DECEMBER 1977

FEDERAL RESERVE BULLETIN

Industrial Production Developments

Foreign Exchange Operations: Interim Report

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NUMBER 12 □ VOLUME 63 □ DECEMBER 1977

FEDERAL RESERVE BULLETIN

Board of Governors of the Federal Reserve System

Washington, D.C.

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Industrial Production Developments

Prepared in the Business Conditions Section, Division of Research and Statistics.

From the closing months of 1976 through 1977 total industrial production increased by about 6 per cent, just a little less than during the previous year. Increases in production of home goods, business equipment, and construction supplies were appreciable, and advances in output of consumer nondurable goods and energy materials were modest; meanwhile production of defense and space equipment changed relatively little.

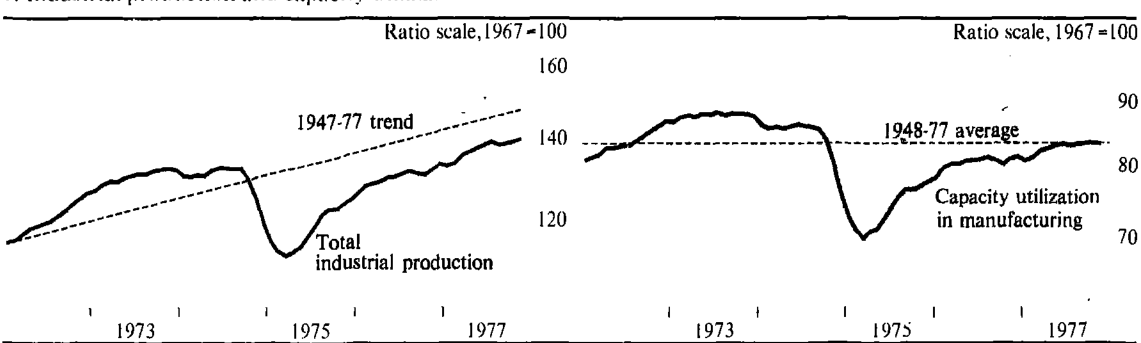
The rate of recovery and expansion in industrial output since the recession low in March 1975 has been comparable to the average of the increases following other post-World-War-II recessions, and the upswing has lasted longer. However, the recovery followed the most severe of the six postwar recessions, and after 32 months of substantial but uneven advance, total output of the Nation's manufacturing plants, mines, and utilities at the year-end was still only modestly above levels reached in 1973-74. And over-all capacity utilization rates, which had changed relatively little since spring, were at a level close to their historical average (Chart 1).

The growth in output of home goods during 1977 was led by large gains in appliances, furniture, and carpeting. The more moderate growth in output of consumer nondurable goods reflected some sluggishness in retail sales of apparel, general merchandise, and food during the spring and summer and the continued caution of businessmen in accumulating inventories of these products.

The better-than-average performance of business equipment production during 1977 reflected substantial increases in output of building and mining, transit, manufacturing, and commercial equipment; output of power and farm equipment increased more moderately during the year. Prior to 1977, production of business equipment had risen more slowly from the recession low than in other postwar recoveries; not until the spring of 1977 did it recover its 1974 peak, and at year-end it was just a little above that peak.

In contrast to the performance of business equipment output, production of defense and space equipment has risen only slightly during

1. Industrial production and capacity utilization



Seasonally adjusted; latest data, November.

1977. In fact, since late 1970 it has changed relatively little on average from a level more than a fourth below the peak in 1968.

Output of intermediate products—those items used by businesses other than manufacturing, mining, and utilities—has increased a little less rapidly than total industrial production since the end of 1976. But substantial strength has been concentrated in production of construction supplies, which in turn has been associated in large part with increased activity in residential building. Output of business supplies has risen at a modest pace.

Materials production during 1977 increased, on the average, a trifle more than total industrial output, but at the end of the year it was only about 3¼ per cent above its pre-recession high. Growth in production of materials by U.S. businesses during 1977, as well as in 1976, has been tempered by both the continued cautious approach to inventory rebuilding and the worldwide availability of supplies, reflecting the sluggish recovery in many industrial nations.

Large increases occurred during 1977 in production of both durable and nondurable goods materials. Output of energy materials, in contrast, increased only a little. Production of nondurable materials at the end of 1977 had increased to a level moderately above the pre-recession peak in 1974, while output of durable materials had just regained its 1973 peak in November. Domestic production of energy materials, which include mainly the mining of fuels and electric power for industrial use, has grown relatively little in recent years, despite increases in energy prices and in oil- and gas-well drilling activity. This lack of growth reflects largely the increased imports of crude oil and petroleum products.

The growth in industrial production during 1977 exceeded somewhat that in real final sales of goods, and inventories were accumulated by businesses at a moderate rate. At year-end the industrial sector appeared to be free of major production imbalances. This situation appears to have resulted in part from temporary slowdowns in production that avoided the kinds of major distortions that could have led to cumulative declines in output. This apparent balance in the economy is consistent with, and has in fact tended to foster, continued moderate industrial growth.

CONSUMER GOODS

Production of consumer goods during 1977 rose at about a 4 per cent rate—close to its long-term growth rate. By year-end, output of these goods was more than 9 per cent above its peak in late 1973, a considerably better performance than for total industrial production.

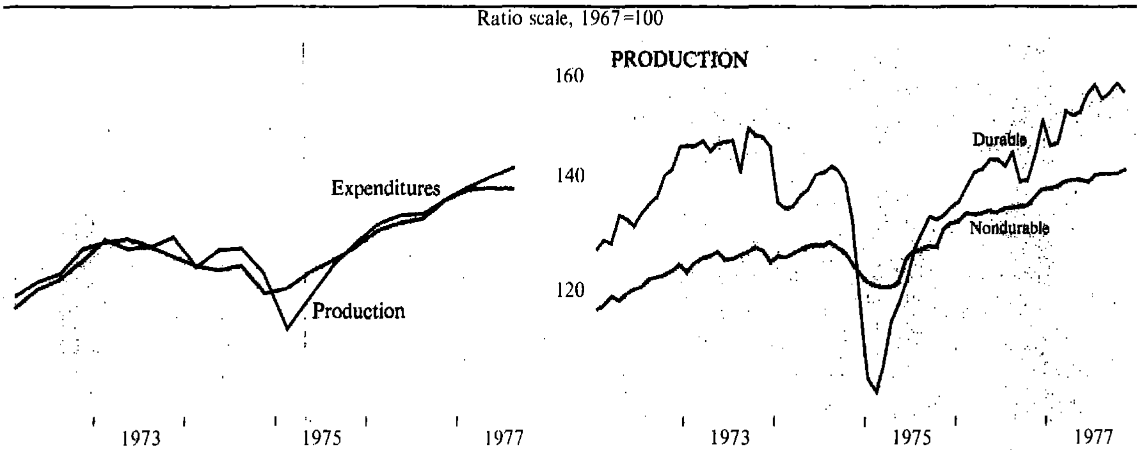
By early 1976—only about a year after its trough—output of consumer goods had regained its 1973 peak. However, the 16 per cent growth from the trough was about twice as fast as that in real consumer expenditures for goods (Chart 2), and growth in production weakened progressively in the second and third quarters of 1976 as consumer spending on goods slowed and businesses adjusted production to keep inventories lean.

Production gains accelerated later as sales picked up strongly in late 1976 and continued a vigorous uptrend into the spring of 1977. However, over the next 6 months retail sales in real terms were sluggish, and production again slowed. From the spring of 1976 until the end of 1977, the rise in industrial output of consumer goods, at about a 4½ per cent annual rate, was about in line with the growth in real consumer spending for goods.

Durable Goods

The growth in production of consumer durable goods in 1977 was marked by considerable unevenness that was related in large measure to swings in auto output. Large increases in output of appliances, furniture, and carpeting, as noted earlier, accounted for much of the expansion in production of consumer durable goods. Production of automotive products rose sharply early in the year from the closing months of 1976; but at year-end output was cut sharply in response to weakening sales. Over

2. Consumer goods



Seasonally adjusted. Left panel: Latest data, Q3. Personal consumption expenditures for goods, in 1972 dollars, from the national income accounts, U.S. Dept. of Commerce. Production is gross-value weighted for comparison with expenditures. Right panel: Value-added weighted indexes. Latest data, November.

all, output of consumer durable goods rose at an annual rate of nearly 6 per cent from the final months of 1976 to the end of 1977—about equal to the rise in industrial production as a whole.

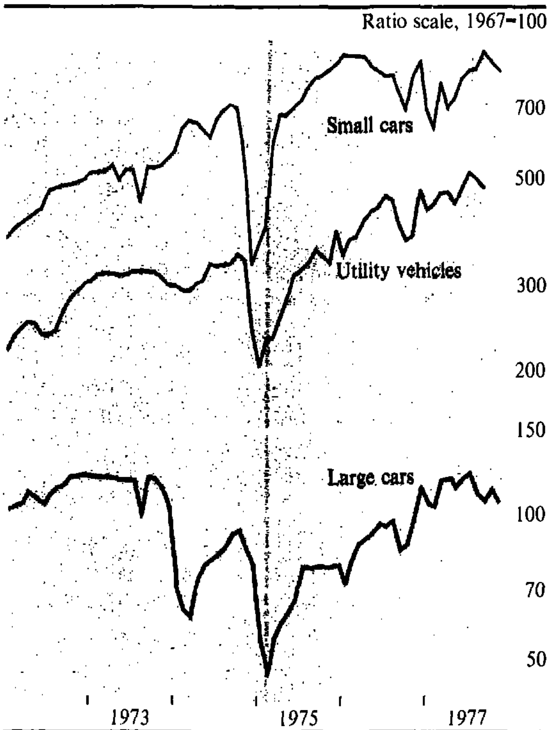
AUTOMOTIVE PRODUCTS. Much of the volatility in output of consumer durable goods during the second half of 1976 and throughout 1977 reflected developments in production of automotive products, a grouping that includes automobiles, utility vehicles, and auto parts and allied goods. Production of these products rose at a sharp but uneven pace from mid-1975 until near the end of 1977. The index for autos in November 1977 exceeded that for the year 1973 by nearly 7 per cent, whereas the rate of car assemblies in November 1977, at a 9.1-million-unit annual rate, was below the 9.7 million total for the year 1973. This apparent disparity reflects an adjustment to assembly counts to allow for quality changes that have taken place, such as improved designs that aim toward greater fuel efficiency, better emission controls, greater safety, and lower maintenance costs. Such quality changes are counted as increased production because they are considered to represent an improved product.

At the end of 1976, following the settlement of a strike, manufacturers increased production of autos sharply so as to replenish stocks. However, output was cut in early 1977 by weather-induced shortages of fuels and materials. It picked up again in the spring and an end-of-model-year surge in production of 1977 models raised assemblies to a new high in July; auto output then leveled off a little below that high. During the fall and early winter, however, production of 1978 U.S.-model automobiles exceeded sales, and downward adjustments were made in assemblies at year-end.

Production of small cars has been expanding faster than that of other models since the beginning of 1970 (Chart 3). The share of small cars in total auto production increased dramatically from 7 per cent in 1967 to 43 per cent in 1975; then in 1977 it dropped back to 34 per cent as consumer preference again shifted somewhat to larger cars. At the beginning of the fourth quarter almost all of the larger-car plants were running second shifts; in November, however, with sales weaker, production schedules were reduced.

In the spring of 1977, after the President's energy message, some of the demand for autos shifted to foreign cars, which have a better record for fuel efficiency than do small domestic cars. As a result, the share of the car

3. Production of autos and utility vehicles



Utility vehicles—all built on truck chassis—include the consumer share of light-duty trucks and vans, recreational vehicles, and motor homes. Seasonally adjusted. Latest data, November for autos; September for utility vehicles.

market accounted for by imported models rose from 17 per cent in the first quarter of 1977 to 21 per cent in the third quarter. The foreign car share declined somewhat in the fall when stocks of some models were in short supply.

Despite the increased share of the car market captured by foreign cars, U.S.-made small cars also have improved their position; by late November their share was 31 per cent. U.S.-made small cars may take an even larger share of total sales because provisions of the Energy Policy and Conservation Act of 1975 require that each auto company obtain an average gas mileage of 18 miles per gallon for its 1978 model cars.

HOME GOODS. Production of home goods during 1977 increased quite sharply—by about 8½ per cent—reflecting large gains for appliances, furniture, and carpeting, associated in part with the substantial increase in residential construction activity. This rise in output of home goods followed a reduced rate of output in the second half of 1976. Despite the increase in 1977, production of home goods by the year-end had only reattained the peak level reached in 1973.

Output of home appliances, air conditioners, and TV sets rose by about one-fifth during the first 6 months of 1977; about half of that amount represents a recovery from declining production over the latter half of 1976. Since mid-1977 output of these products has increased only slightly further, and at year-end it was still below the high reached in 1973. This longer-term weakness has reflected for the most part a sluggishness in output of air conditioners and TV sets. Production of furniture and carpeting rose appreciably during 1977 and at year-end had surpassed its 1973 peak.

Nondurable Goods

Output of consumer nondurable goods increased much more slowly during 1977—3 per cent—than production of durable goods (Chart 2). Even so, at year-end such production exceeded its pre-recession high by a relatively larger amount than did consumer durable goods output. Production of consumer nondurable goods—which had declined and recovered more sharply than in other postwar cycles—reached its earlier peak by the fall of 1975, well ahead of production of other major types of goods.

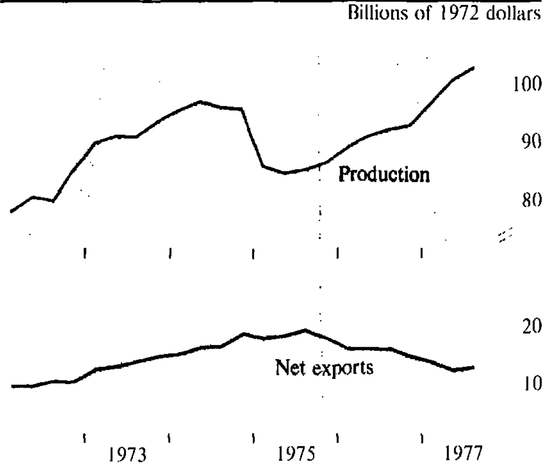
Consumer spending for nondurable goods in real terms, after a strong rise in late 1976, changed relatively little during the first three quarters of 1977. Reflecting this pattern of developments with a lag, output of nondurable consumer goods rose at a 7 per cent annual rate in the 6 months ending April 1977 and then slowed to a 2¾ per cent rate over the rest of the year. Swings in output of foods and some consumer chemical products, such as drugs and medicines, were mainly responsible for these variations. Output of clothing and some nonfood staples, such as consumer paper products, changed relatively little during 1977. The lack of growth in clothing output appears in part to have reflected import competition.

Production of consumer energy products rose sharply in early 1977 during the extremely cold winter. When temperatures became more normal, output of consumer energy products resumed about the same rate of growth as before the energy crisis induced by the Middle East oil embargo in late 1973. Output of consumer energy products since the spring of 1974 has increased at about a 3½ per cent annual rate, down significantly from the rate of growth prior to the energy crisis.

BUSINESS EQUIPMENT

Business equipment was a major contributor to the expansion of total industrial production during 1977. In the first 2 years following the April 1975 low, recovery in this sector had been slow in comparison with most other post-World-War-II business cycles (Table 1). From that April low until the fall of 1976, such production rose at an annual rate of only 6 per cent. After that the pace of the recovery stepped up sharply, and from late 1976 through the first half of 1977 production rose at an annual rate of 11 per cent before slowing considerably in the second half. During the expansion from late 1976, there have been rapid increases in production of building and mining, transit, and manufacturing equipment

4. Business equipment



Net exports based on data from the U.S. Bureau of the Census, deflated by F.R. Production, gross value at seasonally adjusted annual rates. Latest data, Q3.

1. Recoveries in production of business equipment

Per cent

Recession period	1 year after trough	2 years after trough
1948–49	29.8	55.1
1953–54	18.9	32.4
1957–58	21.7	21.7
1960–61	10.2	14.3
1970–71	14.5	31.1
1974–75	7.0	17.1

and a moderately large rise in output of commercial equipment (Chart 5).

Output of building and mining equipment has grown very rapidly throughout the 1970's. During the 1974-75 recession it declined relatively little and the drop was short-lived. Production of construction equipment was reduced following the major cyclical decline in nonresidential construction activity that had begun in 1974, but output of mining equipment held up through 1975. In 1976 investment by the mining industry weakened, but there was an increase in output of oil field equipment and oil- and gas-well drilling activity, which resulted in a rise in output of the combined building and mining equipment group. Production of building and mining equipment rose very sharply in late 1976 and through July 1977, but weakened after that (Table 2).

