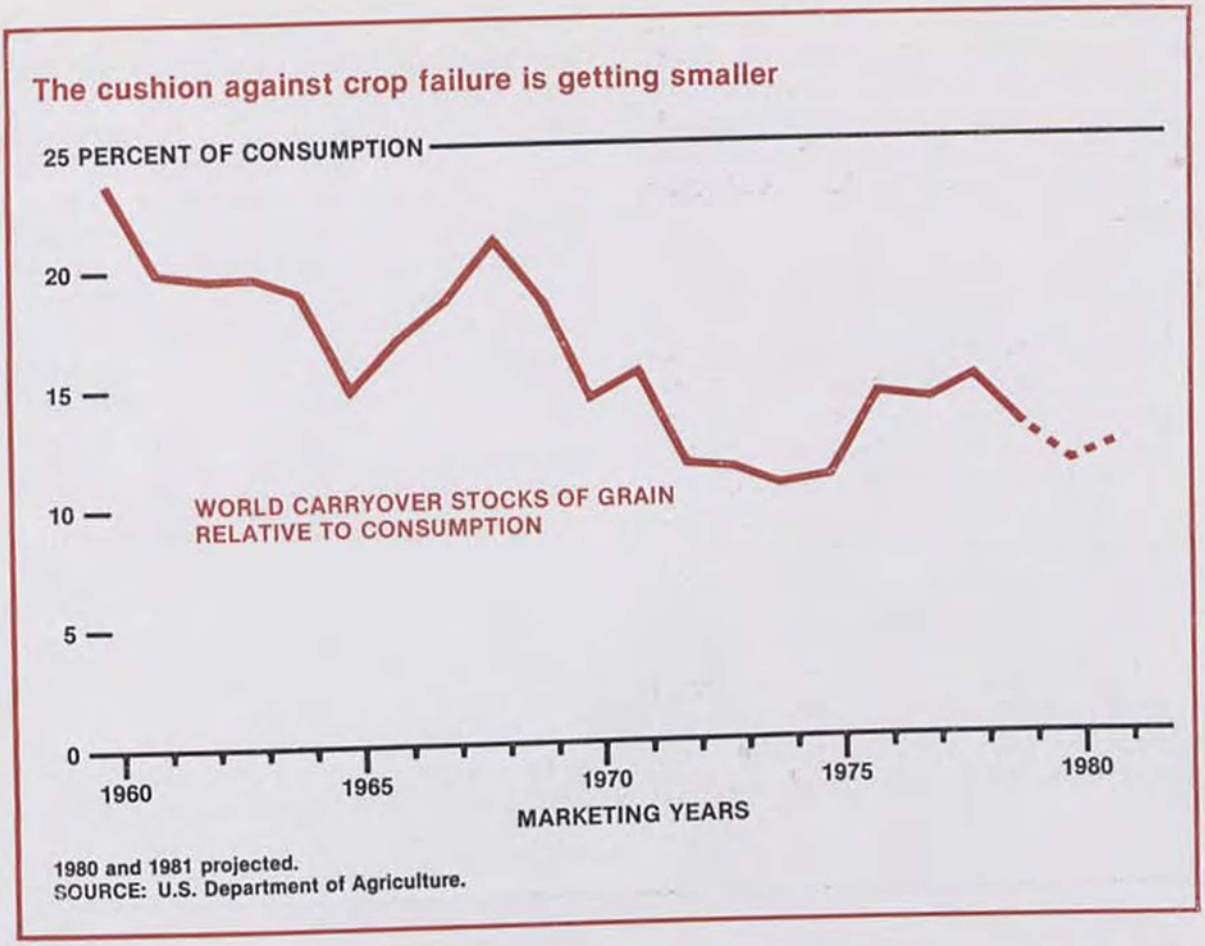
The Department of Agriculture expects global demand for agricultural products to expand at or near record rates in the years ahead as growth in global production slows to about three-fourths of the average postwar rate. If this forecast is correct, the world supply-demand balance will become increasingly tenuous, and the rest of the world could be importing 15 percent of its agricultural supplies from the United States by 1985. That compares with 2 percent in the early 1950's and 11 percent in the late 1970's.[7]

