

FEDERAL RESERVE BANK OF RICHMOND

MONTHLY REVIEW

Measuring Price Changes

Corporate Financing in the Sixties

A New Look At Counterfeiting



SEPTEMBER 1970

MEASURING PRICE CHANGES

Part One of a Three Part Series

INTRODUCTION

For the past five years, the dominant economic problem in the United States has been inflation. The accelerating intensity of this problem has brought increased attention to the indexes which are rough measures of its magnitude. Informed discussion of inflation and of policies directed at its control are predicated on the assumption that some reliable and appropriate means exists to measure changes in the general level of prices over time. Analysts and policymakers have thus watched every movement, however minute, of the major indexes for some indication of progress in the effort to bring inflation under control. Considerable importance is therefore placed upon the indexes in the determination of policy and in the evaluation of the effectiveness of policy.

This three-part article is an examination of price indexes. The first part contains a discussion of the recent behavior of prices as measured by the major indexes and the principal component indexes. It serves the preliminary purpose of setting the stage for a discussion of the indexes themselves by emphasizing the severity of the current inflation problem and illustrating the importance of a good measure of price changes. The second part, to appear in the next issue, is expository in nature. Its purpose will be to explain the meaning of a price index, to review the criteria which a good price index must meet, and to discuss the conceptual and statistical problems associated with the design and construction of price indexes. The final part, to appear two months hence, will be an analysis and criticism of the major price indexes in current use in the United States—the Consumer Price Index, the Wholesale Price Index, and the GNP Implicit Price Deflator. An examination of the methodologies used in the major indexes will be presented in the light of the criteria discussed in the second part in order to reveal the limitations as well as the appropriate interpretations of the indexes.

RECENT PRICE BEHAVIOR

Inflation was recently characterized by the Commissioner of Labor Statistics as a rise in prices which is both general and widely diffused.¹ Accompanying charts of the indexes indicate the generality of the price increases which have occurred in this country in recent years. They also show the acceleration which has taken place in the price rises in nearly all categories since about 1965. That year is most commonly thought of as the beginning of the current period of serious inflation.

It should be noted that this article is concerned not with the question of inflation specifically but with that of prices and price indexes. While price increases are symptomatic of inflation, a thorough analysis of the subject of inflation must cover a wide range of complex topics, including both demand and cost pressures and their interaction, monetary and fiscal policy, productivity factors, and the consequences of inflation, including its differential impact on various groups. Thus, the questions to be considered in this three-part article are limited to how much price increase there has been, and how it is measured.

The charts show annual figures for the indexes on a ratio scale which permits visual comparisons of percentage rates of change. The average annual rates of change in the indexes are shown as straight lines on the ratio scale. These average rates are given for the entire period, 1960 through 1969, and for the recent period, 1965 through 1969. No attempt is made in this part to comment upon the merits of the particular indexes under discussion. Attention is focused upon the implications of the movements in the indexes.

The figures shown on the charts are the published annual averages of the indexes, and the average annual rates of growth are based upon these averages. In comparing price changes which occur in a given

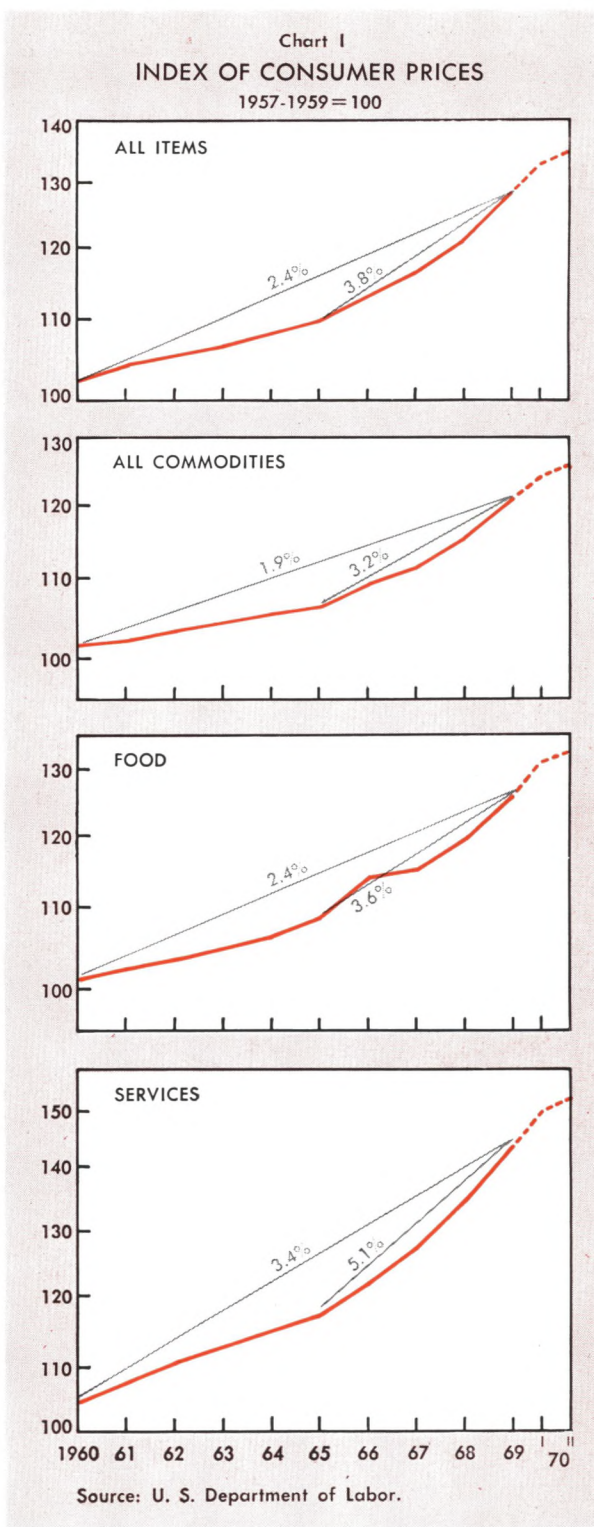
¹ Moore, Geoffrey H. *The Anatomy of Inflation*. U. S. Department of Labor, Bureau of Labor Statistics, Washington, D. C., 1970. (Report 373). p. 3.