2. Production of business equipment

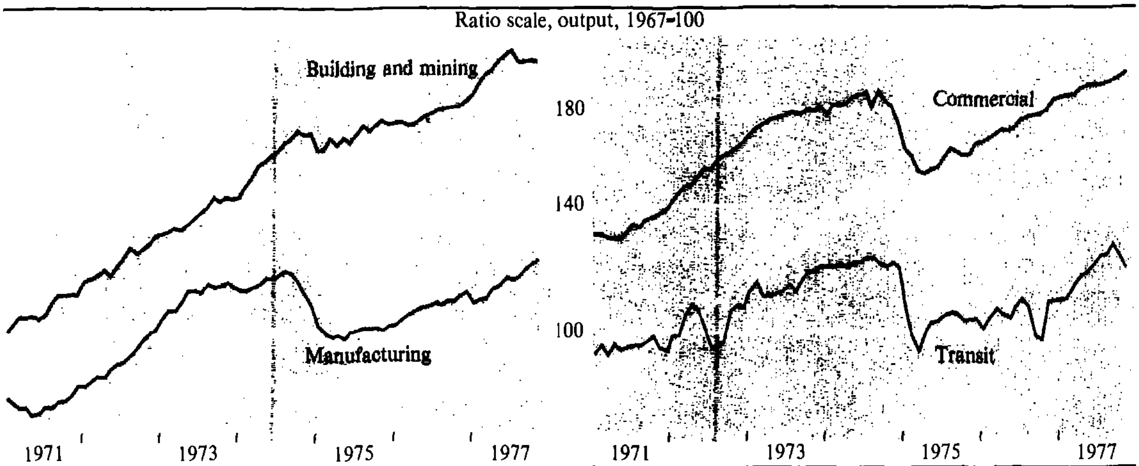
Percentage change in 1977; seasonally adjusted annual rates

Series	January to July	July to November[e]
Total	12.9	3.8
Industrial	14.8	5.3
Building and mining	26.3	− 7.7
Manufacturing	12.4	16.9
Power	5.5	1.7
Commercial, transit, farm	11.0	2.7
Commercial	7.1	9.0
Transit	25.6	−8.9
Farm	3.0	...

[e]Estimated.

Output of transit equipment began to rise sharply in March 1977, thus ending 2 years of relatively modest growth, but the sharp rise appears to have abated late in the fall. Much of this rapid growth reflected large increases in production of trucks and buses, and in early

5. Components of business equipment



Seasonally adjusted. Latest data. November except for farm (October).

November 1977 combined truck and bus production surpassed the record 1973 output of 3.0 million units. Some of the record output of trucks represents increased demand for lighter-weight trucks, many of which are for personal use.

Output of manufacturing equipment picked up in 1977 from its previously sluggish rate of growth. In the initial 2 years of this recovery, such output climbed 15 per cent, whereas on average it had grown about 25 per cent in the first 2 years of each of the other expansions since 1954. At the end of 1977, production of manufacturing equipment had just surpassed the peak reached in the third quarter of 1974. Some of the output of such equipment in recent years reflects purchases that have been used for pollution abatement rather than for expansion of capacity. In part, this explains the relatively slow rates of growth of manufacturing capacity in the 1970's.

Production of power equipment rose only modestly during 1977. As in 1976, such production has been influenced by the extraordinary rise in energy prices, which has slowed the growth in the quantity of electricity consumed by the public, and by a scaling down of expansion plans by public utilities. At the end of 1977 power equipment production was still about 5 per cent below its 1974 peak. Data on capital appropriations by utilities indicate plans for only moderate increases in capital spending in 1978.

Output of commercial equipment—which includes fixtures and equipment used in commercial enterprises, offices, and the service industry, and also scientific and medical instruments—increased 7½ per cent during 1977 following a 12 per cent rise during 1976. Despite these increases, however, production in that sector at the end of 1977 was only modestly above its peak in 1974.

Production of farm equipment rose on balance during the first 7 months of 1977. But after this modest rise output declined, due in large part to the substantial erosion in farm incomes.

Since 1975, domestic orders have provided the stimulus for increased production of business equipment. Prior to the 1974-75 recession, production for export had contributed significantly to the large increase in such output. In mid-1975 exports of business equipment turned down, and between the third quarter of 1976 and the third quarter of 1977 they declined 3 per cent in real terms.

Despite substantial growth in 1977, expenditures by U.S. businesses for fixed investment, measured in real terms, have not yet reached the levels attained before the 1974-75 recession. Business decisions on fixed capital outlays have been influenced by the lack of pressure on capacity utilization. Operating rates in manufacturing and in materials producing industries—after rising a little further early in 1977—have been almost unchanged, on average. These rates are below those that in the past were associated with large advances in investment and in production of manufacturing equipment. The lack of pressure on capacity, as indicated by these utilization rates, reflects in part the worldwide ready availability of supplies—particularly of materials.

Toward the end of 1977 surveys of businesses on their plans for fixed investment expenditures indicated modest increases in outlays in 1978. Orders received by manufacturers for business equipment have risen at a moderate pace during 1977, and contracts for commercial and industrial building also have risen, although not at a steady pace. In addition, business liquidity has improved substantially, and it appears to be adequate to support further expansion in investment.

MATERIALS

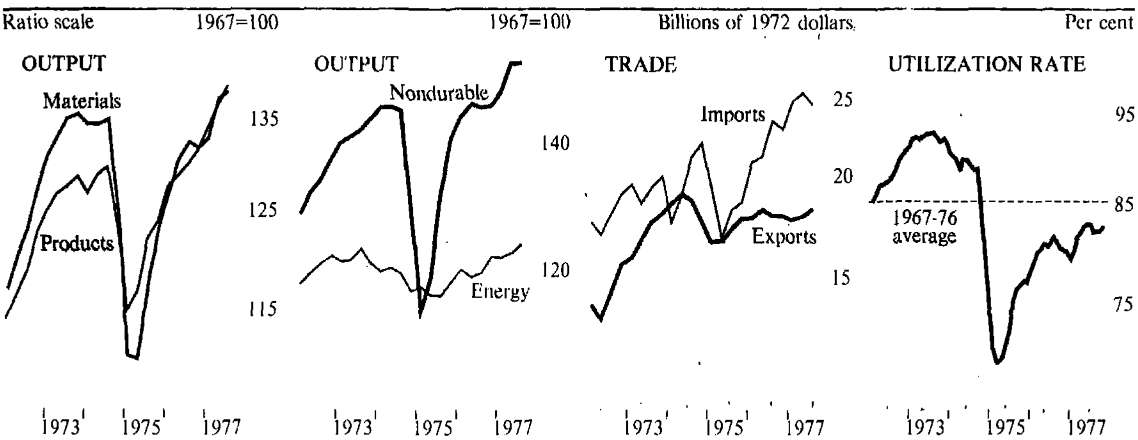
Production of materials for further industrial processing increased about 6½ per cent during 1977. This rate, which exceeded the long-term average rate of growth, was somewhat more than the growth in output of products (Chart 6). This relatively rapid growth for materials, however, followed several months of little change, in part because of readily available supplies from abroad and policies to avoid excessive inventory accumulation.

Production of materials is generally subject to greater cyclical variability than production of products. From the 1975 cyclical trough through August 1976, domestic production of materials rose by 23 per cent; at the same time imports of materials increased. During this period stocks of materials were accumulated at a pace that proved to be excessive when growth in output of final products slowed in the summer and early fall of 1976.

Consequently, growth in production of materials was eased and inventories were reduced. For some types of materials the cutbacks in production were quite large. Output of primary nonferrous metals, excluding aluminum, and of manmade fabrics fell about one-tenth between August 1976 and early 1977, and iron and steel production fell about one-fifth. After inventories had been pared, production of materials rose sharply through June 1977.

The impact of available capacity worldwide for the production of materials has had a profound effect on domestic output of these

6. Materials production and related developments



Import and export data, annual rates, in 1972 dollars, based on data from the U.S. Bureau of the Census deflated by F.R. Seasonally adjusted. Latest data, Q3 except for utilization (November).

3. Industrial materials:
Output and capacity utilization

Group	Output, percentage change to 1977Q3 from—			Capacity utilization, per cent		
	1973–74 peak	1976 Q3	1977 Q2[1]	1973 high	1967–76 average	1977 Q3
Total	**1.8**	**4.3**	**1.5**	**93.1**	**85.4**	**82.4**
Durable goods	−.9	4.0	2.7	92.5	82.1	79.2
Basic metal	−16.5	−6.9	−22.3	97.7	85.5	75.2
Nondurable goods	5.5	5.7	...	94.6	87.8	86.4
Textile, paper, and chemical	4.5	5.7	−1.2	94.5	87.3	85.2
Textile	−7.6	−2.3	5.5	94.4	87.1	78.9
Paper	.1	3.7	4.2	100.5	93.4	89.7
Chemical	7.1	8.8	−4.1	93.8	85.4	85.8
Energy	.1	3.2	2.6	94.6	90.7	85.0

[1]Compound annual rates.
NOTE.—All data are seasonally adjusted.

items. Economic growth in the United States increased briskly in the first half of 1977, but industrial production in other major industrial countries of the world changed little or declined. Capacity utilization rates in other major industrial countries remained at relatively low levels, and intense international competition for markets developed, particularly in such materials as steel, zinc, copper, and manmade fibers. Competitively priced imports of these materials entered the United States in increasing volume while U.S. exports of materials changed little.

The availability of foreign materials—often at discount prices—in combination with the slower over-all economic growth in the third quarter of 1977 tended to weaken the demand for some domestically produced materials, and to have an adverse effect on production, employment, and profits in a few industries. Output of materials grew at an annual rate of only 3 per cent between July and November of 1977, and in the latter month materials production was only about 3 per cent above its late 1973 high. In these circumstances, however, users of industrial materials have been able to operate more economically.

Current capacity utilization rates for materials production reflect the very marked change in the supply situation as compared with the 1973–74 period, when speculative hoarding of materials tended to reduce their ready availability. For most of 1977 the capacity utilization rate for materials has been running at 82 or 83 per cent—near the long-term average, and more than 10 percentage points below the 1973 high (Table 3). Durable goods materials and textile materials have operated at less than 80 per cent of capacity during most of 1977, although such rates for both were rising at year-end—the latter to more than 80 per cent. In recent months lead times for ordering and delivering have shortened, and inventory accumulation of materials has been about in line with output of products.

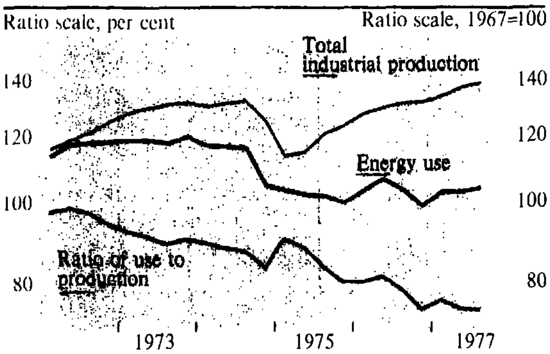
ENERGY MATERIALS AND PRODUCTS

Total domestic output of energy during 1977 changed relatively little, on balance, after the weather-induced sharp step-up in the rate of output at the end of 1976. Since the fall of 1976 output of energy products—comprising such items as gasoline, electricity, gas, and other fuels for nonindustrial consumption—and of energy materials—primarily coal, crude oil, natural gas, and converted fuel materials for industrial use—has risen 3 per cent. For energy materials, this moderate increase reflects inclusion of newly available Alaskan oil and increased production of coal.

Conservation efforts of governments, businesses, and individuals have resulted in considerable savings of energy. Industrial consumption of energy has declined appreciably in recent years. Conservation in other sectors of the economy—residential, commercial, and transportation—however, has not been so dramatic, and total U.S. consumption of energy has been rising.

Relative to output, the decline in use of energy by industry in recent years has been dramatic (Chart 7). From the first quarter of 1974 to the third quarter of 1977, total industrial use of energy declined nearly 12 per cent. Some of the savings resulted from more efficient energy management and control measures taken after the oil embargo, such as improved boiler efficiency, recovery and reuse of waste heat or steam, and computerized monitoring and control systems to start and stop energy consuming equipment. Other savings have been achieved through improvements in production technology.

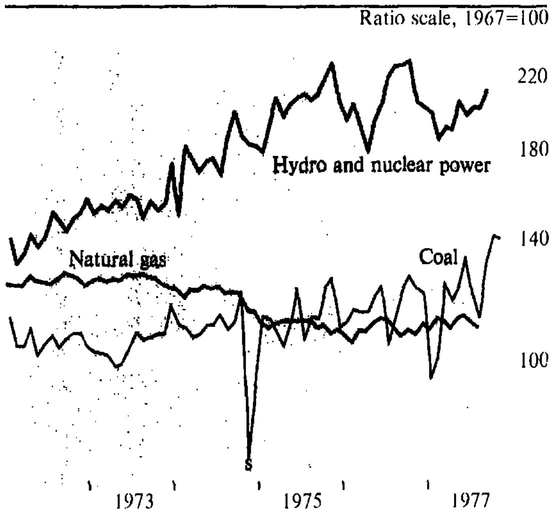
7. Industrial use of energy



Index for industrial use of energy represents total amount used by the industrial sector minus fuels consumed by the energy-producing industries. Estimated by F.R. from BTU-weighted indexes for production adjusted for net imports and changes in stocks. Seasonally adjusted. Latest data, Q3.

U.S. imports of crude oil have risen sharply since 1973, and in the third quarter of 1977, at a record pace of 6.9 million barrels per day, they accounted for 46 per cent of total new supplies of crude oil (Table 4). Despite increased drilling activity, domestic production of crude oil declined more than 13 per cent between January 1974 and May 1977 (Chart 8).

8. Production of primary energy



S strike. Seasonally adjusted. Latest data: coal, November; crude oil, October; hydro, etc., September; and gas, August.

Then as a result of the mid-1977 opening of the Alaskan pipeline, production rose 4.9 per cent between May and October. Production of natural gas has been declining in recent years; from August 1973 to July 1977 it fell by almost 12 per cent.

Steam plants fueled in large part by coal and to a lesser extent by oil or gas produced about three-fourths of the total electric power generated in 1977. The remaining quarter of electric power production was by hydroelectric and nuclear generation. Output of nuclear power has been rising, and in the second quarter of 1977 it represented more than 12 per cent of the total power generated. The percentage of power production from gas-fired steam generation has been declining steadily in the last few years.

The Nation's supply of domestic energy over the next decade depends to a large extent on coal production. In contrast to the declining trends in oil and gas, production of coal has been rising over the past decade. During 1977 output of coal continued to trend upward until near the end of the year, despite the effects of the extremely cold weather in January, the rain storms and flooding in Ap-

4. Domestic production and imports of crude oil

Millions of barrels per day

Period	Domestic production			Imports	Imports as a percentage of total supplies
	Alaska and California	All other	Total		
1972	1.150	8.291	9.441	2.216	19.0
1973	1.119	8.089	9.208	3.244	26.1
1974	1.078	7.696	8.774	3.477	28.3
1975	1.073	7.302	8.375	4.105	32.9
1976—Q1	1.070	7.124	8.194	4.514	35.5
Q2	1.021	7.110	8.131	5.027	38.2
Q3	1.064	7.057	8.121	5.741	41.4
Q4	1.106	6.927	8.033	5.858	42.2
1977—Q1	1.127	6.833	7.960	6.524	45.0
Q2	1.237	6.791	8.028	6.719	45.6
Q3[1]	1,666	6,579	8,245	6,884	45.5

[1] F.R. staff estimates.

NOTE.—Data from Bureau of Mines, Monthly Petroleum Statement; Federal Energy Administration, monthly Petroleum Statistics Report.

palachia in April, and wildcat strikes in August in which nearly one-third of the Nation's coal miners were idled. At the year-end, coal production was again sharply reduced by an even broader coal strike than the earlier one.

To a large extent, success in reducing the Nation's reliance on imported crude oil and refined petroleum products and gas depends on the conversion to coal as an industrial fuel. However, new environmental standards, materials-handling difficulties, and technological problems in producing coal-based synthetic fuels have contributed to slow progress in this conversion. □

Staff Economic Studies

The research staffs of the Board of Governors of the Federal Reserve System and of the Federal Reserve Banks undertake studies that cover a wide range of economic and financial subjects, and other staff members prepare papers related to such subjects. In some instances the Federal Reserve System finances similar studies by members of the academic profession.

From time to time the results of studies that are of general interest to the economics profession and to others are summarized—or they may be printed in full—in this section of the Federal Reserve BULLETIN.

In all cases the analyses and conclusions set forth are those of the authors and do not necessarily indicate concurrence by the Board of Governors, by the Federal Reserve Banks, or by the members of their staffs.

Single copies of the full text of each of the studies or papers summarized in the BULLETIN *are available in mimeographed form. The list of Federal Reserve Board publications at the back of each* BULLETIN *includes a separate section entitled "Staff Economic Studies" that enumerates the papers prepared on these studies for which copies are currently available in mimeographed form.*

STUDY SUMMARY

STRUCTURE AND PERFORMANCE STUDIES IN BANKING: A SUMMARY AND EVALUATION

STEPHEN A. RHOADES—Staff, Board of Governors
Prepared as a staff paper in the fall of 1977

Research into the relationship between the market structure in which banks operate and the operational performance of those banks has accelerated in recent years. Underlying this research on the relationship between market structure and performance (the S-P relationship) is the hypothesis that the way in which a market for banks' services is structured will influence the conduct of banks in the market and, ultimately, the profits and price performance of these banks. This paper, which summarizes and evaluates studies of the S-P relationship that have been made over the past 18 years, should prove useful to both bank regulators and researchers in the field of bank regulation.

Of the 39 studies of the S-P relationship published since 1959, 30 found a statistically significant relationship between bank market structure and bank performance. Of the 9 studies that did not find such a relationship, 7 focused upon the individual bank rather than on the market as the unit of observation. Many of the studies using interest rates (price) as a performance measure did not account for costs and thus contain a serious shortcoming. And all of the studies investigate a hypothesis that pertains to a long-run equilibrium situation in a short-run context.

This review finds that market structure clearly affects price and profit performance in commercial banking, although the effect is quantitatively small. More conclusive findings may emerge by pursuing three avenues of research: (1) investigation for the existence of nonlinearity or discontinuity in S-P relationships; (2) investigation of nonprice dimensions of performance, since legal restrictions on some interest rates may distort the market effects on performance; and (3) refinement, development, and incorporation into models for empirical studies hypotheses that take into account nonprofit objectives of bank operations. □

Treasury and Federal Reserve Foreign Exchange Operations: Interim Report

This interim report, covering the period August through October 1977, is the tenth of a series providing information on Treasury and System foreign exchange operations to supplement the regular series of semiannual reports that are usually issued each March and September. It was prepared by Alan R. Holmes, Manager, System Open Market Account, and Executive Vice President in charge of the Foreign Function of the Federal Reserve Bank of New York, and Scott E. Pardee, Deputy Manager for Foreign Operations of the System Open Market Account and Vice President in the Foreign Function of the Federal Reserve Bank of New York.