The projection of a noticeably tighter world food balance as the decade progresses is based largely on the assumption that income-related shifts in diets will be rapid in a group of middle-income developing countries. The group includes the oil-exporting nations and a few high-growth oil-importing countries, such as Ghana, Korea, Malaysia, and Taiwan. Rising incomes in this group of countries, which have a combined population of about 600 million, are expected to increase both the quantity of food demanded and the proportion of livestock products in the mix of foods consumed.

Another important factor is that, according to the USDA, many countries will be nearing what some consider absolute production constraints

6. The impact of food assistance programs is not taken into account but would ease the burden on some low-income consumers.

7. The scenario presented here draws heavily on a paper by O'Brien. See Patrick M. O'Brien, "Global Prospects for Agriculture," *Agricultural-Food Policy Review: Perspectives for the 1980's*, no. AFPR-4, U.S. Department of Agriculture, Economics and Statistics Service (Washington, D.C., April 1981).



within the next five years. Reserves of readily available fertile land have almost been depleted in developed and centrally planned countries. The same is true for some developing countries, especially in Asia, North Africa, and the Middle East. Expansion in the resources committed to agriculture by developing countries is expected to be slower than in the 1960's and 1970's as it becomes more difficult and costly to increase the cropland base. In addition, because of poor management and conservation practices, some developing countries will have difficulty maintaining productivity on lands already in use.

Accelerated adoption of existing technologies could possibly increase world agricultural productivity growth substantially in the 1980's, but adoption of technology tends to be a relatively slow process and accelerated adoption would likely require substantial economic incentives. Aggravating the situation is the fact that such key inputs as fertilizers, pesticides, and fuels are energy-based and will make productivity gains expensive to attain. Major new technological breakthroughs are possible but do not appear imminent and would also likely have substantial lead times from discovery to widespread adoption.

It is anticipated that more land, whether well suited or not, will have to be brought into cultivation around the world in the 1980's. As more land of marginal productive capacity is added to the world's cropland base, the overall vulnerability of crops to weather will increase. By 1985, it is expected that 30 percent of the land under cultivation in the world will be semiarid and rainfall-dependent, compared with less than 20 percent in the 1960's.

Wider swings in world production could have an increasingly destabilizing effect in the United States as exports gradually become a larger component of total agricultural sales. Currently, the production from about 1 out of every $3^1/_2$ acres in this country is sold abroad, compared with about 1 out of every 5 acres a decade ago.

The tight global supply-demand scenario suggested here is not the only plausible one and must be viewed with caution. However, if world demand does tend to grow significantly faster than world output, the impact of erratic, weather-related swings in output will be magnified as world grain stocks are drawn down. The resulting surges in export demand for U.S. farm products could have a sizable impact on domestic food and farm product prices.

Conclusion

After being surprised by a strong surge in export demand for farm products in the early 1970's, the U.S. Government experimented with price and export controls on food and agricultural products. The controls were of an *ad hoc* nature, were largely ineffective in curbing inflation, and had some undesirable side effects. That is not to say that some form of controls could not have worked more effectively, but the experience of the early 1970's illustrates the potential for political conflict over food prices and the difficulty of formulating and implementing policies during such a conflict.

Although current farm and food policies have been designed with the experience of the early 1970's in mind, there is great uncertainty about how the United States would deal with a dramatic rise in domestic food prices that was induced by conditions in other parts of the world. Increased use of bilateral trade agreements and reliance on a farmer-owned reserve may not be enough to insulate domestic consumers from the price effects of large swings in world output.