year with those which occurred in the preceding year, it is often more meaningful to compare year-end to year-end changes. In a period of rapidly accelerating prices, the result could differ significantly between the two approaches, with the comparison of annual averages understating the true increase. But, in comparing price changes over a longer span of time, the difference is of less importance. It is likely, therefore, that growth rates shown for the 1965 through 1969 period are slightly lower than they would have been if year-end indexes had been used. One of the principal objectives of the charts, however, is to show the speed-up of price increases in the latter half of the decade, and that point is clearly illustrated with annual average indexes.

Consumer Prices Chart I shows values of the Consumer Price Index for all items and for the major categories, all commodities, food, and services. The chart shows a relatively modest increase in prices of consumer items over the first half of the decade, with services increasing at a faster pace than either of the other categories or the total.

The prices of all categories of consumer items began to increase more rapidly in 1965, with services again outpacing the other groups. This rapid advance in the services category reflects the pressure of demand resulting from the growing importance of services in the consumer's budget. The charts also reveal that if the 1970 figure were included in the calculation of the average change from 1965, the rates of growth would most likely be higher than the figures shown. Only the figures for the first two quarters of the year are available, however, and they indicate a continuation of the rapid advance through the first quarter with a slight tapering of the rate in the second quarter for all categories.

The Consumer Price Index is available in more detail than that shown in the charts. A further breakdown indicates that the rate of increase for the 1965 to 1969 period has been more pronounced in prices of nondurable items than in prices of durable consumer goods. This is true even if food, which has increased more than other nondurables, is excluded from the nondurable group. Increases have been relatively moderate in the durable consumer goods category. Prices of consumer services have been boosted substantially by increases in costs of medical care, public transportation, and numerous costs associated with home ownership, such as mort-



gage rates, repair services, etc. These sub-groups present a somewhat more complete picture of the current consumer price problem although they are still relatively broad in scope. A fully detailed dis-

cussion of movements in the 400 items comprising the Consumer Price Index is beyond the purpose of this article.

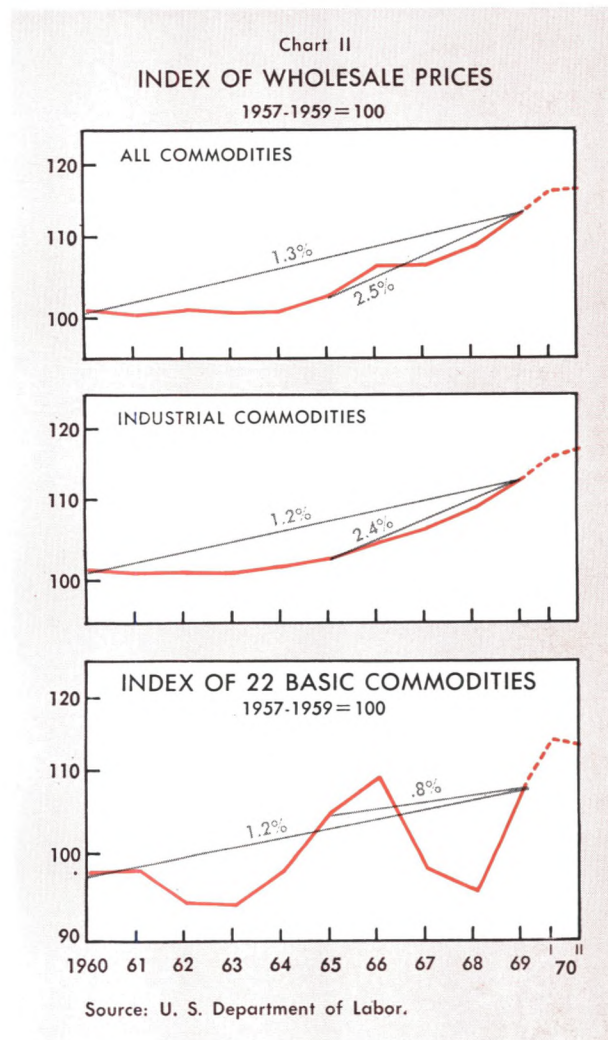
A geographic breakdown of the Consumer Price Index is also available. Some details of the geographic sampling procedures are discussed in the final part, but it is useful here to compare the indexes for certain locations with the U. S. average. For example, prices of all consumer items have risen more than the national average in Boston, New York, Philadelphia, Minneapolis-St. Paul, Washington, Kansas City, and San Francisco-Oakland. Numerous other cities for which the index is published are below the national average. There are 23 Standard Metropolitan Statistical Areas for which indexes are published as well as 33 other cities, some of which are SMSA's, from which samples are taken for use in determining the national indexes. While indexes for SMSA's cannot be used to compare costs of living among geographic areas directly, the recent movements of these indexes indicate that inflation has not exempted any area of the country. Indexes for all areas exhibit the kind of rapid price increase that has been typical of the U. S. aggregate for the last several years though there are significant differences among some of the cities in the rate of advance.