After the severe tensions of early summer in the exchanges, trading conditions tended to settle down during August and most of September. Nevertheless market participants remained cautious in anticipation of possible actions to deal with divergent economic performances in several countries.

With regard to the United States, concern over the implications of the trade deficit (then running at an annual rate of $30 billion), and how the United States would reduce it, had led to heavy selling pressure on the dollar and a decline in dollar exchange rates in July. But by early August the U.S. authorities had provided strong reassurances that a generalized decline in dollar rates was not an objective of U.S. policy. Officials stressed that the deficit reflected our increasing dependence on foreign sources of petroleum and the more rapid expansion of the U.S. economy relative to the growth performances of the other major industrialized countries.

The administration emphasized that its energy proposals then before the Congress, negotiations to liberalize trade in world markets, and economic recovery abroad were appropriate for adjusting imbalances in the international economy. Indeed, economic growth was failing to live up to expectations in industrial countries with strong trade surpluses. In response, the governments of Japan and Germany reviewed official policies to consider means of bringing their respective economies closer to their growth targets for the year. Under these circumstances market expectations were that interest rates abroad would remain steady or even decline.

Meanwhile, in view of a sharp rise in the monetary aggregates, interest rates in the United States advanced in early August and, if anything, were expected to rise further over the near term. Thus the dollar firmed against many major currencies. With the dollar advancing, the Federal Reserve was able to buy German marks in the market and from correspondents in order to repay the full $35.4 million of swap indebtedness to the German Federal Bank incurred in July and to rebuild working balances.

Thereafter, dollar rates held fairly steady over the next several weeks. On August 24 when the New York market became briefly unsettled ahead of the release of U.S. trade figures for July, the Federal Reserve intervened and sold $8 million equivalent of marks out of balances. Otherwise, with the markets generally more settled, the System refrained from intervention through late September.

In some exchange markets, however, the dollar remained on offer. The pound sterling, in particular, was in strong demand as a result of the swing toward surplus in the United Kingdom's current account, an influx of funds into British securities, and the expectation

Foreign exchange operations:
Summary, July 31–October 31, 1977

Millions of dollars equivalent

Type of transaction	Transactions with German Federal Bank
Reciprocal currency arrangements	
Commitments outstanding, July 31, 1977[1]	35.4
Drawings or repayments (−) Aug. 1–Oct. 31, 1977[2]	{ 181.1 { 35.4
Commitments outstanding, Oct. 31, 1977[2]	181.1
	Transactions with Swiss National Bank
Special swap arrangements[3]	
Commitments outstanding, July 31, 1977	705.4
Repayments, Aug. 1–Oct. 31, 1977	-139.7
Commitments outstanding, Oct. 31, 1977	565.7
U.S. Treasury securities (foreign currency series)[3]	
Commitments outstanding, July 31, 1977	1,341.5
Issues, or redemptions (−) Aug. 1–Oct. 31, 1977	−89.7
Commitments outstanding, Oct. 31, 1977	1,251.8

[1]Data are on a value-date basis.
[2]Data include transactions executed in late October for value after the reporting period.
[3]Data are on a transaction-date basis.

that sooner or later the U.K. authorities would allow the pound to rise. The Bank of England continued to buy dollars in volume in order to keep sterling from rising on an effective trade-weighted basis, and it permitted further declines in British short-term interest rates. Other currencies, which a year before had also been under selling pressure, such as the Italian lira and the French franc, remained firm. In addition the Swiss franc began to be bid up once again not only against the dollar but also against other European currencies.

During September there were signs in the United States of some slowing in the pace of expansion, but the growth of the monetary aggregates remained uncomfortably strong. At the same time the administration's energy proposals ran into difficulties in the Congress, and representatives of several industries stepped up their efforts to obtain protection against foreign competition. Abroad, several governments announced new measures to stimulate their economies. But these measures were seen in the market as taking effect only over the medium term and as not likely to generate an early trade adjustment. These developments reinforced market pessimism over the outlook for the U.S. trade account and for the dollar in general.

Market conditions started to deteriorate during the meetings of the International Monetary Fund (IMF) and the World Bank in Washington on September 25–30. As financial officials gathered for the meetings, the discussions quickly centered on the slow economic growth of countries with current-account surpluses. In the course of these talks, it was generally accepted that there was a need for greater growth in those countries and that the U.S. trade deficit would remain large until a strong energy program was adopted and as long as the U.S. economy continued to expand faster than those abroad.

The Japanese, in particular, were urged by other governments to find a means of generating more growth at home and reducing their huge trade surplus—which was running at a $17 billion annual rate. Following open discussion of Japanese policy, heavy demand for Japanese yen erupted in late September, driving up the yen rate.

The rise of the yen against the dollar had a spillover effect in other markets, and the dollar also came on offer against most other currencies. As in the other periods of exchange-market tensions, the Swiss franc was also bid up sharply, and the German mark began to rise as well. In the case of sterling, the Bank of England again intervened to hold the effective exchange rate within narrow limits. But the sterling counterpart to the Bank of England's dollar purchases became so great as to threaten to undermine domestic monetary objectives, and the British authorities ultimately permitted the pound to float more freely.

With exchange markets increasingly disorderly in the wake of IMF–World Bank meetings, central banks intervened more heavily. The German Federal Bank bought sizable amounts of dollars to stabilize trading conditions in Frankfurt. In New York the Federal Reserve intervened on each trading day between September 30 and October 4 and sold

$80.7 million equivalent of marks. Of this amount, $35.8 million equivalent was drawn on the swap line with the German Federal Bank and the remainder was financed from balances.

Although these operations helped to settle trading conditions temporarily, the dollar remained vulnerable as market sentiment turned increasingly bearish. Traders ignored fundamental factors that would normally favor the dollar. These included release of statistics showing that the U.S. economic expansion remained solidly based, evidence that our inflation rate was still one of the lowest among the major industrialized countries, and a further rise in U.S. short-term interest rates. In this atmosphere, trading in dollars frequently became one way and exchange rates moved abruptly. To the extent that the dollar suddenly came on offer in other markets, the respective central banks intervened to counter the disorder.

When trading conditions became unsettled in New York, the Federal Reserve countered the disorder with occasionally sizable sales of German marks. Over the 14 trading days spanning October 12 through 31, the Federal Reserve intervened on 5 days, selling a total of $148 million equivalent of marks. Of this amount, $145.4 million of marks was drawn on the swap line with the German Federal Bank and the remainder was financed out of balances. This intervention in marks was accompanied by sales of Swiss francs in New York on behalf of the Swiss National Bank, which also continued to intervene in the Zurich market.

Over the 3 months August–October, the dollar declined a net 2 per cent against the German mark, 6 per cent against sterling, 7 per cent against the Japanese yen, and 8 per cent against the Swiss franc. The only major currencies that declined against the U.S. dollar were the Canadian dollar, which fell 3¼ per cent on balance, and the Swedish krona, which dropped a net 7½ per cent following its withdrawal from the European "snake" arrangement in August.

In operations during the period, the Federal Reserve sold $236.8 million equivalent of marks during the period, financing these sales out of balances and with drawings of $181.1 million equivalent under the swap line with the German Federal Bank. These drawings remained outstanding at the close of the period. During periods of dollar buoyancy, the System bought $79.5 million equivalent of marks in the market and from correspondents in order to repay $35.4 million of swap drawings incurred in July.

In addition, the Federal Reserve and the U.S. Treasury continued to make progress in repaying Swiss franc indebtedness to the Swiss National Bank. The Federal Reserve liquidated $139.7 million equivalent of special swap debt with the Swiss central bank, leaving $565.7 million equivalent of indebtedness still outstanding as of October 31. These repayments were financed with francs purchased directly from the Swiss National Bank mainly against dollars but also against marks and French francs. The U.S. Treasury's Exchange Stabilization Fund used Swiss francs purchased directly from the Swiss Central Bank to repay $89.7 million equivalent of franc-denominated securities, leaving $1,251.8 million equivalent of these obligations outstanding as of October 31. □

Statements to Congress

Statement by Arthur F. Burns, Chairman, Board of Governors of the Federal Reserve System, before the Subcommittee on Domestic Monetary Policy of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, November 17, 1977.

I am pleased to present the views of the Federal Reserve System on H.R. 9465 and H.R. 9589. The first of these bills would require the Federal Open Market Committee (FOMC) to maintain detailed minutes of its meetings and to release those minutes to the public 3 years after each meeting. The second bill would require that verbatim transcripts be kept of all meetings of the boards of directors of the 12 Federal Reserve Banks. It provides further that the transcripts are to be submitted to the "appropriate committees of the Congress" without deletion, and to the general public with certain permitted deletions, 1 year after the date of each such meeting.

Before presenting our specific views on these two proposals, I want to comment on the ongoing trend toward public disclosure. Nowadays, there appears to be great currency to the notion that public confidence in our Government will be enhanced, and the quality of decision-making may itself be improved, by exposing to public scrutiny nearly every detail of the governmental decision-making process. We do not share this view.

There is, of course, some value in allowing the public to witness agency proceedings at first hand. To the extent that the public's unfamiliarity with the workings of Government fosters distrust, certainly we should all make an effort to help to educate the public and to dispel the fear that actions taken in informal or executive sessions may somehow be tainted. But in our zeal to achieve this result through sweeping disclosure, we run a grave risk of sacrificing other important values. Insufficient attention is being paid to the legitimate needs of Government officials to deliberate on complex and sensitive matters of public importance without the constraints and inhibitions caused by subjecting every phase of the deliberative process to public observation. As a result, we are in danger of losing one of the most prized values of a collegial body—namely, the opportunity to discuss and debate, to exchange views, to explore ideas, to persuade and argue and cajole and chide, without having to weigh the impact of every spoken word on the Congress or on the general public.

H.R. 9589 would require verbatim transcription of all meetings of Reserve Bank boards of directors. In so doing, it would impose disabilities on bodies that at present are able to deliberate and discuss their important duties without inhibition. Indeed, this bill would require far more extensive disclosure by the Reserve Banks than present law requires of the Board of Governors or, as far as I know, of any Federal agency or instrumentality. No demonstration has been made that either the Congress or the public has any need for legislation of such sweeping scope. Neither I nor my colleagues can find benefits to the public in such a measure that would even remotely offset its destructive effects on full and frank discussion.

Our objections to this proposal were set forth in detail in a letter that came before your parent committee in July of this year, when the same proposal was offered as an amendment to H.R. 8094, the Federal Reserve Reform Act. I respectfully request, Mr. Chairman, that the entire text of that letter be received as an appendix to this statement (August 1977 BULLETIN pp. 717–21).

Let me now summarize the principal points made in the July letter: First, H.R. 9589 contemplates the regular distribution of the entire transcript of Reserve Bank board meetings to dozens of members of the Congress and their staffs. This would be followed by deliberation and voting on the public release of previously withheld portions of the transcripts. Under such procedures, there clearly would be a serious risk of unauthorized disclosure of highly sensitive information involving banks, their customers, and security markets.

Second, even in the absence of unauthorized disclosures, the bill fails to provide for the withholding of discussion of problem banks, of litigation or lawyer-client communications, of trade and financial data furnished to the Reserve Bank in confidence by private firms, of discount rate changes or other concerns of monetary policy, of possible criminal charges or other enforcement action against individuals or financial institutions, or of other matters the disclosure of which could adversely affect markets or constitute an invasion of personal privacy.

Third, by requiring the creation of a verbatim record of deliberations the bill could impair the ability of a Reserve Bank to take effective action when civil litigation against the Bank could be anticipated. Since such transcripts might have to be produced in litigation, directors would be seriously inhibited in discussing the strengths and weaknesses of various actions open to them.

Fourth, the administrative burden on both the Congress and the Federal Reserve Banks would be staggering. Well over 400 board meetings would have to be recorded each year, transcripts would have to be made, reviewed, corrected, and duplicated by the banks, and then the members and staffs of various committees of the Congress would have to screen the transcripts again in order to determine whether additional material should be released.

Finally, and most important of all, a transcript requirement would have a stifling effect upon deliberations among Reserve Bank directors and upon the flow of information within the Federal Reserve System. Our directors are frequently a valuable source of important information about current economic and financial conditions in their own businesses and communities. Furthermore, many of them are skilled and experienced managers, and their frank assessments of Reserve Bank procedures and personnel, as well as their recommendations for improvement, have made a great contribution to the Federal Reserve System. To require these men and women to speak for a public record when acting as Reserve Bank directors—a burden they do not have in their own board rooms and businesses—will tend to discourage free discussion and in the long run will impair the Federal Reserve's ability to attract outstanding individuals to serve as directors. As a consequence, the efficiency of Reserve Banks and the quality of their services to commercial banks and to the general public would probably deteriorate.

As members of this subcommittee know, the Federal Reserve has tried to be constructively responsive to recent requests for information about board meetings of the Federal Reserve Banks. This information was originally sought to determine whether the Federal Reserve is controlled by corporate and banking groups through their representation on Federal Reserve Bank directorates. To deal with this question, we turned over to your parent committee last December a tremendous volume of Reserve Bank board minutes. Significantly, no evidence whatsoever was brought forth from examination of the minutes to support the claim originally advanced as the reason for a need to examine the minutes. Instead, various unrelated charges were made against the Federal Reserve System—based upon information selectively culled from the minutes we had forwarded.

We have carefully reviewed the excerpts cited as support for these new claims, and I want to state categorically that the minutes do not justify *any* of the assertions of impropriety that have been made. The minutes do not establish unlawful or improper "lobbying"; they do not disclose Federal Reserve encouragement of credit allocation; they do not support the cruel attack made on the integrity of one of our most distinguished

Reserve Bank directors; and they do not reveal misuses of Reserve Bank funds for gifts or loans.

Over the years, the Federal Reserve has furnished the Congress with a vast amount of information about the operations of the Federal Reserve System, and we will continue to do so in the future. We feel sure, however, that the legitimate needs of the Congress for information to perform its oversight responsibilities can be met in a far more constructive manner than that proposed by this bill, and we urge you not to approve this proposal.

Let me now turn to H.R. 9465, which would require the Federal Open Market Committee to maintain detailed minutes and to release them to the public after 3 years. This bill is clearly motivated by a concern for the interests of scholars and others who may have occasion to do historical research in the area of monetary policy. This is a concern with which many of us have great sympathy. Even though there is substantial expense involved in maintaining such minutes, and the potential audience appears very small, a detailed record of proceedings could on balance be useful, provided important needs of the FOMC were accommodated. Some background is necessary to put this proposal in perspective.

For many years the FOMC kept very lengthy minutes—referred to as "memoranda of discussion"—of each of its meetings. These memoranda, which often ran as much as 100 pages in length, set forth in detail the views expressed by each member of the FOMC at each meeting, attributing those views to the member by name. The memoranda of discussion of the FOMC meetings held in any one year were released to the general public 5 years after the end of that year. In the FOMC's judgment, this policy of delayed release gave strong assurance that the disclosure of the memoranda would not affect security markets and that it would not impair the willingness of its members to speak freely about sensitive matters of current concern.

Last year the FOMC re-examined the practice of keeping these very detailed minutes of its meetings, and at the same time reviewed its practice of releasing 45 days after each monthly meeting the much shorter record of policy actions—a record that reflects the Committee's discussion of the economic outlook and its deliberations on open market policy. After much thought, the Committee decided to reduce from 45 days to about 30 days the time for release of the record of policy actions and to include in that record an expanded and more systematic account of the views expressed by its members. The new policy record does not attribute individual opinions to Committee members by name; but the record always reports the votes of the members by name and their accountability is thus preserved. In connection with this new practice, the Committee decided to discontinue the detailed memoranda of discussion, recognizing the much more limited audience for this document.

While the FOMC's new procedure affords the public much more information on a current basis about policy actions than under prior practice, it admittedly does not preserve a historical record as detailed as that contained in the earlier memoranda of discussion. H.R. 9465 would propose to remedy this by requiring, in effect, a return to the earlier practice. In addition, it would require that the minutes be made public 3 years after each meeting.

As I have indicated, we are sympathetic to the concerns that underlie this proposal, and we are reluctant to oppose it. However, we believe there are three shortcomings in the bill as it is presently drafted. First, no provision is made for exclusion of material that may be embarrassing to foreign governments or institutions. Second, 3 years is not a sufficiently long period to avoid the inhibiting effects that may derive from the anticipated release of the views expressed at FOMC meetings. If this proposal were to be adopted, we would strongly prefer a return to the prior practice of releasing the memoranda with a 5-year lag. Third, and most important, the bill does not address the possibility that the FOMC might be compelled under the Freedom of Information Act to make public all or significant portions of the memoranda more promptly than the specified period, whether it be 3 or 5 years. In the absence of express statutory protection against premature disclosure of the memoranda, we would feel compelled to object to a proposal for returning to the practice of keeping extensively detailed minutes of FOMC meetings.

In closing, let me again assure the committee that we will cooperate fully with any reasonable requests for information necessary to enable this or any other committee of the Congress to perform its responsibilities. However, since our day-to-day work, and that of the 12 Federal Reserve Banks, involves us in matters of the greatest sensitivity, we urge this committee not to approve any additional proposal for public disclosure in the absence of a strong showing of public benefit. □

Statement by Philip E. Coldwell, Member, Board of Governors of the Federal Reserve System before the Committee on Governmental Affairs, U.S. Senate, November 29, 1977.