In the event of another major burst of food price inflation, there would undoubtedly be public pressure to "do something," and as Paarlberg has pointed out, the passage of time will dim the memory of difficulties experienced with controls in the early 1970's.[8] While such a large surge in demand might never occur again, the risk appears sufficiently great to make it worthwhile for farmers and consumers to debate and enact policies for dealing with a more volatile world food balance in advance of a potentially destabilizing surge in export demand.

8. Don Paarlberg, *Farm and Food Policy: Issues of the 1980s* (Lincoln: University of Nebraska Press, 1980), p. 70.

“Fed Quotes”

Brief Excerpts from Recent Federal Reserve Speeches, Statements, Publications, Etc.

“**Why are interest rates so high?** The proximate reason is that demands for money and credit have been strong at a time when the Federal Reserve has been trying to limit money growth in the interests of bringing inflation down. But the more fundamental reason is that inflation accelerated so much from the early 1960s until just recently, with periodic bursts into the double-digit range. Inflation permits borrowers to pay off loans with shrunken dollars. Since both debtors and creditors now understand this clearly, lenders require—and borrowers are forced to pay—an 'inflation premium' that compensates for the erosion of purchasing power. Furthermore, since the rate of inflation has been not only high but also volatile, lenders appear to be requiring a risk premium to protect against capital losses in the event of yet another upward wrench to inflation and interest rates.

“Still another reason why interest rates have had to rise to such high levels to ration a limited supply of funds is that some kinds of credit demands do not respond much to interest rates. The demands of the Treasury to finance huge deficits is the clearest case in point. Some private demands may also be rather insensitive to interest rates—for example, those of defense contractors, or high technology industries, or firms investing to comply with governmental regulations. The burden of adjustment, therefore, is shifted to others.

“Pumping up the money supply is *not* the way to bring interest rates down. The experience of the past 15 years indicates that faster creation of money can bring only a temporary respite to interest rates. Time and again, when monetary policy eased in the face of gathering financial strains or economic slack, the additional money created and the temporarily lower interest rates ultimately served to fuel inflation. Expansive fiscal policies added to the problem. Expectations therefore deepened that government action would never be adequate or sustained long enough to get the job done. One by-product of such attitudes is that financial market participants have become so sensitive that faster money growth may not lower interest rates even in the short run. For example, on Friday a week ago, the weekly release of monetary data indicated a $7 billion rise in the money supply; interest rates immediately *rose* substantially, on the expectation that inflation-driven demands for money and credit would collide with Federal Reserve efforts to contain them.

“In the long run, the only way to reduce interest rates is to reduce inflation. That is what the Federal Reserve is trying to do, by reducing the growth of money.”

Lyle E. Gramley, Member, Board of Governors of the Federal Reserve System (Before the U.S. Senate Forum, July 27, 1981)

"The essential point about U.S. economic policies—monetary, fiscal, and others—is our commitment to reducing inflation. Most of the foreign leaders with whom I have talked readily agree that it is in their countries' fundamental interest, as well as ours, that the United States make significant progress against inflation. Because of the dollar's role in world financial markets and because of the U.S. prominence in the world economy, a necessary condition for the restoration of stability in currency markets and for the resumption of sustained, worldwide economic growth is the restoration of greater price stability in the United States.

"Obviously, they, as we, would like to see lower and more stable U.S. interest rates and less variation in exchange rates. Everyone would agree that reduced inflation and a clear sense of movement toward price stability must be the basis for maintaining such stability over time. Against that background, international discussions raise questions of means, not ends.

"As you know, Federal Reserve monetary policy has been directed at restraint in the rate of growth of the monetary aggregates. Some observers—and they are not confined to those outside our borders—believe we are following a policy deliberately directed at achieving high interest rates and dollar appreciation. Such views are mistaken; the Federal Reserve has neither an interest rate nor an exchange rate objective. We do take the view that persistent restraint in the growth rates of the monetary aggregates is necessary to ensure lower inflation—and therefore lower interest rates—over time. I find no disposition among my colleagues abroad to question that necessity."