Wholesale Prices Chart II shows the Wholesale Price Index for all commodities, industrial commodities, and the 22 basic commodities which the Bureau of Labor Statistics classifies as among the most sensitive to changes in economic conditions. Movements in the Wholesale Price Index, which presently includes over 2,300 items, are generally believed to portend changes in prices of consumer goods, though the index differs considerably in design and coverage from the Consumer Price Index. Therefore, this index is one of those indicators most closely watched for evidence of progress in the effort to halt inflation.

Like consumer goods prices, wholesale prices were relatively stable during the first half of the decade of the 1960's, but began to advance rapidly in about 1965. Chart II indicates that this was true of all commodities and industrial commodities. Again, if 1970 figures are included in figuring the average annual rates of increase since 1965, the rates would be somewhat higher than the ones shown. It is clear, however, that the steep climb tapered noticeably in the second quarter of 1970.

Certain components of the Wholesale Price Index have historically tended to move quite erratically. This is particularly true of farm products where changes in supply conditions can affect prices significantly within relatively short time periods. Farm product prices, for example, averaged below their base period (1957 to 1959) levels throughout the 1960's, except for 1966, 1968, and 1969. The one category of items, aside from industrial commodities, which has caused the all commodities index to accelerate rapidly in recent years is processed foods and feeds, where increasing costs at the several stages of processing are reflected. Within this group, price increases on dairy products, processed fruits and vegetables, and cereals and bakery products have been the largest.

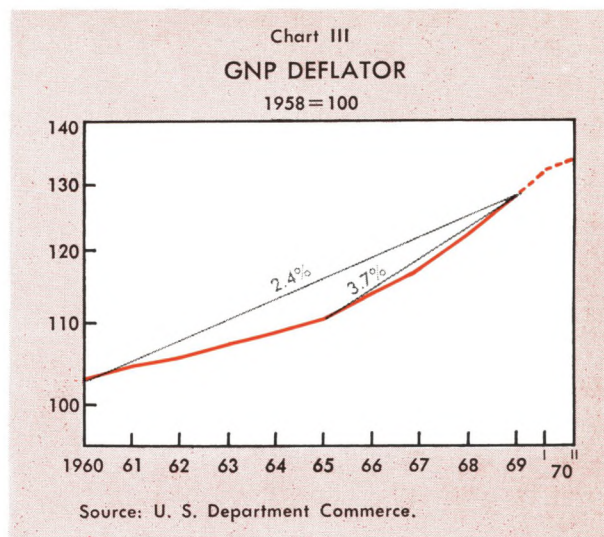
The industrial commodities component of the Wholesale Price Index has risen steadily since 1964,



following a three-year period of practically no change. The overall rise in this component has been paced by increases in such categories as lumber, machinery and equipment, leather products, metals, and minerals, while other important categories such as textiles, chemicals, fuels, and appliances have advanced with relative moderation. Of course, there are exceptions in both directions within each of these sub-categories, such as paint, in the chemicals group, which has advanced substantially, and electrical equipment, within the machinery and equipment group, which has risen in price only moderately. In other words, the incidence of the increase is obscured by looking only at the aggregative indexes. There are some questions concerning the sensitivity of the Wholesale Price Index to changes in price which will be discussed in the final part.