I am pleased to present the views of the Board of Governors of the Federal Reserve System on H.R. 2176, a bill that would provide for an audit of the Federal Reserve System, the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency by the Comptroller General of the United States. For a number of reasons, the Federal Reserve opposes enactment of this legislation, as it has numerous similar proposals relating to a General Accounting Office (GAO) audit of the Federal Reserve over the last 25 years.

First, we are concerned that audit authority would constitute an initial significant step toward compromising the ability of the Federal Reserve System to render objective independent judgments on monetary policy determinations. The present exclusion of the Federal Reserve from customary appropriations and auditing procedures recognizes the special political vulnerability of a central bank because of the opposition that may be generated when it imposes monetary restraint. We appreciate the fact that H. R. 2176 provides that the audit shall not include "deliberations, decisions, and actions on monetary policy matters, including discount window operations, reserves of member banks, securities credit, interest on deposits, and open market operations." However, we are aware that the scope of this monetary policy exemption was granted by the House of Representatives with some reluctance and with an indication that it would be reconsidered in the near future. In any event, we are concerned that GAO involvement in the System's other functions could influence the operational policy environment within which monetary policy must be developed.

Second, the Federal Reserve System is already subject to extensive audit. The Federal Reserve Banks, which account for almost 95 per cent of the expenditures of the System, are audited by the Board of Governors, pursuant to an express requirement in Section 21 of the Federal Reserve Act that states, "The Board of Governors of the Federal Reserve System shall, at least once each year, order an examination of each Federal reserve bank. . . ." The Board itself is audited annually by a leading firm of certified public accountants.

Third, the System's cautious stewardship of its funds and its record of sharp increases in productivity suggest no need for an efficiency audit.

Fourth, we are convinced that a regular audit by the GAO would be likely to have an adverse impact on the effectiveness of bank regulation and would impede the essential freedom of communication between bankers and bank examiners in the examination process. Moreover, it would raise the dangerous possibility of unauthorized disclosure of highly sensitive information about individual banks and their customers and could therefore have serious adverse effects upon individual persons and institutions. We cannot emphasize too strongly the damage that GAO access to bank examination reports could have on the bank examination process.

We are aware that the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency are in general support of H.R. 2176. However, these other agencies are structurally and functionally different from the Federal Reserve. The Comptroller, of course, charters banks, and the FDIC insures banks. But beyond these responsibilities their functions are generally limited to the supervision and regulation of banks. Their financial transactions are audited by the GAO, but the scope of their internal audit functions is considerably narrower. Their operations are primarily centered in and directed from Washington. The Federal Reserve's organization is less centralized and has internal audit staffs in each of the 12 districts.

While the bank regulatory functions of the Federal Reserve are similar to those performed by other agencies, the Federal Reserve performs many unique functions that support and are closely linked to broad monetary policy implementation.

First, there are several operations that are direct instruments for the implementation of monetary policy, such as open market operations and administration of the discount window, for which the scope of GAO audit authority has been limited.

Second, a large number of operations are performed by the Federal Reserve as fiscal agent of the United States. These include issuing, redeeming, and servicing savings bonds and Treasury, government agency, and international agency securities; collecting, maintaining accounts for, and maintaining collateral for Federal taxes; clearing Government checks; and maintaining accounts for the Treasury.

A third group of operations provides services to the public and to financial institutions. These include operations in and regulation of the commercial check-clearing system, a distribution system for all currency and coin supplies, a nationwide network for electronic transfers of funds and Treasury securities, and a system of member bank reserve accounts.

Fourth, the Federal Reserve is charged with the responsibility for writing and enforcing a variety of other regulations, including margin requirements, consumer credit regulations, and the definitions of demand and time deposits.

Finally, the Federal Reserve conducts a group of support operations such as collecting economic statistics needed for monetary policy deliberations, data processing, communications, protection, and other housekeeping matters.

Although it is possible to categorize Federal Reserve operations into a number of service areas, there is a considerable overlap between areas, and the lines of demarcation are frequently indistinct. While H.R. 2176 attempts to screen out direct monetary policy surveillance, it does not remove the indirect impacts. The indirect ties of the other functions of the Federal Reserve to monetary policy are reflected in both the actual changes in operations and the operational policies of the System.

In the payments mechanism function, which includes check clearing and electronic funds transfers, there are numerous operating policies that the Federal Reserve establishes to assure the efficiency and effectiveness of the Nation's payments system. One such policy is a requirement that banks pay for checks drawn on them on the day of receipt, which is immediate in the case of financial center banks and a 1- or 2-day deferment schedule for country banks. This requirement assures that commercial check float, which is a component of the money supply, is predictable and controllable within reasonable limits. In addition, we have pursued a restriction on the clearance of nonpar checks, which has resulted in the gradual elimination of nonpar banks. Similarly, we have promoted a regional check-processing program, which has resulted in additional processing centers to provide overnight clearing of checks; we have encouraged the development of automated clearing houses to reduce the paper burden and to promote the long-run efficiency of the payments system;

and we have cooperated with the Treasury in the development of a Government check truncation program, which will eventually eliminate the shipping costs associated with the handling of large volumes of Government checks.

We must assume that the GAO would wish to devote attention to our payments mechanism operations since they comprise almost 40 per cent of our costs. Thus, the GAO might expect to review the cost effectiveness and public purposes of our policies in this area. Short-run cost effectiveness might be improved by policy changes, but such changes could be disruptive to financial markets and impair our ability to conduct monetary policy. The implementation of monetary policy relies heavily upon the certainty and speed of financial flows and the safety and soundness of the banking system. Indeed, these are the basic purposes of the System's activities and the objectives of its primary operational functions. Thus pressure to change policies without full understanding of the Federal Reserve's objectives in promoting and maintaining an efficient payments mechanism could be quite counterproductive. Freedom to establish and maintain such policies is therefore of great importance in the long run to our monetary policy responsibilities. In fact, the legislative history in the House of Representatives appears to give some recognition to this point.

The same reasoning applies to the operations that we perform for the Treasury as its fiscal agent. We have sought ways of improving the efficiency of these operations, and such improvements have resulted in substantial savings to the Treasury and thus to every taxpayer. We have cooperated with the Treasury in developing an elaborate computer-based, book-entry system for Government securities that has virtually eliminated the need for definitive securities. We are now cooperating with the Treasury in a new system of accounting for Treasury tax and loan accounts, which will result in substantially increased earnings on the Treasury's cash balances.

While these developments have had as their primary objective the reduction of costs, we at the Federal Reserve have also been interested in the long-run implications upon the efficiency of the Government securities market. This, of course, is of great importance to the implementation of monetary policy, and again, the flexibility to effectuate the policies that we have followed in this area has been a major contributing factor to its success.

Our policies with respect to the collection of banking and other financial statistics are designed to enhance the flow of information for monetary policy decisions. The cost effectiveness of our large data collection effort is not always obvious to outside observers, but it is our judgment that this information is essential to the decisions made by the Federal Open Market Committee and is necessary to evaluate the results of our past actions. This area provides an illustration of why we believe that a GAO operational or efficiency-type audit, even though not intended to involve the monetary policy field, is not likely to avoid it.

Thus, while we recognize and appreciate that this bill has included limits on GAO audit authority over monetary policy operations, nearly all Federal Reserve operations have some ultimate relationship to monetary policy. Therefore, the probability exists that any GAO audit may impinge on policy matters and the execution of monetary policy operations. We believe the System should have the freedom to develop and implement its own procedures without the inhibiting presence of GAO and that any GAO audit could ultimately be used to infringe upon monetary policy implementation, however carefully such audit authority may be circumscribed.

If a GAO audit is not intended to influence monetary policy, is its purpose to verify statistical data and financial information presently available to the Congress? If so, such audits will be a very expensive and redundant procedure since an extensive and effective system of audits already exists. The effectiveness of our existing system of audits and examinations has been recognized by the Congress, GAO, and independent certified public accountant firms.

Let me briefly describe the coverage now provided. The audit program established within the Federal Reserve System is comprehensive and incorporates a series of controls coupled with a number of checks and balances. First, the General Auditor of each Reserve Bank accomplishes an internal audit of all operations at least annually. Each General Auditor is adminstratively independent of Bank management and reports his findings directly to the district's board of directors. Second, the staff of the Board of Governors examines each Reserve Bank annually in accordance with the Federal Reserve Act, including confirmation of each asset and liability account as well as determining compliance with procedures established by the Bank itself and by the Federal Reserve System as a whole. The Board's staff also accomplishes a series of reviews to determine the effectiveness and efficiency of Bank operations, including the internal audit function.

Each year the results of the staff's examinations and reviews in each district are discussed individually in executive session with the Board of Governors. Subsequently, a Board official briefs the board of directors of each district on the condition of operations. In addition, an independent certified public accountant firm is engaged to evaluate the examination and review procedures used by the Board staff. Representatives of this firm accompany the examination and review teams to various offices on a random basis and provide the Board of Governors with an annual report of the evaluations. This report is in turn transmitted to the Congress.

A specific example will illustrate the depth of the audit coverage we now provide as compared with the GAO's. The Comptroller General recently distributed a report to the heads of all executive departments recommending increased audit attention to the use of computers in Government. The document set forth the GAO's standards in this field. The Federal Reserve System was able to show that it provides more than required by GAO standards in terms of auditing of computer applications, review of the efficiency of computer usage, and controls over leasing and purchasing of new equipment. This is only one of a number of areas in which our audit standards meet or exceed the GAO's requirements for other agencies.

If the focus of the GAO audit is neither to influence monetary policy nor to verify statistical data and financial information, is it to evaluate the efficiency of Federal Reserve operations? Information provided by our expense accounting system provides far more detail than could be generated by a GAO audit. The Board uses this information on a continuing basis to measure the operational efficiency of the Reserve Banks and branches.

The performance record of the Federal Reserve System over the past few years strongly suggests the high degree of success the System has achieved through its internal efforts to improve operational efficiency. Since 1974 employment in the Federal Reserve Banks has been reduced by 10 per cent even though the volume of operations performed by the System has increased by 24 per cent. Our weighted unit cost of clearing checks, processing currency and coin, issuing and redeeming Treasury and other Government agency securities, and performing all other measurable output activities has increased by about 1 per cent per year over the 3-year period from 1974 through 1977 as projected. If unit costs are adjusted for higher prices paid for resources—that is for inflation—real unit costs have declined by about 7 per cent per year. As reflected in the budgets of the Reserve Banks, a further decline is expected in 1978.

While output per hour increased by more than 10 per cent in 1976 and is projected to increase at similar rates in 1977 and 1978, some of these gains have been achieved through substitution of capital for labor. In an effort to adjust our productivity gains for this substitution, the Board's staff has made estimates of changes in total factor productivity. Changes in total factor productivity measure the increase in output against the increase in all resource inputs, including both capital and labor.

Since 1974 the System's total factor productivity has increased considerably more than estimates for the private sector. In these past 4 years the Board of Governors and the Federal Reserve Banks have stressed the promotion of policies designed to improve operational efficiency. Through these efforts, we have brought about increases in our total factor productivity averaging 7.7 per cent per year through the budget year 1978. At the same time, we have tightened policies regarding allowable expenses of the Reserve Banks. The Board's staff reviews, as the GAO would, the legitimacy and reasonableness of all discretionary expenditures. Thus, an efficiency audit is already ongoing, and further efforts along these lines seem clearly unnecessary.

We do not suggest that the Federal Reserve is or should be beyond the scope of congressional oversight or that it should not be held accountable to the Congress for its expenditures. The Federal Reserve System was created by the Congress, and the Congress has the authority to change any aspect of the central bank's responsibilities. We are concerned, however, that by significantly altering one of the primary protections to Federal Reserve independence—the authority to establish its own budget and audit its expenditures—the Congress may, without intending to do so, and notwithstanding the exemptions in the legislation, profoundly change the concept of an independent monetary authority that has served the country well for over 60 years.

We believe that oversight, including criticisms and suggestions for improvement of the Federal Reserve's operations with respect to the payments mechanism, bank examination and supervision, and other significant functions should be performed as a matter of policy review by the Congress and not as an audit review by the General Accounting Office.

In our opinion recent experience establishes that there are effective means by which the Congress can perform oversight responsibilities in these areas without devoting substantial additional resources of the magnitude that would be required for a GAO audit. Over the past 2½ years, there have been quarterly hearings on the conduct of monetary policy held by the banking committees, which have proved to be a workable and productive way of informing the Congress about the course of monetary policy. These hearings originally held pursuant to H. Con. Res. 133 have now been made a part of permanent law by Public Law 95-188 of November 16, 1977.

The Board has proposed that regular oversight hearings be conducted by the appropriate committees of the Congress on the condition of the banking system. One such hearing has been held before the Senate Committee on Banking, Housing and Urban Affairs at which considerable documentation was made available. The Board has also presented testimony to the same Senate Committee this year on the 1977 budget of the Federal Reserve System. We understand that the Committee found these hearings to be a useful and productive means of oversight, and, if so, we are prepared to repeat them annually.

Before the Congress takes such a drastic step as that contemplated by H.R. 2176, we urge that oversight hearings be held on the Board's performance of its other statutory duties, including its duty as auditor of the Federal Reserve Banks. If such hearings, in conjunction with those on the banking system and budgets, fail to satisfy the Congress, then it could always return to legislation. □

Record of Policy Actions of the Federal Open Market Committee

MEETING HELD ON OCTOBER 17-18, 1977

1. Domestic Policy Directive

The information reviewed at this meeting suggested that growth in real output of goods and services in the third quarter had slowed from the pace in the second quarter, estimated by the Commerce Department to have been at an annual rate of 6.2 per cent. The rise in average prices—as measured by the fixed-weighted price index for gross domestic business product—appeared to have moderated appreciably from that of the second quarter, estimated to have been at an annual rate of 7.5 per cent. Staff projections suggested that growth in real GNP would pick up in the fourth quarter and would continue at a moderate, although slightly diminishing, pace in 1978. It was also expected that the rate of increase in prices, while less than that in the first half of 1977, would remain high.

According to staff estimates, the third-quarter slowing of growth in real GNP was attributable mainly to a reduction in the rate of business inventory accumulation, following a large increase in the second quarter, as businesses attempted to prevent an excessive build-up of stocks. It was estimated that growth in final sales of goods and services in real terms had been about the same in the third quarter as in the second.

Staff projections of growth in real GNP over the year ahead reflected expectations that expansion in business capital outlays would be sustained; that increases in State and local government purchases of goods and services would remain large, in part because of the stimulus of increased Federal public works and job-related programs; and that growth in consumer spending would be moderate. It was still anticipated that the expansion in residential construction activity would taper off as the period progressed and that exports of goods and services would continue to exceed imports by a sizable, but not an increasing, amount.

In September industrial production expanded 0.4 per cent, returning to the level reached in July. About one-third of the September rise was attributable to gains in copper and coal mining following the end of strikes, but small increases in output were widespread. Production of steel declined, and automobile assemblies were about unchanged at a relatively high rate. From the second quarter to the third, total industrial production advanced 1.2 per cent, about half as much as from the first quarter to the second.

Capacity utilization in manufacturing in September remained at the August level of 82.9 per cent. In the materials-producing industries, utilization changed little, and at 82.8 per cent for both September and the third quarter as a whole, it remained appreciably lower than at the comparable stage of other recent business expansions.

Total nonfarm payroll employment expanded substantially in September, reflecting in large part continuation of strong growth in the service-producing sector—specifically, in services, retail trade, and State and local government. Payroll employment in manufacturing increased too, recovering most of the decrease of August, but the length of the average workweek of production workers declined for the third consecutive month—reaching 40.0 hours, compared with 40.5 in June. Total employment, as measured by the survey of households, also increased substantially in September. The civilian labor force rose somewhat less than total employment, as a sizable increase in the number of women in the labor force was offset in part by decreases in the number of adult men and of teenagers, and the unemployment rate edged down 0.2 of a percentage point to 6.9 per cent. From April through September the unemployment rate had fluctuated between 6.9 and 7.1 per cent.

The size of the gain in employment in September suggested an increase in the pace of expansion in wage and salary disbursements. In August such disbursements had increased little.

The dollar value of retail sales had declined 1.2 per cent in September, according to the advance report, after having increased 2.3 per cent over the preceding 2 months. From the second quarter to the third the value of sales had risen 0.3 per cent, considerably less than the rise from the first quarter to the second and, most likely, less than the increase in average prices of the goods and services sold. Unit sales of new autos—domestic and foreign models—declined more than 10 per cent, but the weakness may have been caused by the lateness of the changeover to 1978 models for some domestic makes and by reduced inventories of both foreign cars and 1977 domestic models.

Expansion in the book value of business inventories accelerated in August, after having slowed sharply further in July, but it was still slightly less rapid than the monthly-average rise in the first half of 1977. The build-up of stocks at retail stores was somewhat faster than in July and considerably more rapid than the average increase during the preceding 6 months, reflecting exceptionally high rates of accumulation both at durable goods stores other than automobile dealerships and at nondurable goods stores. In manufacturing, on the other hand, accumulation slowed further in August; in both durable goods and nondurable goods industries, the rate of accumulation was less than that over the first 6 months of the year.

As had been reported before the September meeting of the Committee, private housing starts were at an annual rate of slightly more than 2.0 million units in August, almost as much as in July. The average for the 2 months was 7 per cent above the average for the second quarter, reflecting in large part gains in starts of multifamily units.

The latest Department of Commerce survey of business plans, taken in late July and August and published in early September, suggested that spending for plant and equipment would be 13.3 per cent greater in 1977 than in 1976. The survey implied somewhat less expansion in spending in the second half of the year than in the first half.