Paul A. Volcker, Chairman, Board of Governors of the Federal Reserve System (Before the Joint Economic Committee of the U.S. Congress, July 16, 1981)

"I have often emphasized that money supply data—like many other financial and economic data—have some inherent instability in the short run. The trend over time is what counts, both as a measure of monetary policy and in terms of economic effect. For some months in the latter part of 1980, as you will recall, the rise in M1 was relatively rapid. Against that background the sluggish growth during most of the first half of 1981 was welcomed as a desirable offset by the FOMC [Federal Open Market Committee], confirming the trend toward a lower rate of growth over time. At the same time, we have been conscious of the relative strength of M2 and M3. Those measures include money market funds, short-term repurchase agreements, and certain U.S.-held Eurodollars, which to a greater or lesser degree can serve as substitutes for M1 balances. With those components growing relatively rapidly, our experience this year, to my mind, reinforces the need to take account of all available information in assessing the significance of short-term movements in the monetary aggregates and judging our policy posture.

"More fundamentally, recent experience also confirms that *demands* for money and credit growing out of an expanding *and* inflating economy, pressing against a restrained supply, will be reflected in strong pressures on interest rates and credit markets—pressures that in turn restrain the growth in business activity. Some important sectors of the economy are relatively impervious for one reason or another to direct financial restraint—energy, high technology, many services, and defense. Those sectors have been strong, sustaining forces in the economy generally, and particularly in some geographic areas. The brunt of the restraint falls on other credit-dependent sectors, and, as the dollar has sharply appreciated, increasingly on exporters faced with a less favorable competitive position. Should interest rates decline in response to weakness in the economy, many of those sectors would likely, and rather promptly, rebound."

Paul A. Volcker, Chairman, Board of Governors of the Federal Reserve System (Before the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, July 21, 1981)

New Member Banks

National Bank of Commerce–South, Austin, Texas, a newly organized institution located in the territory served by the San Antonio Branch of the Federal Reserve Bank of Dallas, opened for business August 12, 1981, as a member of the Federal Reserve System. The new member bank opened with capital of $750,000 and surplus of $750,000. The officers are: Gene D. Wyatt, Chairman of the Board; John C. Hambrick, President and Chief Executive Officer; and Joyce E. Kimbro, Assistant Vice President and Cashier.

Chisholm National Bank, Plano, Texas, a newly organized institution located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, opened for business August 14, 1981, as a member of the Federal Reserve System. The new member bank opened with capital of $1,250,000 and surplus of $1,250,000. The officers are: Dixon H. Holland, Chairman of the Board, President, and Chief Executive Officer; Jerry G. Cox, Vice President and Cashier; and R. L. Macon, Assistant Vice President.

Westside National Bank, Houston, Texas, a newly organized institution located in the territory served by the Houston Branch of the Federal Reserve Bank of Dallas, opened for business August 25, 1981, as a member of the Federal Reserve System. The new member bank opened with capital of $1,581,250 and surplus of $1,581,250. The officers are: H. Fred Haemisegger, Chairman of the Board; C. Mark Aderman, President; Richard Heath, Vice President and Cashier; and Michael Brown, Vice President.

New Nonmember Bank

First Western Bank, Houston, Texas, a newly organized nonmember bank located in the territory served by the Houston Branch of the Federal Reserve Bank of Dallas, opened for business August 17, 1981.

Regulatory Briefs and Announcements

Dallas Reserve Bank Amends Guidelines for Transfers of Funds

The Federal Reserve Bank of Dallas has revised Bulletin 6, which establishes operating guidelines for wire transfers of funds, and has made related changes in Bulletins 6A and 6B.

One amendment to Bulletin 6 defines and clarifies the term "transfer request." A transfer request refers to a transfer of funds initiated by telephone and differs from a "request for payment."