Initial inspection of the 22 basic commodities chart reveals a somewhat confused picture. This group consists of nine foodstuffs and 13 raw industrial commodities for which there are daily spot market prices on organized exchanges. The basic concept underlying this index emphasizes that the commodities included in it are close to the initial production stage so that their prices do not include the labor and capital costs or profit margins added in later stages of processing. Accordingly, price changes in these commodities should reflect fundamental changes in supply and demand conditions in given markets and should be among the earliest indications of changes that may be reflected later in the Wholesale Price Index and ultimately, in the Consumer Price Index.² Thus, this index is not a part of the Wholesale Price Index, although many of the items included in it are picked up at more advanced stages of production in the Wholesale Price Index.

While the average annual growth over the long period, 1960 through 1969, in the 22 basic commodities is positive and matches the growth of all industrial commodities, Chart II shows that the pattern of the increases since 1965 differs markedly between the two groups. Instead of one continuous period of rapid increase which characterizes the other categories of more highly processed items, this chart reveals that there have been two periods of rapid in-



crease—from 1963 through 1966 and again from 1968 into 1970. It might be argued that the earlier period foretold the inflation which was to follow in the 1965 to 1970 period as the increased labor and capital costs were added to the rising prices of the basic commodities. The latter period of increase should be reflected in wholesale and consumer prices currently. An encouraging sign is the tapering which began in the prices of the basic commodities in the second quarter of 1970, and recently, outright declines have occurred in several of the basic commodity prices.

GNP Deflator Chart III shows the aggregate deflator for gross national product. Each component of GNP, in as fine detail as possible, is deflated for a given year or quarter by the indexes which are appropriate for the particular component. Once deflated, the components are again aggregated to obtain GNP in constant dollars, and the aggregate GNP deflator is found by dividing current dollar GNP by constant dollar GNP. Thus, the deflator is an implicit index derived in a roundabout manner.

Since the index depends upon previously determined indexes of consumer and wholesale prices, as well as several other indexes, its direct interpretation has some definite limitations. For example, sub-components of the consumer spending component of GNP are deflated by the appropriate indexes which comprise the Consumer Price Index and, where ap-

² *Business Statistics, 1969.* U. S. Department of Commerce, Office of Business Economics, Washington, D. C., 1969. (Supplement to the *Survey of Current Business.*) p. 43.

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CORPORATE FINANCING IN THE SIXTIES

The nature of corporate financing throughout most of the 1960's was closely allied with the general level of economic activity, as well as the prevailing tone of fiscal and monetary policies. In the years 1961-64 the economy was growing at only a moderate pace. Accordingly, the volume of corporate financing, measured quarterly on the accompanying chart, was fairly even and relatively low. Bonds and mortgages provided a consistently large part of the total quantity of funds externally obtained. For the most part, equity instruments (common and preferred stocks) and commercial paper were only minor sources of new funds, and trade debt and bank loans were sometimes relied upon to supplement long-term debt sources. By 1965 the level of economic activity had risen considerably, prompting at least two significant developments in corporate financing activities: the overall volume of funds obtained via external channels increased substantially; and a definite trend toward increased use of short-term instruments emerged.

The chart shows the increase in the volume of corporate financing around the middle of the decade and thereafter. As expansionary monetary and fiscal policies accelerated the growth rates of money and credit, total spending rose and boosted expectations of further acceleration of aggregate demand in the future. In response, corporations stepped up current levels of production, and, in addition, sought to expand future productive capacity. The resulting increases in expenditures for new plants and equipment in the face of a stable supply of internal funds necessitated the use of external financing on a much broader scale than in the first half of the decade.

While each of the five categories of corporate financing represented on the chart showed considerable increases throughout the latter part of the decade, it was the short-term instruments that gained in relative importance. Commercial paper, in particular, grew in popularity as a source of short-term funds for credit-worthy corporations. The new trend towards short-term debt sources in the latter 1960's was also stimulated at times by changes in monetary policy. Inflationary pressures prompted more restrictive policies, particularly in 1966 and 1969. The immediate impact of these restrictive moves fell upon

the financial markets, which experienced a marked tightening. As the availability of credit was reduced, interest rates continued to rise, making borrowing costlier. Corporate expectations of future demand remained high, however. In order to avoid assuming a high interest expense on a long-term basis, most corporations instead sold short-term debt. Once interest rates declined, the short-term debt could be converted into long-term, thus observing the traditional rule of financing permanent increases in assets with permanent or long-term funds.

The increased use of commercial paper during the first two quarters of 1967 and parts of 1968 and 1969 can clearly be seen on the chart. In the easy money period following the credit crunch of 1966 corporations rapidly converted the newly acquired short-term debt into more permanent sources of capital. Although complete data are not yet available, this same process seems to have occurred in the first half of 1970 following the tight money period of 1969.