Manufacturers' new orders for nondefense capital goods picked up somewhat in August after having declined sharply in July; the average for the 2 months was well below that for the second quarter and about equal to that for the first quarter. However, the machinery component of such orders—generally a better indicator of underlying trends in demand for business equipment—was at an appreciably higher rate in July–August than in the second quarter. Over-all shipments of nondefense capital goods continued to expand in August, and unfilled orders for such goods edged down. Contract awards for commercial and industrial buildings—measured in terms of floor space—rose sharply in August, and the July–August average was about 8 per cent above the average for the second quarter.

The index of average hourly earnings for private nonfarm production workers advanced at a moderate pace in September. Over the first 9 months of 1977 the index had risen at an annual rate of about 7 per cent, the same as the increase over the 12 months of 1976.

The wholesale price index for all commodities, which had declined in June and then had shown little change in July and August, rose moderately in September. Average prices of farm products and foods changed little following 3 months of large decreases, and prices of industrial commodities rose more than in the immediately preceding months. Among industrial commodities, sizable increases were recorded for lumber and wood products, certain fuels, some types of machinery, and roofing and insulation materials.

The consumer price index in August, as in July, rose considerably less than in any month of the first half of 1977. Retail prices of foods changed little over the July–August period, after having risen about 6½ per cent over the preceding 6 months. The increase in prices of nonfood commodities was relatively small in September for the third consecutive month, and the rise in prices of services was significantly less than the average increase in the preceding 7 months.

In foreign exchange markets, pressure on the dollar emerged at the end of September—following 2 months of recovery from the depreciation that had occurred in early summer—in reaction mainly to statements by U.S. Government officials concerning the large deficits in both foreign trade and the current accounts that were in prospect for 1977 and were projected for 1978. From late September to mid-October the trade-weighted average value of the dollar depreciated about 1½ per cent, reflecting declines against all major currencies except the Canadian dollar; the largest declines were against the Japanese yen and the Swiss franc. Over the period, moreover, foreign central banks intervened in the exchange markets to purchase a substantial amount of dollars.

The U.S. foreign trade deficit widened in August. The monthly-average deficit for July and August was somewhat greater than that for the second quarter.

At U.S. commercial banks, growth in total credit was small in September following substantial expansion in the preceding 2 months. In September bank holdings of U.S. Treasury securities declined considerably further. Total loans expanded, but by less than in July and August. Real estate loans continued to grow at a rapid pace, but business loans increased less than in any month earlier in the year.

The small increase in business loans at banks in September was accompanied by a decrease of about the same amount in the outstanding volume of commercial paper issued by nonfinancial corporations. For the third quarter as a whole, business credit expansion through these two sources slowed to an annual rate of 6 per cent—the lowest since the summer of 1976.

The narrowly defined money stock (*M*-1) grew at an annual rate of 7¾ per cent in September, up from the August pace of 5½ per cent. Data for early October suggested further acceleration. *M*-1 grew at an annual rate of 9¼ per cent from the second quarter to the third, and by about 7¼ per cent from the third quarter of 1976 to the third quarter of 1977.

Growth in the more broadly defined measures of money, *M*-2 and *M*-3, also stepped up in September—to annual rates of 8 and 12 per cent, respectively, from rates of about 6½ and 11½ per cent in August. These more rapid rates resulted almost entirely from the acceleration of expansion in the demand deposit and currency components common to all three measures of money. Expansion in the time and savings deposit component of *M*-2 changed little in September from the reduced rate of August; and inflows of deposits at nonbank thrift institutions, included in *M*-3, remained near the strong pace of August. From the third quarter of 1976 to the third quarter of 1977, *M*-2 and *M*-3 grew about 11 and 12½ per cent, respectively.

At its September meeting the Committee had decided that during the September–October period growth in *M*-1 and *M*-2 within ranges of 2 to 7 per cent and 4 to 8 per cent, respectively, would be appropriate. The Committee had established 6 to 6½ per cent as the range for variation in the weekly-average Federal funds rate for the period until the next meeting. The 6¼ per cent midpoint of the range was slightly above the rate of 6⅛ per cent prevailing in the days just before that meeting. The Committee had agreed that if growth rates in the aggregates over the 2-month period appeared to be deviating significantly from the midpoints of their ranges, the operational objective for the weekly-average Federal funds rate should be modified in an orderly fashion within its indicated range.

In accordance with the Committee's decision, the Manager of the

System Open Market Account began immediately after the September meeting to seek bank reserve conditions consistent with a Federal funds rate of around 6¼ per cent. Data that were becoming available at the same time suggested that over the September–October period M-1 and M-2 would grow at rates at or above the upper limits of the ranges specified by the Committee, and the estimates of these growth rates were raised further on the basis of the data that became available in subsequent weeks. Therefore, the Manager sought a gradual firming in the Federal funds rate to 6½ per cent, the upper limit of its specified range. In the three business days prior to this meeting of the Committee, the funds rate averaged 6½ per cent.

Interest rates in securities markets also rose during the inter-meeting period. Increases ranged from 30 to 65 basis points in markets for short-term securities and up to 20 basis points in markets for long-term instruments. Major banks raised the rate on loans to prime business borrowers from 7¼ to 7½ per cent.

As market rates of interest rose, member bank borrowings at Federal Reserve Banks expanded. In the 5 days preceding the Committee meeting, borrowings averaged nearly $1.6 billion, up from a daily average of $337 million in the statement week ending September 14.

Stock prices drifted down further over the inter-meeting period, and several major indexes of stock prices reached their lowest levels since the end of 1975. The reduced prices of common stocks, in combination with a record number of dividend increases announced so far this year, raised the average yield of dividends to an unusually high level by historical standards.

The U.S. Treasury raised $3.3 billion of new money during the inter-meeting period. For the third quarter as a whole, its cash borrowing totaled $17 billion—excluding $2.5 billion of temporary borrowing from the Federal Reserve System at the end of the quarter. Of the $17 billion, $2.8 billion was provided through sales of special nonmarketable Treasury securities to State and local governments that were making temporary investments of the proceeds from advance refundings.

Gross offerings of new bonds by State and local governments remained substantial in September, reflecting a continued large volume of advance refundings. Primarily because of such refundings, State and local government offerings of long-term securities in the first 9 months of 1977 exceeded the record volume of sales in all of 1976.

Gross public offerings of corporate bonds remained strong both in September and in the third quarter as a whole. Total external financing by nonfinancial corporations in the third quarter appeared to have been substantially greater than the gap between capital outlays and internally generated funds. In those circumstances, such a large volume of financing suggested that some firms were encouraged by the levels of prevailing yields to borrow in advance of their current needs. The proceeds of such borrowings may have been used to enlarge holdings of liquid assets as well as to reduce short-term debt.

Growth in mortgage credit in September apparently remained near the strong pace registered earlier in the third quarter. Expansion in mortgage loans at commercial banks slightly exceeded the sizable July–August average, and new issues of GNMA-guaranteed, mortgage-backed securities were down only moderately from the August record volume. At savings and loan associations, outstanding mortgage loan commitments had risen appreciably in August to a new record level. At the same time, inflows of funds to these institutions during September were apparently sufficient to permit them to acquire a sizable volume of spot loans in addition to financing takedowns of outstanding mortgage commitments.

In the Committee's discussion of the economic situation, the members agreed that the expansion in activity was likely to continue for some time to come. They differed, however, in their assessments of the prospective vigor of the expansion. Most indicated no disagreement with the staff projections suggesting that growth in real GNP would pick up in the fourth quarter and would continue at a moderate—if slightly diminishing—pace in 1978, although the view was expressed that uncertainties about the current situation and outlook had increased in recent months. One of the members suggested that the private economy had demonstrated great vitality since the start of the current business upswing, as evidenced by growth of nearly 7 million persons in total employment. He believed that the expansion could well pick up speed again if the tax proposals being developed by the administration were practical and included, in particular, measures designed to foster a higher rate of business capital expenditures. Another member who regarded the staff projections as reasonable nevertheless thought that any deviation was more likely to be in the direction of shortfalls. A third member felt that the economy had not displayed any significant weaknesses and that its performance was likely to be as favorable as, or more favorable than, that projected by the staff.

On the other hand, several members felt that the performance of the economy was likely to be less favorable than projected and, consequently, that there might be little further progress in reducing the rate of unemployment from its high level. One of these members observed that the projections for a number of sectors of activity appeared to be on the high side and that shortfalls were likely to occur in at least some cases. Another of these members suggested, however, that a rate of growth in real GNP of less than 5 per cent—which was being widely forecast on the assumption of the existing fiscal policy—was likely to lead to some new measures of fiscal stimulus, although uncertainty existed about the amount of time required to legislate new measures and about their probable effectiveness. Another member expressed the view that, compared with the staff projections, growth was likely to be weaker in the fourth quarter of 1977, to be stronger in the first half of 1978, and to be weaker again in the second half of 1978.

Members differed somewhat in their appraisals of the outlook for major categories of expenditures. With respect to business fixed investment, little disagreement was expressed with the staff projection that expansion would be sustained over the year ahead. It was observed that new orders for machinery had been strong; that a revival in large-scale industrial and commercial building projects had begun earlier this year; and that new businesses were being formed at an increasing rate. However, the view was also expressed that business confidence had deteriorated somewhat—owing to the rather indifferent performance of profits, to the decline in stock prices, and to widespread uncertainty concerning a number of Government policies—and it was noted that some private surveys of plans for 1978 did not suggest any great strength in business capital spending. Concerning inventories, it was observed that businesses were likely to continue pursuing conservative policies, that the recent increase in stocks at retail stores had occurred as sales had leveled off, and that any appreciable increase in inventory investment in the period ahead might reflect involuntary accumulation and thus be indicative of weakness rather than strength in the over-all situation.

Several members expressed skepticism concerning the staff projection of some further expansion in housing starts from recent levels and of somewhat higher starts in 1978 as a whole than in 1977. In that connection, it was suggested that starts might be limited by supplies of insulating and other building materials as much as by any easing in demands. On the other hand, the view was expressed that certain factors affecting starts of multifamily units had become more favorable and that increases in such starts might sustain the total, although it was recognized that on the average less construction activity was involved in multifamily than in single-family units. With respect to financing, it was observed that the availability of funds for mortgages remained good. Moreover, it was suggested that thrift institutions apparently had become less exposed than in the past to diversions in savings flows in response to higher market rates of interest, mainly reflecting a lengthening in the maturity structure of their liabilities.

A few members viewed the staff projection of moderate growth in real consumer spending as optimistic. One of these expressed doubt that purchases of new automobiles would increase further from the advanced rate of the past year or so. Another observed that expansion in disposable income was likely to fall short of that required to validate the projection, especially if, as widely expected, the savings rate recovered from the reduced levels of recent quarters.

Some members expressed doubt about the expansion in exports projected for the year ahead, which was large enough in real terms to offset the projected rise in imports; thus they viewed the foreign trade sector as a source of weakness in prospects for growth in total real GNP. Concern was also expressed that at some point continuation of a large current-account deficit could have adverse psychological effects in exchange markets, although it was recognized that the deficit could be financed without repercussions—especially if relative interest rates remained favorable and price performance in the United States did not deteriorate. One member suggested that even if interest rate relationships were not especially favorable, capital might still flow in because of improving profits of U.S. enterprises.

It was suggested that the performance of prices could be somewhat better than that portrayed by the staff projection. Specifically, it was thought that further improvement in supplies of foodstuffs might result in continued downward pressure on prices, and that worldwide demands for industrial raw materials were unlikely to be strong enough to drive their prices up to any significant degree. It was also noted, however, that the underlying rate of inflation remained high and that the rate of increase in unit labor costs in the private business sector of the economy was unlikely to be reduced in the coming year. One member indicated concern about the structural inflation that appeared to have a life of its own; he referred specifically to the increase in the salary structure for Federal employees that had taken effect in early October, to recent increases in wage rates in the private sector, to pending legislation raising the minimum wage, and to pressures for import quotas. The judgment was expressed that the administration apparently was not being effective in pursuing its anti-inflation policy.

Finally in the discussion of the economic situation, it was reported that declines in prices of agricultural commodities had led to declines in prices of farmland in a few States for the first time in many years. It was noted, moreover, that banks were finding it necessary to restructure an increasing number of loans to finance agricultural operations because of the farmers' inability to repay them on time.

At this meeting the Committee reviewed its 12-month ranges for growth in the monetary aggregates. At its July meeting the Committee had specified the following ranges for growth over the period from the second quarter of 1977 to the second quarter of 1978: *M*-1, 4 to 6½ per cent; *M*-2, 7 to 9½ per cent; and *M*-3, 8½ to 11 per cent. The associated range for growth in commercial bank credit was 7 to 10 per cent. The ranges being considered at this meeting were for the period from the third quarter of 1977 to the third quarter of 1978.

In the discussion of the appropriate ranges for growth in the monetary aggregates over the year ahead, it was suggested that the Committee make clear its continuing determination to bring the ranges down gradually to levels compatible with general price stability, while at the same time assuring that growth in the aggregates would be sufficient to facilitate an orderly expansion of economic activity. In such a framework it was further suggested that the Committee indicate that its basic goal was to contribute to the satisfactory performance of the economy and that it would not sacrifice or compromise that goal in the interest of seeking to attain pre-determined rates of monetary growth.

In the discussion, attention was drawn to the behavior of the monetary aggregates and to certain developments in financial markets. Specifically, it was noted that over the year from the third quarter of 1976 to the third quarter of 1977 growth in *M*-1 had exceeded by a sizable margin the upper limit of the range that the Committee had set at its meeting in early November 1976, whereas on other recent occasions when the Committee had reconsidered its longer-run ranges it could look back to periods of a year when growth in *M*-1 had fallen within, or below the lower limit of, its range. Growth in *M*-2 and *M*-3 over the year to the third quarter of 1977 also had exceeded the upper limits of the ranges adopted in early November 1976, and growth in all three aggregates over the period had exceeded their longer-run ranges for the first time since the Committee had begun to adopt such ranges. However, it was also noted that, although growth in *M*-1 had been at a faster rate in the first 9 months of 1977 than during 1976, growth in *M*-2 and *M*-3 had been slower; and that *M*-1 had begun to grow rapidly only over the two most recent quarters.

With respect to financial market developments, it was noted that short-term interest rates in general had risen about 200 basis points since the beginning of the year—with a substantial part of that rise having occurred in the third quarter. However, it was pointed out, long-term rates had not changed much on balance since the beginning of the year, although they had increased somewhat in recent weeks. Also, the decline in stock prices was interpreted as signaling that investors were uneasy about the profitability of corporations and about the performance of the economy.

Uncertainty was expressed about the underlying causes of the expansion of the demand for money (narrowly defined) in the second and third quarters and about the implications of that expansion for policy. It was suggested that various changes in financial technology that had been resulting in substitution of income-earning deposits for demand deposits had become less powerful and, consequently, that increasing demands for transactions balances in the latest two quarters had had a greater effect on growth in *M*-1. One member suggested that the demand for money had also been raised recently by increased uncertainty of various kinds—about conditions in the job market, about prices of securities, about foreign exchange rates, and about other elements in the economic situation—and that this had contributed to the apparent decline in the income velocity of *M*-1 in the third quarter. In his view, however, the decline in velocity more fundamentally reflected the sluggishness of economic expansion in the third quarter, and a pick-up in the pace of expansion once again might be accompanied by a sharp rise in velocity.

Because of the uncertainty about the underlying causes of the recent expansion in the demand for *M*-1 and about the prospects for its velocity, some members indicated that they now had less confidence in the behavior of the monetary aggregates as guides to monetary policy than they might have had earlier. It was felt, moreover, that those uncertainties made it particularly important to emphasize that the Committee's basic goal was to contribute to the satisfactory performance of the economy rather than to pursue pre-determined rates of monetary growth.

In commenting on the ranges for growth in the monetary aggregates over the period from the third quarter of 1977 to the third quarter of 1978, most members concurred in the view that the objective of continuing the gradual process of bringing the longer-run ranges for growth in the monetary aggregates down to rates compatible with general price stability would best be served at this time by retaining the existing range of 4 to 6½ per cent for *M*-1 and making some reduction in the ranges for *M*-2 and *M*-3. Proposals to achieve the latter included reducing the upper limits of the ranges by ½ of a percentage point, reducing the lower as well as the upper limits by that amount, and reducing both limits by 1 percentage point.

In support of the proposal to make some downward adjustment in the ranges for *M*-2 and *M*-3, several members observed that the rise in short-term interest rates that had already occurred would tend to reduce flows of funds into time and savings deposits (exclusive of money market CD's), so in the period ahead growth in *M*-2 and *M*-3 was likely to slow in relation to growth in *M*-1. However, it was expected that flows into the thrift accounts would still be substantial and would be consonant with the maintenance of a high rate of residential construction activity.

Several reasons were advanced for retaining the existing range for *M*-1. It was suggested that any change in that range at this time would imply a degree of knowledge that, in view of the changes that were taking place in the demand for money, was not present. The observation was also made that until it became clear that the recent slowing in economic growth would not proceed further, the Committee should avoid making any change in the range for *M*-1 that might be construed as a measure of tightening. One member expressed the view that if changes in financial technology were in fact having less effect on the demand for money than they had for some time, the existing range for *M*-1 now would represent a somewhat more restrictive policy than it had before. And it was suggested that any reduction in the upper limit of the range for *M*-1 following the excessive rates of growth over the past two quarters might be interpreted as implying an aggressive policy for the short run or as implying policy objectives that were not attainable.