A new paragraph has been added regarding handling of "requests for payment" by the Reserve Bank. The paragraph indicates that the Bank handles a request for payment, or a negative response, involving only on-line institutions. It also notes that a request for payment will impose no obligation on the receiving institution to transfer the funds or even to acknowledge the request. In regard to requests for payment, it is stressed that the closing hour for such requests is two hours earlier than the closing hour for wire transfers. In addition, each request for payment will incur a charge of 80 cents; however, a negative response will incur no charge. A transfer of funds in response to a transfer request will also cost 80 cents.

Another amendment states that telephone advice of credit for settlement transfers is not given unless the transferee has made a standing order for immediate notification of all transfers.

A new paragraph has also been added to indicate that the Bank handles service messages involving questions and corrections regarding previously sent or received transfers of funds.

Questions about these changes may be directed to Bob Boyanton, (214) 651-6100, or Allan Neale, (214) 651-6334, at the Dallas Office; Ralph Olivas or Javier Jimenez, (915) 544-4730, El Paso Branch; Jan Williams or Rodney Franklin, (713) 659-4433, Houston Branch; and Dorothy Jasso or Rene Gonzales, (512) 224-2141, San Antonio Branch.

Board Sets New Borrowing Rate for Extended Credit

The Federal Reserve Board has established a new borrowing rate for extended credit to banks and thrift institutions under sustained liquidity pressures.

The new discount rate will be the basic rate of 14 percent for the first 60 days of borrowing, 15 percent for the next 90 days, and 16 percent thereafter. The basic discount rate of 14 percent and the 4-percent surcharge that applies to large, frequent borrowers of short-term adjustment credit were not affected by this action.

The extended credit program is available to commercial banks and thrift institutions alike, including member institutions of the Federal Home Loan Bank System.

Regulation C: Board Adopts Revised Version

The Board of Governors of the Federal Reserve System has revised and simplified Regulation C, which implements the Home Mortgage Disclosure Act. The act requires financial institutions in standard metropolitan statistical areas (SMSAs) to disclose publicly the location of their residential mortgage loans. Institutions with more than $10 million in assets are covered.

The revised version of Regulation C implements certain amendments to the act that were made by the Congress. In addition, the Board has also revised the regulation—in keeping with the Board's Regulatory Improvement Project—to simplify the language and substance of Regulation C, to focus disclosure requirements on those that are most useful and that can be provided at reasonable cost, and to make the regulation more concise. The revised regulation is nearly a third shorter than the original version.

The principal revisions of Regulation C follow:

- Requirement that depository institutions report the location of property on which they make mortgage or home improvement loans, and related data, to their primary Federal regulators. The data will be forwarded to the Federal Reserve for compilation and aggregation.
- Requirement that covered institutions, effective September 30, 1981, display a notice in the lobby that information about the institution's mortgage lending is available.
- Permitting the use of either 1970 or 1980 census tracts as a basis for reporting, pending full availability of 1980 census tract maps from the Census Bureau.
- Permitting most institutions that have been exempt (on grounds of size or location) but which lose their exemption to begin compiling data for the year *following* the year in which the exemption is lost (rather than for the year preceding the loss).
- Requirement of disclosures of conventional loans and of FHA, FmHA (Farmers Home Administration), and VA loans but *not* (as previously required) the sum of the conventional and other types of loans.
- Avoidance of duplicate reporting of loans by a branch and a head office of a lending institution located in the same SMSA.
- Limitation of reports by branch offices to data on loans made on property in the SMSA where the branch is located.

Regulation Q: Effective Date Announced for New Interpretation on NOW Account Eligibility

The Board of Governors of the Federal Reserve System has set September 16, 1981, as the effective date of an interpretation of Regulation Q (Interest on Deposits) that clarifies which depositors are eligible to hold interest-bearing checking accounts at member banks.

The interpretation affects eligibility for negotiable order of withdrawal (NOW) accounts authorized nationwide by the Consumer Checking Account Equity Act of 1980. The Regulation Q interpretation permits the following depositors to establish NOW accounts at member banks:

- All individuals, including businesses operated as sole proprietorships. Only these individuals and sole proprietorships will continue to be eligible to hold automatic transfer service (ATS) accounts.
- Nonprofit organizations described in specified sections of the Internal Revenue Code.
- Governmental units, if the funds are in the name of or are used for the purposes of schools, colleges, universities, libraries, hospitals, or other medical or educational facilities.