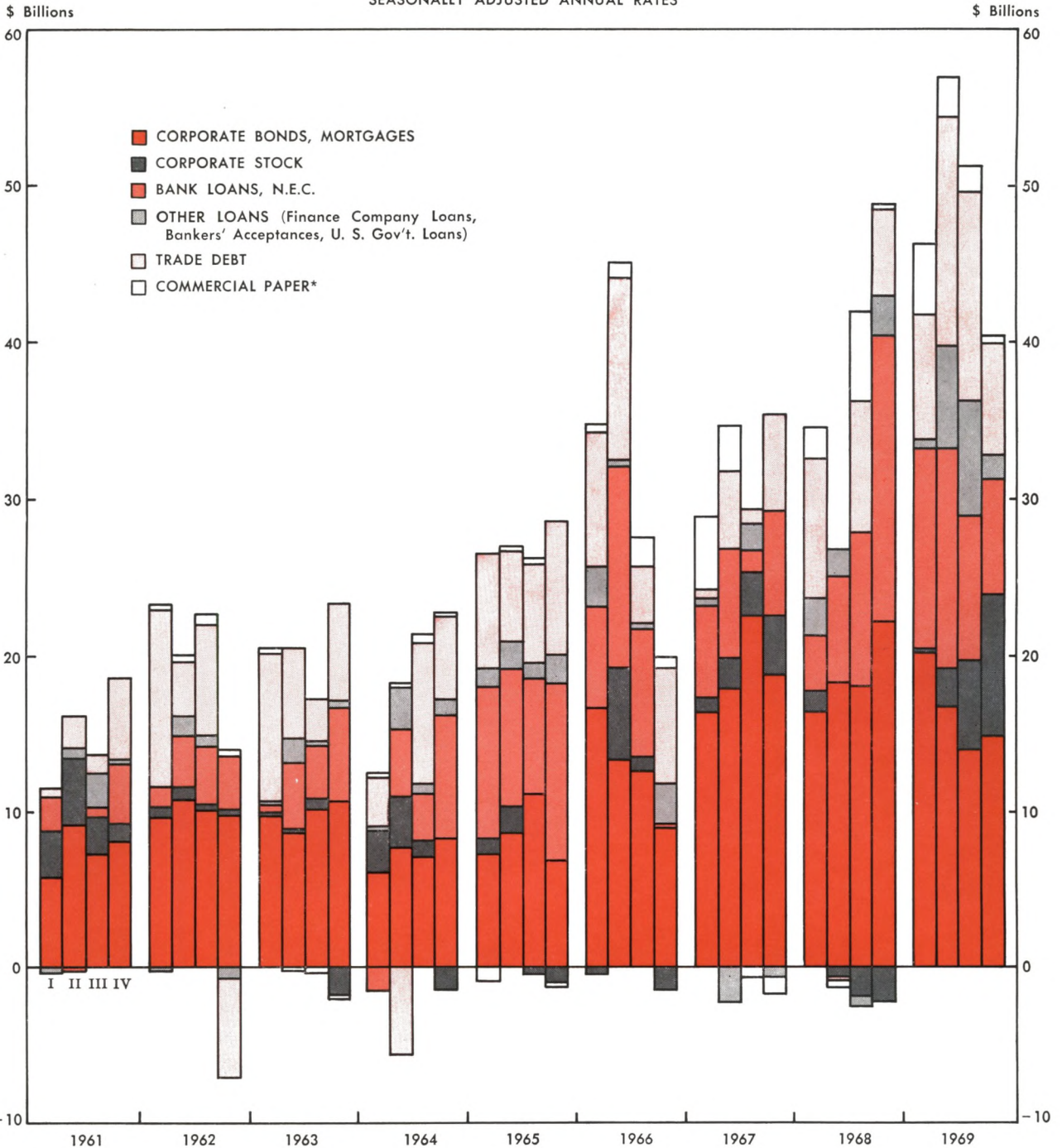
Many smaller firms with less than prime credit ratings were forced to finance permanent increases in their assets with short-term debt. Such financing was usually in the form of bank loans, finance company loans, or trade debt. The chart shows the increase in volume in each of these categories in the 1965-69 period. Particularly in the last year and a half of the decade as credit markets became tighter, short-term financing methods became more acceptable as all-purpose sources of funds.

Equity financing was not a major source of funds during any part of the 1960's, but its popularity improved somewhat during periods of high interest rates. Late in the decade many medium-sized lesser-rated firms turned to stock issues as the only source of external funds available to them.

The pressure of increased aggregate demand in the second half of the 1960's was sufficient to induce corporations to seek external financing at historically high interest levels, and in a variety of forms. Whether the trend toward increased external financing will continue depends importantly upon corporate expectations of future movements in aggregate demand as well as interest rates. Initially, observers felt that the slackened pace of economic activity in

CORPORATE FINANCING—EXTERNAL SOURCES

SEASONALLY ADJUSTED ANNUAL RATES



*Data not available prior to 1962.

Source: Federal Reserve Flow of Funds data.

the first half of 1970 had dampened corporate expectations. More recent estimates, however, point to stronger corporate demand for long-term funds, suggesting that corporations are still attempting to replace short-term debt acquired during 1969 with

more permanent financing. At this juncture it remains difficult to specify which of the two attitudes presented above will prevail for the second half of 1970.