Some sentiment was expressed for reducing the upper limit of the range for *M*-1 by ½ of a percentage point. It was suggested that, in view of the magnitude of recent "overshoots" in growth of *M*-1, such a reduction would underscore the System's determination to work gradually toward a rate of growth consistent with general price stability and thus might have a positive effect on economic activity by tending to encourage business and consumer spending.

Two members advocated some widening of the longer-run range for *M*-1 because of uncertainty about changes in the demand for money and, thus, about the income velocity of *M*-1; it was noted that at times in the past the Committee had adopted ranges as wide as 3 percentage points. One of these members expressed the view that even if the rise in velocity picked up again in the period ahead, it was unlikely to be as rapid as it had been earlier, and he recommended raising the upper limit of the range for *M*-1 by ½ of a percentage point. At the same time, he recommended a reduction of a full percentage point in the lower limit of the range. The other member advocated an increase of ½ of a percentage point in the upper limit of the range for *M*-1 and no change in the lower limit; he also advocated a widening of the ranges for *M*-2 and *M*-3.

At the conclusion of its discussion the Committee decided to retain the existing range for *M*-1 and to reduce both the upper and lower limits of the ranges for *M*-2 and *M*-3 by ½ of a percentage point. Thus the new ranges, which applied to the period from the third quarter of 1977 to the third quarter of 1978, were 4 to 6½ per cent for *M*-1, 6½ to 9 per cent for *M*-2, and 8 to 10½ per cent for *M*-3. The associated range for growth in commercial bank credit was 7 to 10 per cent. It was agreed that the longer-run ranges, as well as the particular aggregates for which such ranges were specified, would be subject to review and modification at subsequent meetings. It was also understood that short-run factors might cause growth rates from month to month to fall outside the ranges contemplated for the year ahead.

The Committee adopted the following ranges for rates of growth in monetary aggregates for the period from the third quarter of 1977 to the third quarter of 1978: *M*-1, 4 to 6½ per cent; *M*-2, 6½ to 9 per cent; and *M*-3, 8 to 10½ per cent.

Votes for this action: Messrs. Burns, Volcker, Coldwell, Gardner, Guffey, Jackson, Lilly, Mayo, Morris, Partee, and Roos. Vote against this action: Mr. Wallich.

Mr. Wallich dissented from this action because—believing that abnormal gains in the income velocity of *M*-1 had come to an end, at least temporarily—he preferred to raise the upper limit of the range for *M*-1 to 7 per cent. At the same time, he would have widened the range by reducing the lower limit to 3 per cent.

As to policy for the period immediately ahead, members of the Committee were in relatively close agreement with respect to their preferences for ranges of growth for the monetary aggregates over the October–November period. Most of them favored ranges of 3 to 8 per cent and 5½ to 9½ per cent for the annual rates of growth in *M*-1 and *M*-2, respectively. A few members indicated that slightly lower growth ranges would also be acceptable.

Somewhat greater differences of view were expressed concerning the Federal funds rate. A number of members favored directing operations initially toward maintaining the current rate of around 6½ per cent, but some preferred to raise the rate to around 6⅝ per cent and one felt that a prompt move to 6¾ per cent was needed. Differing views were also indicated with regard to the amount of leeway that should be provided in conducting operations during the inter-meeting period as new information became available on the performance of the monetary aggregates. The members were agreed that little or no decline in the Federal funds rate should be contemplated under foreseeable circumstances, but views were divided with respect to the upper limit that should be set for the rate; several members recommended a ceiling of 6¾ per cent while others preferred a ceiling of 7 per cent. Some members in favor of the lower ceiling indicated that they would be prepared to accept a higher rate if the performance of the economy and the monetary aggregates during the inter-meeting period differed significantly from their expectations.

A majority of the members were in favor of giving greater weight than usual to money market conditions in conducting open market operations in the period until the next meeting. In that connection some cited the uncertain implications of the growth of the monetary aggregates in recent months. However, a number of members expressed a preference for continuing to have operating decisions in the period ahead based primarily on the behavior of the monetary aggregates; in their view such operations should be adjusted promptly if the aggregates appeared to be deviating significantly from the midpoints of the specified ranges.

At the conclusion of the discussion the Committee decided that operations in the period immediately ahead should be directed toward maintaining prevailing money market conditions, as represented by a weekly-average Federal funds rate of about 6½ per cent. However, the members agreed that if growth in the aggregates should appear to approach or move beyond the limits of their specified ranges, the operational objective for the weekly-average Federal funds rate should be varied in an orderly fashion within a range of 6¼ to 6¾ per cent. With respect to the annual rates of growth in *M*-1 and *M*-2 over the October–November period, the Committee specified ranges of 3 to 8 per cent and 5½ to 9½ per cent, respectively. It was also agreed that in assessing the behavior of the aggregates, the Manager should give approximately equal weight to the behavior of *M*-1 and *M*-2.

As customary, it was understood that the Chairman might call upon the Committee to consider the need for supplementary instructions before the next scheduled meeting if significant inconsistencies appeared to be developing among the Committee's various objectives.

The following domestic policy directive was issued to the Federal Reserve Bank of New York:

The information reviewed at this meeting suggests that growth in real output of goods and services slowed in the third quarter, mainly because of a reduction in the rate of inventory accumulation. In September industrial production expanded, returning to about the level reached in July, and employment increased substantially. The unemployment rate edged down to 6.9 per cent, but remained near the level prevailing since April. The dollar value of total retail sales declined after having risen appreciably in July and August. The wholesale price index for all commodities, which had declined on balance since May, advanced in September; average prices of farm products and foods changed little following 3 months of sharp decreases, and average prices of industrial commodities rose more than in the immediately preceding months. So far this year the index of average hourly earnings has advanced at about the same pace as it had on the average during 1976.

Pressure on the dollar in foreign exchange markets emerged at the end of September, and the dollar has declined against most major foreign currencies and particularly against the Japanese yen. In August the U.S. foreign trade deficit widened; the July–August average was somewhat above the second-quarter rate.

M-1 and *M*-2 expanded somewhat more in September than in August, and increased substantially further in early October. Inflows to banks of time and savings deposits increased little in September from the reduced rate in August, while inflows to nonbank thrift institutions remained strong. Short-term interest rates have risen further in recent weeks, and yields on longer-term market securities have increased.

In light of the foregoing developments, it is the policy of the Federal Open Market Committee to foster bank reserve and other financial conditions that will encourage continued economic expansion and help resist inflationary pressures, while contributing to a sustainable pattern of international transactions.

Growth of *M*-1, *M*-2, and *M*-3 within ranges of 4 to 6½ per cent, 6½ to 9 per cent, and 8 to 10½ per cent, respectively, from the third quarter of 1977 to the third quarter of 1978 appears to be consistent with these objectives. These ranges are subject to reconsideration at any time as conditions warrant.

At this time, the Committee seeks to maintain about the prevailing money market conditions during the period immediately ahead, provided that monetary aggregates appear to be growing at approximately the rates currently expected, which are believed to be on a path reasonably consistent with the longer-run ranges for monetary aggregates cited in the preceding paragraph. Specifically, the Committee seeks to maintain the weekly-average Federal funds rate at about

6½ per cent, so long as M-1 and M-2 appear to be growing over the October–November period at annual rates within ranges of 3 to 8 per cent and 5½ to 9½ per cent, respectively. If, giving approximately equal weight to M-1 and M-2, it appears that growth rates over the 2-month period are approaching or moving beyond the limits of the indicated ranges, the operational objective for the weekly-average Federal funds rate shall be modified in an orderly fashion within a range of 6¼ to 6¾ per cent.

If it appears during the period before the next meeting that the operating constraints specified above are proving to be significantly inconsistent, the Manager is promptly to notify the Chairman who will then decide whether the situation calls for supplementary instructions from the Committee.

Votes for this action: Messrs. Burns, Volcker, Coldwell, Gardner, Guffey, Jackson, Lilly, Mayo, Partee, Roos, and Wallich. Vote against this action: Mr. Morris.

Mr. Morris dissented from this action because he was convinced that the Committee should take more aggressive action to curb excessive growth in the monetary aggregates, which in his opinion would not be conducive to a healthy, long-term expansion in the economy. He also believed that short-term interest rates could rise somewhat further without significantly damaging short-term prospects for economic activity.

2. Authorization for Domestic Open Market Operations

Committee members voted to reduce from $3 billion to $2 billion the limit on Federal Reserve Bank holdings of special short-term certificates of indebtedness purchased directly from the Treasury, specified in paragraph 2 of the authorization for domestic open market operations, effective immediately.

Votes for this action: Messrs. Burns, Volcker, Coldwell, Gardner, Guffey, Jackson, Lilly, Mayo, Morris, Partee, Roos, and Wallich. Votes against this action: None.

This action was taken on the recommendation of Chairman Burns. On September 30, 1977, when the temporary debt ceiling was due to expire at midnight, Committee members had voted to raise the limit on System holdings of directly purchased certificates of indebtedness from $2 billion to $3 billion, and the Treasury had issued a $2.5 billion certificate to the Federal Reserve Bank of New York. The Treasury had retired the certificate on October 4, following approval of legislation increasing the debt ceiling, and the need for the higher limit had passed.

* * * * *

Records of policy actions taken by the Federal Open Market Committee at each meeting, in the form in which they will appear in the Board's *Annual Report*, are released about a month after the meeting and are subsequently published in the BULLETIN.

Law Department

Statutes, regulations, interpretations, and decisions

LEGISLATION ENACTED

An Act

To extend the authority for the flexible regulation of interest rates on deposits and accounts in depository institutions, to promote the accountability of the Federal Reserve System, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I—REGULATION OF INTEREST RATES

Sec. 101. Section 7 of the Act of September 21, 1966 (Public Law 89-597), is amended by striking out "December 15, 1977" and inserting in lieu thereof "December 15, 1978".

TITLE II— AMENDMENTS TO THE FEDERAL RESERVE ACT

Sec. 201. This title may be cited as the "Federal Reserve Reform Act of 1977".

Congressional-Federal Reserve Dialog on Monetary Policy

Sec. 202. Insert a new section 2A immediately after section 2 of the Federal Reserve Act to read as follows:

"General Policy: Congressional Review

"Sec. 2A. The Board of Governors of the Federal Reserve System and the Federal Open Market Committee shall maintain long run growth of the monetary and credit aggregates commensurate with the economy's long run potential to increase production, so as to promote effectively the goals of maximum employment, stable prices, and moderate long-term interest rates. The Board of Governors shall consult with Congress at semiannual hearings before the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Banking, Finance and Urban Affairs of the House of Representatives about the Board of Governors' and the Federal Open Market Committee's objectives and plans with respect to the ranges of growth or diminution of monetary and credit aggregates for the upcoming twelve months, taking account of past and prospective developments in production, employment, and prices. Nothing in this Act shall be interpreted to require that such ranges of growth or diminution be achieved if the Board of Governors and the Federal Open Market Committee determine that they cannot or should not be achieved because of changing conditions."

Board of Directors of Federal Reserve Banks

Sec. 203. The following paragraphs of section 4 of the Federal Reserve Act are amended:

(a) the tenth paragraph by inserting after the comma the following: "without discrimination on the basis of race, creed, color, sex, or national origin,".

(b) the eleventh paragraph by striking all after "members," and substituting "who shall represent the public and shall be elected without discrimination on the basis of race, creed, color, sex, or national origin, and with due but not exclusive consideration to the interests of agriculture, commerce, industry, services, labor, and consumers.".

(c) the twelfth paragraph by inserting immediately after the first sentence thereof the following sentence: "They shall be elected to represent the public, without discrimination on the basis of race, creed, color, sex, or national origin, and with due but not exclusive consideration to the interests of agriculture, commerce, industry, services, labor, and consumers.".

Senate Confirmation of Chairman and Vice Chairman of Board of Governors

Sec. 204. (a) The third sentence of the second paragraph of section 10 of the Federal Reserve Act (12 U.S.C. 242) is amended to read as follows: "Of the persons thus appointed, one shall be designated by the President, by and with the advice and consent of the Senate, to serve as Chairman of the Board for a term of four years, and one shall be designated by the President, by and with the consent of the Senate, to serve as Vice Chairman of the Board for a term of four years.".

(b) The amendment made by subsection (a) takes effect on January 1, 1979, and applies to individuals who are designated by the President on or after such date to serve as Chairman or Vice Chairman of the Board of Governors of the Federal Reserve System.

Conflicts of Interest

Sec. 205. (a) Subsection 208(a) of title 18, United States Code, is amended by adding "a Federal Reserve bank director, officer, or employee," immediately before "or of the District of Columbia".

(b) Subsection 208(b) of title 18, United States Code, is amended by adding the following new sentence at the end thereof: "In the case of class A and B directors of Federal Reserve banks, the Board of Governors of the Federal Reserve System shall be the Government official responsible for appointment.".

References to Federal Reserve Act Paragraphs

Sec. 206. References in this title to paragraphs of the Federal Reserve Act refer to the paragraphs as designated in the compilation of the Federal Reserve Act as amended through 1974, compiled under the direction of the Board of Governors of the Federal Reserve System in its legal division.

TITLE III—AMENDMENTS TO THE BANK HOLDING COMPANY ACT OF 1956

Sec. 301. (a) Section 3(a) of the Bank Holding Company Act of 1956 (12 U.S.C. 1842(a)) is amended by inserting after the second sentence the following new sentence: "The Board is authorized upon application by a bank to extend, from time to time for not more than one year at a time, the two-year period referred to above for disposing of any shares acquired by a bank in the regular course of securing or collecting a debt previously contracted in good faith, if, in the Board's judgment, such an extension would not be detrimental to the public interest, but no such extension shall in the aggregate exceed three years.".

(b) Section 2(a)(5)(D) of such Act (12 U.S.C. 1841(a)(5)(D)) is amended by adding at the end thereof the following new sentence: "The Board is authorized upon application by a company to extend, from time to time for not more than one year at a time, the two-year period referred to herein for disposing of any shares acquired by a company in the regular course of securing or collecting a debt previously contracted in good faith, if, in the Board's judgment, such an extension would not be detrimental to the public interest, but no such extension shall in the aggregate exceed three years.".

(c) Section 4(c)(2) of the Bank Holding Company Act of 1956, as amended (12 U.S.C. 1843(c)(2)), is amended by striking out "shares acquired by a bank in satisfaction of a debt previously contracted in good faith, but such bank shall dispose of such shares within a period of two years" and inserting in lieu thereof the following: "shares acquired by a bank holding company or any of its subsidiaries in satisfaction of a debt previously contracted in good faith, but such shares shall be disposed of within a period of two years".

Sec. 302. Section 3(b) of the Bank Holding Company Act of 1956 (12 U.S.C. 1842) is amended to read as follows:

"(b) Upon receiving from a company any application for approval under this section, the Board shall give notice to the Comptroller of the Currency, if the applicant company or any bank the voting shares or assets of which are sought to be acquired is a national banking association or a District bank, or to the appropriate supervisory authority of the interested State, if the applicant company or any bank the voting shares or assets of which are sought to be acquired is a State bank, in order to provide for the submission of the views and recommendations of the Comptroller of the Currency or the State supervisory authority, as the case may be. The views and recommendations shall be submitted within thirty calendar days of the date on which notice is given, or within ten calendar days of such date if the Board advises the Comptroller of the Currency or the State supervisory authority that an emergency exists requiring expeditious action. If the thirty-day notice period applies and if the Comptroller of the Currency or the State supervisory authority so notified by the Board disapproves the application in writing within this period, the Board shall forthwith give written notice of that fact to the applicant. Within three days after giving such notice to the applicant, the Board shall notify in writing the applicant and the disapproving authority of the date for commencement of a hearing by it on such application. Any such hearing shall be commenced not less than ten nor more than thirty days after the Board has given written notice to the applicant of the action of the disapproving authority. The length of any such hearing shall be determined by the Board, but it shall afford all interested parties a reasonable opportunity to testify at such hearing. At the conclusion thereof, the Board shall, by order, grant or deny the application on the basis of the record made at such hearing. In the event of the failure of the Board to act on any application for approval under this section within the ninety-one-day period which begins on the date of submission to the Board of the complete record on that application, the application shall be deemed to have been granted. Notwithstanding any other provision of this subsection, if the Board finds that it must act immediately on any application for approval under this section in order to prevent the probable failure of a bank or bank holding company involved in a proposed acquisition, merger, or consolidation transaction, the Board may dispense with the notice requirements of this subsection, and if notice is given, the Board may request that the views and recommendations of the Comptroller of the Currency or the State supervisory authority, as the case may be, be submitted immediately in any form or by any means acceptable to the Board. If the Board has found pursuant to this subsection either that an emergency exists requiring expeditious action or that it must act immediately to prevent probable failure, the Board may grant or deny any such application without a hearing notwithstanding any recommended disapproval by the appropriate supervisory authority.".