NOW accounts that would no longer qualify under the revised eligibility standards and that were established before September 1, 1981, are permanently grandfathered.

Regulation Y: Amendments Limit Insurance Agency Activities of Bank Holding Companies

The Federal Reserve Board has amended its Regulation Y (Bank Holding Companies and Change in Bank Control) concerning the sale as agent of certain kinds of insurance. This action was required to conform the Board's regulation to court decisions.

The Board deleted the authority of bank holding companies to act as an agent for the sale of insurance sold as a matter of convenience to the public. In addition, the Board removed the authority under Section 4(c)(8) of the Bank Holding Company Act for bank holding companies to act as agent for the sale of insurance for themselves or for their subsidiaries. This latter activity was determined to be permissible under other provisions of the act.

Subject to approval of specific proposals, it remains permissible for bank holding companies to act as agent or broker for the sale of insurance (including property and casualty insurance) directly related to an extension of credit, or the provision of financial services, by a bank or a bank-related firm.

Now Available

Recently issued Federal Reserve circulars, speeches, statements to Congress, publications, etc., may be obtained by contacting the Department of Communications, Financial and Community Affairs, Federal Reserve Bank of Dallas, Station K, Dallas, Texas 75222, unless indicated otherwise. Requests for circulars should specify the circular numbers.

Circulars

Proposed Pricing Schedule for Cash Transportation. 14 pp. Circular No. 81-159 (August 4, 1981).

Regulation C [Home Mortgage Disclosure]: Revision and Simplification. 5 pp. Circular No. 81-162 (August 11, 1981).

Cash Services Survey. 1 p. Circular No. 81-163 (August 12, 1981).

Correction—Regulations G [Securities Credit by Persons Other Than Banks, Brokers, or Dealers], T [Credit by Brokers and Dealers], and U [Credit by Banks for the Purpose of Purchasing or Carrying Margin Stocks]: Proposed Amendments. 9 pp. Circular No. 81-164 (August 14, 1981).

Election of Directors—Nomination Procedures. 11 pp. Circular No. 81-166 (August 18, 1981).

Revisions to Bulletin 6—Wire Transfers of Funds; Bulletin 6A—Schedule of Time Limits; Bulletin 6B—Fee Schedule for Transfers of Funds Services. 10 pp. Circular No. 81-167 (August 18, 1981).

Cash Letters to Be Charged on Normal Banking Days. 2 pp. Circular No. 81-168 (August 24, 1981).

Regulation Y—Bank Holding Companies and Change in Bank Control Act (Proposed Rulemaking Relating to Data Processing and Electronic Funds Transfer Activities). 5 pp. Circular No. 81-170 (August 25, 1981).

Amendment to Regulation Q [Interest on Deposits]. 3 pp. Circular No. 81-171 (August 26, 1981).

Regulation K—International Banking Operations: Notice of Final Rulemaking Relating to Capital Requirements of Edge Corporations. 2 pp. Circular No. 81-172 (August 26, 1981).

Regulation Y—Bank Holding Companies and Change in Bank Control Act: Amendments and Interpretation (Insurance Agency Activities). 9 pp. Circular No. 81-173 (August 28, 1981.)

Reserve Requirements of Depository Institutions (Regulation D): Reminder of Change in Transitional Adjustment Percentage for Reserve Requirement Computations (Nonmember Depository Institutions). 1 p. Circular No. 81-176 (August 31, 1981).

Pamphlets, Brochures, and Reports

Give Yourself Credit! A Consumer's Guide to Credit Protection Laws. Produced by the Federal Reserve Bank of San Francisco. (Describes credit, creditworthiness, and the legal rights of borrowers in obtaining credit) 40 pp. June 1981.