Philip H. Davidson

MEASURING PRICE CHANGES

(Continued from page 5)

plicable, by the index of prices paid by farmers which is compiled by the U. S. Department of Agriculture. The gross private domestic investment component of GNP is deflated by various component indexes of the Wholesale Price Index. Construction, in the investment component of GNP, is deflated by construction cost indexes prepared by the Bureau of the Census. Deflation of the government spending component of GNP depends on all of the above indexes. Thus, the resulting aggregate GNP Deflator is a mixture of the effects of these several indexes, and its value for any given period depends upon the composition of GNP for that period as between business, government, and consumer spending, and in turn, the particular composition of spending within each of these categories. Further discussion of the technical qualities of the GNP Deflator will be contained in the final part.³

Chart III shows that the "price" of the gross national product has advanced consistently over the long period, 1960 through 1969, but increased in pace as the other price indexes did in 1965. If the 1970 figure were included in determining the average

annual rate of growth in the deflator since 1965, the rate would be higher than that shown. Again, however, some tapering of the rate of increase is evident in the second quarter of 1970. A further breakdown reveals that certain components have advanced more rapidly since 1965 than the aggregate deflator—the services component of consumer spending, the residential and nonresidential construction components of investment spending, and state and local government spending. Until 1969, the federal spending component was substantially below the aggregate deflator in its rate of advance. Also, the producers' durable equipment and consumer durable goods components rose more slowly than the aggregate. These results reflect what was said earlier about prices of durables in the other indexes. The distribution of expenditures, however, is an important matter in determining how these components affect the aggregate deflator.

SUMMARY

The concern of this part of this article has been the amount and the rapidity of recent price increase as shown in the major price indexes. Later parts will analyze the conceptual and statistical problems involved in the construction of the indexes and criticize the performance of the indexes in measuring prices and price changes.

William H. Wallace

³ Gottsegen, Jack J. "Revised Estimates of GNP by Major Industries," *Survey of Current Business*. U. S. Department of Commerce, Office of Business Economics, Washington, D. C., April, 1967. pp. 18-24.

A NEW LOOK AT COUNTERFEITING

“More Bogus Bills Palmed Off,” “Counterfeit Ring Nailed,” “Bogus Bills Printed At Orphanage”—these headlines from various national newspapers illustrate what the statistics show: counterfeiting is on the rise. During fiscal year 1969 the Treasury Department’s Secret Service agents seized more than \$15 million in counterfeit money and arrested 1,413 persons for counterfeiting violations. One major raid alone produced \$4.4 million in fake bills.

The continuing increase in the amount of phony currency produced each year illuminates the potential dangers of the crime. If money is to perform its functions as a means of payment and a measure of value, it must be widely accepted. Acceptability depends upon confidence which is undermined by bogus money. The loss of faith in money, then, can disrupt business activities and damage the economy. Besides the danger to economic activity, there is also the threat to the individual who is left with the worthless counterfeit money. The victim of the counterfeiter has no recourse—he must suffer the financial loss.

In order to aid law enforcement officials in reducing counterfeiting, the public should be aware of how genuine currency is made, how the counterfeiter produces his imitation, and how detection of the fake product is possible. An explanation of these portions of the counterfeiting story is best begun at the outset of counterfeiting in this country.

History Counterfeiting is as old as money itself. It got off to an early start in this country with the counterfeiting of Indian wampum by colonial settlers. Counterfeiters continued to plague the young country during the Revolution and even after it adopted its own medium of exchange. It has been estimated that around the time of the Civil War, about one-third of all U. S. currency in circulation was counterfeit. Genuine paper money was issued by many banks in hundreds of different designs making it a relative heyday for the counterfeiter. Even after a uniform currency was adopted in the 1860’s counterfeiting continued to flourish. The counterfeiting situation became so critical that in

1865 the Government established the Secret Service to curb it. Although the crime was substantially suppressed after the establishment of the Secret Service, it has continued to represent a very real threat to the integrity of the dollar and to the victim who is left with the worthless money.

Genuine Currency At first glance, reproducing U. S. currency may appear to be a relatively simple task. A closer look, however, reveals that this is not the case. Because of the security features incorporated in its paper, ink, and engraving process, United States currency is one of the world’s finest and one of the most difficult to counterfeit.

The paper used for our currency is 100% rag content with very distinct red and blue fibers dispersed throughout. This strong and durable paper is manufactured by a private firm under contract to the Treasury Department. Security at the plant is maintained by Treasury personnel, and production is subject to strict daily audit. Except for Governmental purposes and under Governmental supervision, Federal regulations prohibit the manufacture of this type of paper. The ink used in printing genuine currency is manufactured at the Bureau of Engraving and Printing in Washington. The formula is unique and is maintained in absolute secrecy within the Department.