Sec. 303. Section 11(b) of the Bank Holding Company Act of 1966 (12 U.S.C. 1849) is amended to read as follows:

"(b) The Board shall immediately notify the Attorney General of any approval by it pursuant to section 3 of a proposed acquisition, merger, or consolidation transaction. If the Board has found that it must act immediately in order to prevent the probable failure of a bank or bank holding company involved in any such transaction, the transaction may be consummated immediately upon approval by the Board. If the Board has advised the Comptroller of the Currency or the State supervisory authority, as the case may be, of the existence of an emergency requiring expeditious action and has required the submission of views and recommendations within ten days, the transaction may not be consummated before the fifth calendar day after the date of approval by the Board. In all other cases, the transaction may not be consummated before the thirtieth calendar day after the date of approval by the Board. Any action brought under the antitrust laws arising out of an acquisition, merger, or consolidation transaction approved under section 3 shall be commenced prior to the earliest time under this subsection at which the transaction approval under section 3 might be consummated. The commencement of such an action shall stay the effectiveness of the Board's approval unless the court shall otherwise specifically order. In any such action, the court shall review de novo the issues presented. In any judicial proceeding attacking any acquisition, merger, or consolidation transaction approved pursuant to section 3 on the ground that such transaction alone and of itself constituted a violation of any antitrust laws other than section 2 of the Act of July 2, 1890 (section 2 of the Sherman Antitrust Act, 15 U.S.C. 2), the standards applied by the court shall be identical with those that the Board is directed to apply under section 3 of this Act. Upon the consummation of an acquisition, merger, or consolidation transaction approved under section 3 in compliance with this Act and after the termination of any antitrust litigation commenced within the period prescribed in this section, or upon the termination of such period if no such litigation is commenced therein, the transaction may not thereafter be attacked in any judicial proceeding on the ground that it alone and of itself constituted a violation of any antitrust laws other than section 2 of the Act of July 2, 1890 (section 2 of the Sherman Antitrust Act, 15 U.S.C. 2), but nothing in this Act shall exempt any bank holding company involved in such a transaction from complying with the antitrust laws after the consummation of such transaction.".

FOREIGN ACTIVITIES OF NATIONAL BANKS

The Board of Governors has amended its Regulation M to reduce from four to one per cent the balances that member banks must maintain as reserves against their foreign branch deposits based on the daily average credit outstanding from their foreign branches to United States residents.

Effective December 1, 1977, section 213.7(b) of Regulation M is amended by deleting the number "4" that appears immediately before the words "per cent", and substituting therefor the word "one."

INTEREST ON DEPOSITS

The Board of Governors has approved an amendment of its Regulation Q concerning loans upon the security of a depositor's time and savings deposits.

Effective November 23, 1977, sections 217.4(f) and 217.5(b) are amended as follows:

SECTION 217.4—PAYMENT OF TIME DEPOSITS BEFORE MATURITY

* * * * *

(f) LOANS UPON SECURITY OF TIME DEPOSITS. A member bank may make a loan to the depositor upon the security of his time deposit provided that the rate of interest on such loan shall not be less than 1 per cent per annum in excess of the rate of interest on the time deposit.

SECTION 217.5—WITHDRAWAL OF SAVINGS DEPOSITS

* * * * *

(b) LOANS ON SECURITY OF SAVINGS DEPOSITS. If it is the practice of a member bank to require notice of withdrawal of a savings deposit, such bank may make loans to a depositor upon the security of such deposit, but the rate of interest on such loans shall not be less than 1 per cent per annum in excess of the rate of interest paid on such deposit.

RULES REGARDING DELEGATION OF AUTHORITY

The Board of Governors has delegated to the Director of the Division of Supervision and Regulation the authority to approve a State member bank's proposed subordinated debt issue as an addition to the bank's capital.

Effective November 16, 1977, paragraph 265.2(c) is amended by adding subparagraph (25) to read as follows:

SECTION 265.2—SPECIFIC FUNCTIONS DELEGATED TO BOARD EMPLOYEES AND TO FEDERAL RESERVE BANKS

* * * * *

(c) THE DIRECTOR OF THE DIVISION OF BANKING SUPERVISION AND REGULATION (or in the Director's absence, the Acting Director) is authorized:

* * * * *

(25) To approve a State member bank's proposed subordinated debt issue as an addition to the bank's capital structure if all of the following conditions are met:

(i) The terms of the proposed debt issue satisfy the requirements of §§ 204.1(f)(3)(i) and 217.1(f)(3)(i) of this Part (Regulations D and Q) and the Board's guideline criteria for approval of subordinated debt as an addition to capital.

(ii) The appropriate Reserve Bank recommends approval.

(iii) No significant policy issue is raised by the proposed issue as to which the Board has not expressed its view.

BANK HOLDING COMPANY AND BANK MERGER ORDERS ISSUED BY THE BOARD OF GOVERNORS

ORDERS UNDER SECTION 3 OF BANK HOLDING COMPANY ACT

Banco Exterior de Espana, S.A.,
Madrid, Spain

Order Approving Formation of Bank Holding Company

Banco Exterior de Espana, S.A., Madrid, Spain, has applied for the Board's approval under section 3(a)(1) of the Bank Holding Company Act (12 U.S.C. § 1842(a)(1)) of formation of a bank holding company through acquisition of 98.02 per cent of the voting shares of Century National Bank and Trust Company ("Bank"), New York, New York. These shares are now held by the Federal Deposit Insurance Corporation, which conditionally accepted Applicant's purchase bid at a public sale held July 28, 1977.

Notice of the application, affording opportunity for interested persons to submit comments and views, has been given in accordance with section 3(b) of the Act. The time for filing comments and views has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the Act (12 U.S.C. § 1842(c)).

Applicant, a Spanish bank with total assets of approximately $3.3 billion and total deposits of approximately $2.2 billion, is the eighth largest bank in Spain.[1] A majority of its shares are owned by the Spanish Government, and Applicant's banking activities are principally directed toward the promotion of foreign trade. Applicant has 181 branches within Spain and has interests in banks and financially related companies organized and operating in several foreign countries.

Bank is the 79th largest of 123 banking organizations in the Metropolitan New York market,[2] and holds deposits of approximately $33 million, or .02 percent of the total deposits in commercial banks in the market. Applicant does not now operate in the relevant market, and it does not appear that any meaningful competition would be eliminated as a result of the proposal. On the basis of the facts of record, the Board concludes that competitive considerations are consistent with approval of the application.

The financial and managerial resources and future prospects of Applicant and Bank are considered generally satisfactory and consistent with approval of this application. Considerations relating to the convenience and needs of the community to be served are also consistent with approval. Applicant plans to expand Bank's services in the area of foreign trade financing, and to expand Bank's services to the market's Spanish-speaking community by providing customers with an institution at which both Spanish and English will be spoken. It is the Board's judgment that the proposed acquisition would be in the public interest and that the application should be approved.

Applicant does not engage directly in any nonbanking activity in the United States, but two wholly-owned subsidiaries of Applicant engage in activities in the United States that are not permissible for foreign bank holding companies.[3] Under section 4(a)(2) of the Act, Applicant must dispose of its shares of these companies in excess of five per cent within two years after it becomes a bank holding company, and Applicant has committed to do so.

On the basis of the record, the application is approved for the reasons summarized above. The transaction shall not be made before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order unless such period is extended for good cause by the Board or by the Federal Reserve Bank of New York pursuant to delegated authority.

By order of the Board of Governors, effective November 2, 1977.

Voting for this action: Chairman Burns and Governors Gardner, Wallich, Coldwell, Jackson, Partee, and Lilly.

(Signed) ROBERT E. MATTHEWS,
[SEAL] *Assistant Secretary of the Board.*

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[1] Banking data are as of December 31, 1976.

[2] The Metropolitan New York market consists of the five boroughs of New York City, plus Nassau, Putnam, Rockland, and Westchester Counties, and western Suffolk County, all in New York State, as well as the northern two-thirds of Bergen County and eastern Hudson County in New Jersey, and southwestern Fairfield County in Connecticut.

[3] Interchange Commercial Corporation, New York, New York, imports a variety of goods produced in Spain, and 46 West 55th Street Corporation, New York, New York, owns and manages the office building occupied by Interchange Commercial Corporation.

Bancorporation of Montana,
Great Falls, Montana

Order Approving Acquisition of Bank

Bancorporation of Montana, Great Falls, Montana, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval under § 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire 100 per cent (less directors' qualifying shares) of the voting shares of Bank of Montana, Helena, Montana ("Bank").

Notice of the application, affording opportunity for interested persons to submit comments and views, has been given in accordance with § 3(b) of the Act. The time for filing comments and views has expired, and the Board has considered the application and all comments received in light of the factors set forth in § 3(c) of the Act (12 U.S.C. §1842(c)).

Applicant, the third largest banking organization in Montana, controls thirteen banks with deposits of $190 million, representing approximately 5.9 per cent of the total commercial bank deposits in Montana.[1] Acquisition of Bank ($12.0 million in deposits) will increase Applicant's share of deposits by only 0.4 per cent and its ranking statewide will remain unchanged.

Bank is the fourth largest in size of six banks in the Helena banking market holding 7.2 per cent of market deposits. The two largest banks in the relevant market are subsidiary banks of the two largest bank holding companies in Minnesota and hold, collectively, 75.6 per cent of the total deposits in commercial banks in the market. There are no subsidiary banks of Applicant presently competing in the relevant market, the nearest subsidiary bank being 63 miles from the Helena banking market. Thus, consummation of this proposal would not result in the elimination of a significant amount of existing competition. In view of the relatively small market share held by Bank as well as its absolute size, consummation would not appear to foreclose the development of a significant amount of potential competition. Accordingly, based on the above and other facts of record, the Board has determined that competitive considerations are consistent with approval of the application.

The financial and managerial resources and future prospects of Applicant, its subsidiary banks, and Bank are considered satisfactory. In this regard, the Board notes that although Applicant's issue of $3.3 million in convertible debentures has previously been characterized as debt,[2] other facts of record, including the fact that conversion has already begun, cause the Board to conclude that the equity characteristics of the debentures are sufficiently favorable to conclude that conversion is likely over an extended period. This factor, along with the tax benefits resulting from the deductibility of interest on the debentures indicates that considerations relating to banking factors are consistent with approval of the application.

While there is no evidence in the record to indicate that the banking needs of the Helena community are not being met, Applicant will provide for Bank and its customers such services as unified account statements, trust services, and expanded credit card services. Accordingly, considerations relating to the convenience and needs of the community to be served lend some weight toward approval of the application. It is the Board's judgment that the proposed acquisition is in the public interest and that the application should be approved.

On the basis of the record, the application is approved for the reasons summarized above. The transaction shall not be made (a) before the thirtieth day following the effective date of this Order or (b) later than three months after the effective date of this Order, unless such period is extended for good cause by the Board, or by the Federal Reserve Bank of Minneapolis pursuant to delegated authority.

By order of the Board of Governors, effective November 29, 1977.

Voting for this action: Vice Chairman Gardner and Governors Wallich, Coldwell, Jackson, and Partee. Present and abstaining: Governor Lilly. Absent and not voting: Chairman Burns.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

[1]Unless otherwise indicated, all banking data are as of March 31, 1977, but reflect structural changes through August 31, 1977.

[2]The Board denied Applicant's original application to acquire Bank, 1977 Federal Reserve BULLETIN 402. The key factor on which denial was based was an unacceptably high debt to equity ratio.

Capitol Bancorporation,
Boston, Massachusetts

Order Approving Acquisition of Certain Assets of Key Entry, Inc.

Capitol Bancorporation, Boston, Massachusetts, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval, under § 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and § 225.4(b)(2) of the Board's Regulation Y (12 C.F.R. § 225.4(b)(2)), to acquire certain assets of Key Entry, Inc., Boston, Massachusetts ("Company"). Applicant proposes to form a new wholly-owned subsidiary to assume the name and other assets of Key Entry, Inc. That new subsidiary would engage in the preparation and maintenance of payroll data, including employee tax withholding and job cost data, the processing of data concerning accounts receivable and payable, as well as processing of rejected MICR encoded debit and credit items for Applicant's subsidiary bank.[1] Such activities have been determined by the Board to be closely related to banking (12 C.F.R. § 225.4(a)(8)).

Notice of the application, affording opportunity for interested persons to submit comments and views on the public interest factors, has been duly published (42 Fed. Reg. 47258 (1977)). The time for filing comments and views has expired, and the Board has considered the application and all comments received in the light of the public interest factors, set forth in § 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)).

Applicant is the 21st largest among 79 commercial banking organizations in the Boston banking market[2] and controls one bank with total deposits of approximately $55.8 million, representing .49 per cent of total deposits in commercial banks in that market.[3] Applicant proposes to acquire the name, program rights, customer lists and certain contracts of Company, which is one of the smallest of approximately 250 firms that provide similar computer services in the Boston banking market. As of December 31, 1976, Company has total assets of approximately $36,000 and recently has operated at a loss. It does not appear, based upon the facts of record, that the acquisition of certain assets of Company by Applicant would have any adverse effect on competition in any relevant area. Neither Applicant nor its subsidiary presently engages in the same activities as Company. Nor is there any evidence indicating that the acquisition of certain assets of Company would lead to an undue concentration of resources, unfair competition, conflicts of interests, unsound banking practices, or other adverse effects.

Applicant has committed to inject additional capital into Company. Therefore, consummation of the proposed acquisition should enable Company to become a more viable competitor, as well as ensure continued service to Company's current customers.

Based upon the foregoing and other considerations reflected in the record, the Board has determined that the balance of the public interest factors the Board is required to consider under § 4(c)(8) is favorable. Accordingly, the application is hereby approved. This determination is subject to the conditions set forth in § 225.4(c) of Regulation Y and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

The transaction shall be made not later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Boston.

By order of the Board of Governors, effective November 21, 1977.

Voting for this action: Vice Chairman Gardner and Governors Wallich, Coldwell, and Lilly. Absent and not voting: Chairman Burns and Governors Jackson and Partee.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

[1]Applicant's new subsidiary will not engage in computer processing of demand deposit account, savings account, or installment loan information for Applicant's subsidiary bank in the immediate future, but may apply to expand into such activities pursuant to section 225.4(b)(1) of Regulation Y. Although Key Entry, Inc. has previously engaged in general keypunching operations and list maintenance activities, Applicant's new subsidiary would not engage in such activities (other than keypunching activities necessary to perform the data processing activities described in the text) as they are not limited to banking, financial, or economic data.

[2]The Boston banking market is approximated by the Boston Ranally Metro Area.

[3]All banking data are as of June 30, 1976.

Chickasha Bancshares, Inc.,
Chickasha, Oklahoma

Order Denying
Formation of Bank Holding Company

Chickasha Bancshares, Inc., Chickasha, Oklahoma, has applied for the Board's approval under § 3(a)(1) of the Bank Holding Company Act (12 U.S.C. § 1842(a)(1)) of formation of a bank holding company by acquiring 85 per cent of the voting shares of Chickasha Bank & Trust Company, Chickasha, Oklahoma ("Bank").

Notice of the application, affording opportunity for interested persons to submit comments and views, has been given in accordance with § 3(b) of the Act. The time for filing comments and views has expired, and the Board has considered the application and all comments received in light of the factors set forth in § 3(c) of the Act (12 U.S.C. § 1842(c)).

Applicant, a nonoperating corporation with no subsidiaries, was organized for the purpose of becoming a bank holding company through the acquisition of Bank ($13.4 million in deposits).[1] Upon acquisition of Bank, Applicant would control one of the smaller banking organizations in the State of Oklahoma and approximately 0.12 per cent of total deposits of commercial banks in the State.

Bank is the third largest of eight banking organizations in the relevant banking market,[2] and controls 10.6 per cent of total market deposits. Two of the principals of Applicant and Bank are also principals of The Bank of Verden, Verden, Oklahoma ("Verden Bank"), which has deposits of $5.7 million and, with 4.5 per cent of the total market deposits, is the sixth largest bank in the relevant banking market. While Bank and Verden Bank are each located in the relevant market, it is noted that Bank was formed *de novo* by Applicant's principals in 1973 and their interest in Verden Bank dates back to 1966. It appears that there is no meaningful competition between such institutions. Moreover, inasmuch as the proposed transaction involves the transfer of ownership of Bank from individuals to a corporation owned by the same individuals, it appears that consummation of this proposal would have no adverse effect upon existing or potential competition, nor would it further an undue concentration of banking resources in the relevant market. Accordingly, the Board concludes that competitive considerations of the instant proposal are consistent with approval of the application.

The Board has indicated on previous occasions that a holding company should constitute a source of financial and managerial strength to its subsidiary bank(s), and that the Board will closely examine the condition of an applicant in each case with this consideration in mind.[3] Having examined such factors in light of the record in the application, the Board concludes that the record presents adverse considerations as they relate to the applicant bank holding company that warrant denial of the proposal to place the ownership of Bank into corporate form.

Applicant's President, who serves as Chairman of the Board of Bank, is also Chairman and the principal shareholder of Verden Bank. In addition, a director of Applicant and Bank also serves as a director and Vice President of Verden Bank.[4] Applicant's principals have controlled Verden Bank since 1966 and under their direction the operations and overall position of Verden Bank have declined somewhat in recent years. From the record, it appears that these results are due in part to certain policies and practices of Applicant's principals. Furthermore, the overall operations of Bank, which began operations in 1973 under the direction of Applicant's principals, are such that they do not support a finding that Applicant's principals have demonstrated a history of satisfactory managerial performance that would warrant a favorable finding by the Board with respect to Applicant's and Bank's managerial resources.[5] Inasmuch as no

[1]All banking data are as of December 31, 1976.

[2]The relevant banking market is approximated by Grady County, Oklahoma.

[3]The Bank Holding Company Act requires that the Board, in acting on an application to acquire a bank, inquire into the financial and managerial resources of an applicant. While this proposal involves the transfer of the ownership of Bank from individuals to a corporation owned by essentially the same individuals, the Act requires that before an organization is permitted to become a bank holding company and thus obtain the benefits associated with the holding company structure, it must secure the Board's approval. Section 3(c) of the Act provides that the Board must, in every case, consider, among other things, the financial and managerial resources of *both* the applicant company and the bank to be acquired. The Board's action in this case is based on a consideration of such factors.

[4]The Board has previously indicated that, in considering an application involving a bank whose principals control another bank, it should look beyond the bank that is the subject of the application and analyze the financial and managerial resources of the other bank. (See *e.g.*, Board's Order dated January 15, 1974, denying the formation of a bank holding company by BHCo, Inc., Hardin, Montana, 60 Federal Reserve BULLETIN 123 (1974).)