COUNTERFEIT NOTES

<u>Fiscal Year</u>	<u>Passed On The Public</u>	<u>Seized Before Circulation</u>	<u>Total</u>
1960	\$ 245,088	\$ 190,106	\$ 435,194
1961	\$ 547,077	\$ 1,632,070	\$ 2,179,147
1962	\$ 548,756	\$ 3,565,767	\$ 4,114,323
1963	\$ 548,441	\$ 2,845,823	\$ 3,394,264
1964	\$ 510,619	\$ 7,219,799	\$ 7,730,418
1965	\$ 835,123	\$ 2,516,760	\$ 3,351,883
1966	\$ 933,051	\$ 8,097,965	\$ 9,031,016
1967	\$1,643,137	\$ 8,587,294	\$10,230,431
1968	\$2,861,848	\$10,293,330	\$13,155,178
1969	\$2,964,303	\$12,096,080	\$15,060,383

Source: United States Secret Service.

The engraving process involved in the production of currency is of crucial importance in obtaining superior quality. When a design for a new note has been prepared by the Bureau of Engraving and Printing and has been approved by the Secretary of the Treasury, engravers begin the work of cutting the design in steel. No single engraver does all the work on a particular plate. Each man is a specialist: one will work only on portraits, another on lettering, and another on scroll work. This procedure not only promotes excellence in the finished product, but also acts as a further security precaution. No counterfeiter has ever been able to duplicate the artistic work of the Government's expert engravers. Specimens of the engraver's work have been awarded the highest premiums at all world fairs and exhibitions since 1872.

The Counterfeiter At one time counterfeiting required technical skill and large outlays for essential printing equipment. Most operations consisted of a single engraver and a few people who passed the money for him. Today's technology has changed all that; no skill is needed—only a dime and a copying machine. Counterfeiters have been known to take a dollar bill, reproduce it on plain white paper, wrinkle the copy, sprinkle some coffee on it for color and a worn look, and pass it to the nearest cashier. Incredible as it may seem, the phony bill may be accepted—even though one side is blank!

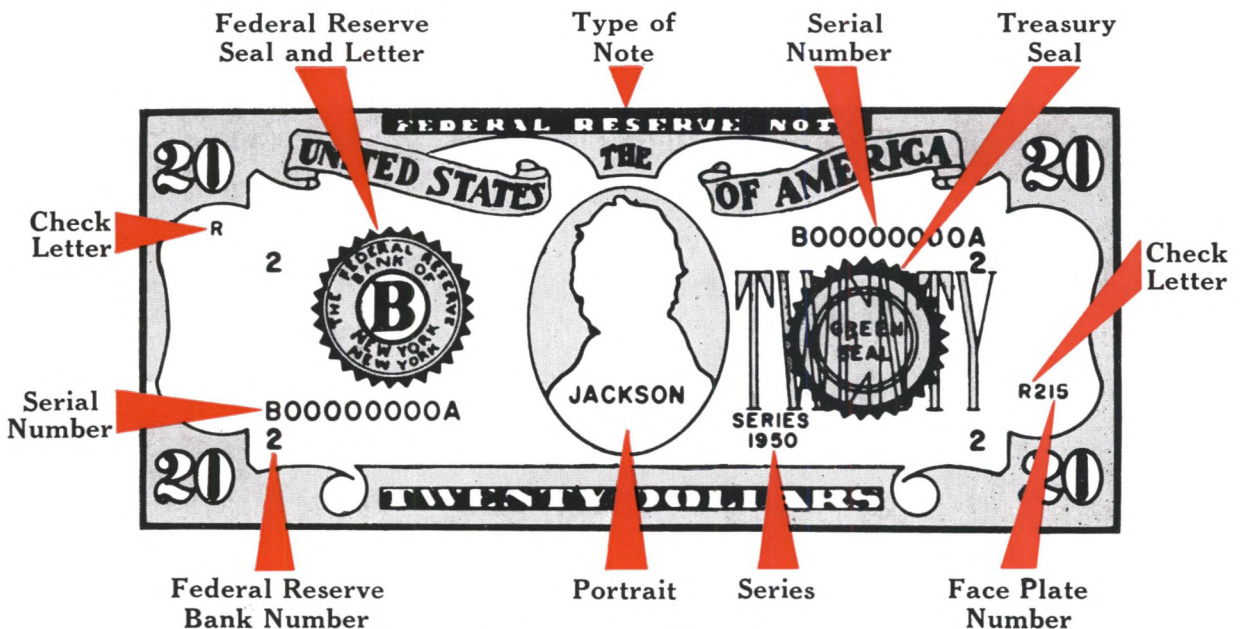
The public can be quite careless at times and accept anything vaguely resembling cash. For example, last year in Richmond an enterprising rookie reportedly inked an extra zero on a \$10 bill, used it to make a small purchase in a local department store, and got change for \$100.

The risks of counterfeiting are great. Making, passing, or possessing counterfeit currency can result in a fine of \$5,000 and 15 years in prison. Innocent passers of counterfeit currency are protected by law, however, for it must be proved that the fake bill was passed *with intent to defraud*.

Although amateurs have been rather successful, the scope and threat of their operations are minimal compared to their professional counterparts. Improved methods of photography and printing coupled with rapid transportation facilities have made it easier and quicker for counterfeiters to produce and distribute their merchandise. The modern manufacturer makes the counterfeit notes, but he rarely passes any of the bogus bills himself. Rather than risk apprehension while passing the notes, he sells the counterfeit wholesale. The passer of fake bills usually buys them from the printer or distributor at prices ranging from 10% to 50% of the face value.

The trend in the counterfeiting racket today seems to be shifting from the individual printer to the large counterfeiting ring. A major counterfeiting organization may involve hundreds of people passing millions

Positions of Important Features of Paper Currency



Source: United States Secret Service.

in fake bills through well-organized cross-country lines of distribution. A prime example of this type of operation was uncovered recently in Birmingham, Alabama. Of the estimated \$2.8 million in counterfeit money passed on the public during fiscal year 1968 over \$400,000 came from this single operation. Bogus money from this plant reached nearly every state in the nation. The fact that over 225 persons were arrested for passing notes produced by this single ring illustrates the magnitude of the modern counterfeiting operation.

Coins hardly qualify as candidates for counterfeiting, since their monetary value is so low relative to their cost of production. The increase in the price of silver, however, has prompted the development of a new tactic—melting genuine coins into silver ingots. The silver value is much larger than the face value. In 1968 Secret Service agents uncovered a two man operation and seized \$68,632 in coins and two 100 pound ingots of silver.

Detection The faith and trust the American people have in their currency is a tribute to the Secret Service's ability to suppress counterfeiting—but it is also the counterfeiter's greatest asset. People rarely question or examine their money, and without some awareness of what they are exchanging, they become the pawns of the criminal. For this reason the public should become familiar with some basic facts about their currency.

The principal type of currency in circulation today is Federal Reserve notes in denominations of \$1, \$5, \$10, \$20, \$50, and \$100. Federal Reserve notes have a green serial number and Treasury seal. United States notes in denominations of \$5 and \$100 are easily identified by their red serial number and Treasury seal. The \$5 U. S. note, however, is not being printed at this time. Silver certificates which have a blue serial number and Treasury seal are no longer printed or recirculated.

Occasionally the amounts on bills are altered by adding a zero to \$1 and making it \$10, or raising \$10 to \$100. The best check on this form of counterfeiting is to match the proper portrait with the correct amount. They are as follows: George Washington on the \$1, Thomas Jefferson on the \$2, Abraham Lincoln on the \$5, Alexander Hamilton on the \$10, Andrew Jackson on the \$20, Ulysses S. Grant on the \$50, and Benjamin Franklin on the \$100. On bills of larger denominations that are no longer being issued, William McKinley is on the \$500, Grover Cleveland the \$1,000, James Madison the \$5,000, and Salmon Chase the \$10,000.

The first step in recognizing a counterfeit bill is

to check for the red and blue fibers which are dispersed throughout genuine paper currency. Sometimes counterfeiters attempt to copy these fibers by printing colored lines on the paper. If the note in question appears to contain these fibers, then compare its other features with a genuine bill. Look for differences—not similarities. Since most counterfeits are made by a photo-mechanical process, the printing will appear flat and will lack the three dimensional quality of genuine notes. Many of the delicate lines in the portrait of a bogus bill are broken and often missing. The lines in the portrait background of genuine currency form squares; on counterfeits these squares are often completely filled in. The following table from the Treasury Department pamphlet, *Counterfeiting and Forgery*, provides a basic check list to use in detecting counterfeit money.

	<u>Genuine</u>	<u>Counterfeit</u>
Portrait And Background	Lifelike appearance; delicate lines are sharp and distinct; background lines are regular and unbroken.	Does it appear flat and dull? Are the shading lines broken or missing? Are the background lines ragged?
Treasury Seal	Clear and distinct; saw-tooth points are sharp and even.	Is it printed in the right color? Are the design elements clear and distinct? Are the points ragged?
Serial Numbers	Distinctive style; serial numbers evenly spaced and aligned.	Are they printed in the right color? Are the numbers poorly spaced or not aligned?

The Treasury Department recommends several steps that will aid in the capture of the counterfeiter. Do not return the phony money to the person passing it. If possible, delay the passer and telephone the police or the Secret Service. Try to remember the description of the passer, any companion he may have, and the vehicle he uses. Write your initials and the date on the bill and give it only to the police or Secret Service.

To reduce counterfeiting in the United States today, the Secret Service relies not only on intense investigations and improved enforcement techniques, but also on an informed public. The threat of the counterfeiter, whether an amateur or part of a large counterfeiting ring, is reduced substantially when his victim knows how to detect bogus money and what to do about it. An aware public is the counterfeiter's greatest deterrent.

Carla R. Gregory