[5]The Board has previously stated that it believes that it is reasonable to expect an applicant to demonstrate a record of *satisfactory managerial performance*. (See Board's Order dated November 3, 1977, denying the formation of a bank holding company by Republic Bancorporation, Inc., Englewood, Colorado.)

management changes are contemplated by Applicant and consummation of this proposal would perpetuate present management's control of Bank, the Board is of the view that the record indicates managerial factors should be regarded as an adverse consideration.

With regard to financial considerations, the Board notes that Applicant would incur a sizable debt in connection with the proposed acquisition of Bank's shares. Applicant proposes to service this debt over a 12-year period through dividends to be declared by Bank and tax benefits to be derived from filing consolidated tax returns. The projected earnings for Bank contained in the application are substantially greater than Bank has generally enjoyed in the past. Applicant has projected average earnings for Bank of 1.09 per cent over the next twelve years, whereas Bank's earnings since its formation in 1973 have averaged .42 per cent of assets, and its highest earnings were .79 per cent in 1976. In addition, the asset growth projected for Bank is much less than Bank has actually experienced in recent years. Applicant has projected asset growth for Bank of 8.4 per cent, whereas Bank assets have grown at an average annual rate of 33.6 per cent since 1973. In light of Bank's past performance, it is the Board's view that it is unlikely that Bank's actual earnings will be sufficient to enable Applicant to service its debt while maintaining adequate capital at Bank as well as affording Applicant the flexibility to meet any unforeseen problems that might arise at Bank.[6] In sum, the Board cannot conclude at this time that Applicant's overall financial plan is one that would enable it to serve as a source of strength to Bank or that would enhance Bank's prospects. Therefore, the Board concludes that considerations relating to financial resources and future prospects of bank weigh against approval of this application.

No significant changes in Bank's operations or in the services offered to customers are anticipated to follow from consummation of the proposed acquisition. Consequently, convenience and needs factors lend no weight toward approval of this application.

On the basis of the circumstances concerning this application, the Board concludes that the banking considerations involved in this proposal present adverse factors bearing upon the financial and managerial resources and future prospects of Applicant and Bank. Such adverse factors are not outweighed by any procompetitive effects or by benefits that would result in better serving the convenience and needs of the community. Accordingly, it is the Board's judgment that approval of the application would not be in the public interest and that the application should be denied.

On the basis of the facts of record, the application is denied for the reasons summarized above.

By order of the Board of Governors, effective November 21, 1977.

Voting for this action: Vice Chairman Gardner and Governors Wallich, Coldwell, and Lilly. Absent and not voting: Chairman Burns and Governors Jackson and Partee.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

[6]Applicant has indicated that, if Bank's asset growth exceeded expectations, additional capital could be injected into Bank through subordinated capital notes. However, any such borrowing would further increase the demand on Bank's earnings and would tend to offset any benefits of such capital contribution.

Citizens Bancorp, Inc.,
Hartford City, Indiana

Order Denying
Formation of Bank Holding Company

Citizens Bancorp, Inc., Hartford City, Indiana, has applied for the Board's approval under § 3(a)(1) of the Bank Holding Company Act (12 U.S.C. § 1842(a)(1)) of formation of a bank holding company by acquiring 80 per cent or more of the voting shares of The Citizens State Bank, Hartford City, Indiana ("Bank").

Notice of the application, affording opportunity for interested persons to submit comments and views, has been given in accordance with § 3(b) of the Act. The time for filing comments and views has expired, and the Board has considered the application and all comments received in light of the factors set forth in § 3(c) of the Act (12 U.S.C. § 1842(c)).

Applicant is a non-operating company organized for the purpose of becoming a bank holding company by acquiring Bank ($27.5 million in deposits).[1] Upon acquisition of Bank, Applicant would control the 165th largest commercial banking organization in the State of Indiana and approximately 0.2 per cent of total deposits in commercial banks in the State.

[1]All banking data are as of December 31, 1976, and reflect bank holding company formations and acquisitions approved as of September 30, 1977.

Bank is the largest of five commercial banks located in the Hartford City banking market[2] and controls approximately 36 per cent of the total commercial bank deposits in the market. In analyzing the competitive effects of this proposal, it is necessary to consider the fact that Applicant's principal, who owns over 69 per cent of Bank's outstanding voting shares, also owns a controlling stock interest (over 51 per cent) in a second bank, First State Bank of Dunkirk, Dunkirk, Indiana ("Dunkirk Bank"), which is also located in the Hartford City banking market. Dunkirk Bank, the fifth largest bank ($10.5 million in deposits) in the relevant market, controls approximately 14 per cent of deposits in the market. In addition to his stock ownership interests, Applicant's principal serves as president and a director of each of the banks.

Section 3 (c) of the Bank Holding Company Act precludes the Board from approving any proposed acquisition by a bank holding company that (1) would result in a monopoly or be in furtherance of any combination to monopolize or attempt to monopolize a banking market, or that (2) may substantially lessen competition or tend to create a monopoly or be in restraint of trade in any banking market (unless the anticompetitive effects are clearly outweighed by the convenience and needs of the community). These competitive standards, although not identical to the standards in the Sherman and Clayton Antitrust Acts (15 U.S.C. §§ 1, 2 and 18), are derived from those acts.[3] Upon application of the competitive standards of § 3(c) of the Act to the facts of record, the Board concludes that substantial existing competition between Bank and Dunkirk Bank was eliminated when Applicant's principal, who had controlled Bank since 1965, acquired control of Dunkirk Bank in 1973. In light of the structure of the Hartford City banking market and the market shares of the organizations involved, the Board is of the opinion that the current application should be denied since approval of this proposal would serve to perpetuate a significantly adverse competitive situation.

Here a proposed acquisition involves an individual's use of a holding company structure to acquire control of an existing bank that is a direct competitor of another bank under the control of that same individual. Acquisition of control of Bank and Dunkirk Bank by Applicant's principal resulted in his control of approximately 50 per cent of deposits in commercial banks in the relevant market,[4] and substantially lessened competition between the two banks and was anticompetitive in its inception, a factor that Board and the U.S. Department of Justice have regarded as significant and relevant to a consideration of the competitive aspects of an acquisition.[5]

The subject proposal presents a situation where the holding company form is being used to aid, further, and perpetuate an anticompetitive arrangement. While denial of this proposal might not immediately alter the anticompetitive relationship existing between these two banking organizations, a denial would strengthen the prospect that Bank and Dunkirk Bank would become independent and competing organizations in the future.[6] On the other hand, approval would solidify and strengthen the common ownership of the two banks and would eliminate or significantly diminish the likelihood of disaffiliation of the bank and deconcentration of the market.[7]

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[2]The relevant geographic market for purposes of analyzing the competitive effects of the proposed transaction is approximated by Blackford County, the western edge of Jay County, which includes the town of Dunkirk, and the southeastern portion of Grant County, which includes the town of Upland.

Applicant has urged that the relevant market be defined as Blackford County, eastern Grant County, western Jay County (including the town of Portland) and northern Delaware County (including the city of Muncie). The Federal Reserve Bank of Chicago and Board staff have made a thorough review and analysis of the definition of the relevant market. As a result of this review and its analysis of all the facts of record, including commuting data, consumer trade information and communications patterns, the Board has concluded that the appropriate market for analyzing the competitive effects of the subject proposal is approximated by the tri-county area described herein.

[3]See *United States* v. *Citizens and Southern National Bank*, 422 U.S. 86, 105 (1975).

[4]The Supreme Court condemned a combination resulting in the control of a similar market share in *United States* v. *First National Bank of Lexington*, 376 U.S. 665 (1964). There, the Court found "an unreasonable restraint of trade in violation of section 1 of the Sherman Act" where a combination of two banks resulted in control of approximately 52 per cent of deposits in commercial banks in the relevant market.

[5]See *First Bancorp, Inc.*/The Athens National Bank, 58 Federal Reserve BULLETIN 578 (1972); also the Board's Order in *Mahaska Investment Company*, Oskaloosa, Iowa (63 Federal Reserve BULLETIN 579 (1977)), where the Board denied an application for approval of formation of a bank holding company because a prior purchase by applicant's principals had previously eliminated substantial competition between two banks.

[6]In enacting the Bank Holding Company Act, Congress intentionally chose not to regulate ownership and transfer of bank stock by and between individuals. This was based upon recognition of the fact that corporate ownership provides a permanent control vehicle whereas ownership by an individual will terminate upon his death and be transferred to others. *See, e.g., S. Rep. No.* 1095, 84th Congress, 1st Sess. 7 (1955).

[7]The effect of a proposed acquisition on the degree of concentration in a relevant market, including the preservation of the possibility of deconcentration, is significant. See *United States* v. *Philadelphia National Bank*, 374 U.S. 321, 365 n.42.

Applicant's principal has indicated an intention to dispose of his holdings in Dunkirk Bank at some future date. However, the proposed termination of his interests in Dunkirk Bank is subject to various price, time, and market limitations and is viewed as too vague and uncertain to overcome the anticompetitive arrangement that now exists.

The Board has carefully considered the opinion of the court in *First Lincolnwood Corp.* v. *Board of Governors of the Federal Reserve System,* 560 F.2d 258 (7th Cir. 1977) and its rationale that, "in order to be grounds for disapproval, the condition or tendency deemed not to be in the public interest must be caused or enhanced by the proposed transaction," and concludes that the *First Lincolnwood* decision does not preclude Board denial of Applicant's proposed acquisition. First, the *First Lincolnwood* case relates to aspects other than competitive factors. An extension of that case to preclude denials on anticompetitive grounds is clearly not warranted. Both the *First Lincolnwood* opinion and the Bank Holding Company Act emphasize the significance of competitive aspects in relation to bank holding company acquisitions and of the Board's role in evaluating competitive factors. In the words of the Court, "considerable deference must be accorded to a determination by the Board that a particular acquisition will have an anticompetitive tendency proscribed in [12 U.S.C. § 1842 (c)(1) or (2)]" 560 F.2d at 260. Secondly, in this case (unlike the situation found by the Court in *First Lincolnwood*), consummation of the proposed transaction would enhance and further an anticompetitive arrangement because the acquisition would diminish or foreclose the possibility of deconcentration and increased competition through disaffiliation of the banks now controlled and majority-owned by an individual. Moreover, if the *First Lincolnwood* decision were extended to prohibit the Board from denying a bank holding company formation such as the one under consideration here, evasion of the Bank Holding Company Act would be facilitated and encouraged. An approval in the circumstances here would condone an acquisition of two banks competing in the same market by individuals who would then be free to transfer both banks to a bank holding company. To state it somewhat differently, an applicant bank holding company could, simply be having the acquisition made in the first instance by an applicant's principals as individuals, acquire competing banks under circumstances that would not normally receive Board approval. To tolerate and encourage such maneuverings serves to undermine the basic policy of the Act and the competitive standards provided in § 3(c) of the Act, the application and regulation of which have been entrusted by Congress to the Board.

On the basis of the foregoing and all the facts of record, the Board concludes that approval of this application would have significant adverse competitive effects. Accordingly, under the standards set forth in the Bank Holding Company Act, the proposal may not be approved unless the adverse competitive factors are clearly outweighed by other public interest considerations reflected in the record. In this case, the Board finds the adverse competitive aspects are clearly not outweighed.

The financial and managerial resources and future prospects of Applicant, which are entirely dependent upon those of Bank, are considered satisfactory and generally consistent with approval of the subject application. Therefore, considerations relating to banking factors are consistent with approval. No significant changes in Bank's operations or in the services offered to customers of Bank are expected to follow from consummation of the proposed acquisition. Consequently, convenience and needs factors are consistent with, but lend no weight toward, approval. Accordingly, it is the Board's judgment that approval of this application would not be in the public interest and that the application should be denied.

On the basis of the facts of record, and in light of the factors set forth in § 3(c) of the Act, it is the Board's judgment that consummation of the proposal to form a bank holding company would not be in the public interest and that the application should be, and is hereby, denied for the reasons summarized herein.

By order of the Board of Governors, effective November 18, 1977.

Voting for this action: Vice Chairman Gardner and Governors Wallich, Coldwell, Jackson, Partee, and Lilly. Absent and not voting: Chairman Burns.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

The First Glenrock Corporation,
Glenrock, Wyoming

Order Approving
Retention and Acquisition
of Stock Interests in Bank

The First Glenrock Corporation, Glenrock, Wyoming ("Applicant"), a bank holding company within the meaning of the Bank Holding Company Act ("Act"), has applied for the Board's approval under § 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to retain 48.97 per cent of the voting shares of First National Bank of Glenrock, Glenrock, Wyoming

("Bank"). Applicant is also applying to acquire an additional 15.52 per cent of the voting shares of Bank.

Notice of the application, affording opportunity for interested persons to submit comments and views, has been given in accordance with § 3(b) of the Act. The time for filing comments and views has expired, and the Board has considered the application and all comments received, in light of the factors set forth in § 3(c) of the Act (12 U.S.C. § 1842(c)).

Applicant is a one-bank holding company by virtue of its ownership since June 1968 of 38.8 per cent of the outstanding voting shares of Bank.[1] During the period June 1974 through March 1975, Applicant's principal and sole shareholder acquired, as agent for Applicant, 3,899 voting shares of Bank. In June 1976, Applicant's principal acquired an additional 1,978 voting shares of Bank pursuant to a capital stock increase, again acting in the capacity of agent for Applicant. With respect to these stock acquisitions, Applicant assumed liability for the associated acquisition debt and its books reflected Applicant as having acquired the stock. These acquisitions were made without the Board's prior approval. Applicant now seeks the Board's approval to retain these shares, which comprise 48.97 per cent of the voting shares of Bank, and to acquire an additional 15.52 per cent of the voting shares of Bank presently held by Applicant's principal and members of his immediate family.

Bank ($6.2 million in deposits) controls 0.3 per cent of the total commercial bank deposits in Wyoming and is the 65th largest of 78 commercial banks in the State.[2] Bank is the smallest of eight banking organizations located in the relevant banking market,[3] controlling 1.4 per cent of market deposits. Since Applicant already controls Bank and since the proposal involves the retention of shares already acquired by Applicant and the acquisition of shares currently held by Applicant's principal and members of his immediate family, it does not appear that Applicant's retention and acquisition of Bank's shares would have any adverse effect on existing competition, or increase the concentration of banking resources. Thus, competitive considerations are consistent with approval of the application.

The financial resources and future prospects of Applicant and Bank are considered generally satisfactory. In making its analysis of Applicant's managerial resources, the Board notes that the subject application includes an after-the-fact request for the Board's approval to retain Bank shares acquired in violation of the Act. Upon examination of all the facts and circumstances surrounding the acquisition of Bank's shares without prior Board approval, it appears that denial of the application is not warranted. In acting upon the application, the Board has taken into consideration the fact that Applicant has taken steps to conform its operations to the Act by promptly filing the subject application. In addition, Applicant's management has taken steps to insure that violations will not occur in the future, including the initiation of an affirmative program under the direction of an individual responsible for ensuring that Applicant's management is aware of its responsibilities under the Bank Holding Company Act.[4] The Board expects that these actions will assist Applicant in avoiding any future violations. Upon consideration of the above and other information in the record evidencing Applicant's intent to comply with the requirements of the Act, and all the circumstances surrounding the subject stock acquisitions made without the required prior approval of the Board, the Board has determined that the circumstances of the above violations do not warrant denial of the application. With respect to its other operations and the operations of Bank, Applicant's managerial resources are regarded as generally satisfactory. Accordingly, considerations relating to banking factors are consistent with approval.

Although there are no immediate changes contemplated in the services or facilities of Bank as a result of the retention and acquisition of additional voting shares, considerations relating to the convenience and needs of the community to be served are consistent with approval of the application. Therefore, it is the Board's judgment that the proposed transaction is consistent with the public interest and that the application should be approved.

On the basis of the record, the application is approved for the reasons summarized above. The transaction shall not be made (a) before the thirtieth calendar day following the effective date of this Order or (b) later than three months after the effective date of this Order, unless such period is

[1] By virtue of a capital stock increase in June 1976, Applicant's 38.8 per cent ownership interest in Bank was reduced to 32.3 per cent.

[2] All banking data are as of December 31, 1976.

[3] The relevant banking market is approximated by Converse and Natrona Counties, Wyoming.

[4] Applicant's management also proposes to make adjusting entries upon its books and financial records of the transactions resulting in the violations.

extended for good cause by the Board or the Federal Reserve Bank of Kansas City.

By order of the Board of Governors, effective November 28, 1977.

Voting for this action: Vice Chairman Gardner and Governors Wallich, Coldwell, Jackson, Partee, and Lilly. Absent and not voting: Chairman Burns.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

First National Boston Corporation,
Boston, Massachusetts

Order Approving Acquisition of Bank

First National Boston Corporation, Boston, Massachusetts, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval under § 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire all of the voting shares of the successor by merger to Blackstone Valley National Bank, Northbridge, Massachusetts ("Bank"). The bank into which Bank is to be merged has no significance except as a means to facilitate the acquisition of the voting shares of Bank. Accordingly, the proposed acquisition of shares of the successor organization is treated herein as the proposed acquisition of the shares of Bank.[1]

Notice of the application, affording opportunity for interested persons to submit comments and views, has been given in accordance with § 3(b) of the Act. The time for filing comments and views has expired, and the Board has considered the application and all comments received in light of the factors set forth in § 3(c) of the Act (12 U.S.C. § 1842(c)).

Applicant, the largest commercial banking organization in Massachusetts, controls five banks with aggregate domestic deposits of approximately $3 billion,[2] representing 21.2 per cent of the total domestic deposits in commercial banks in the State. Acquisition of Bank would increase Applicant's share of commercial bank deposits in the State only slightly and would not have a significant effect upon the concentration of banking resources in Massachusetts.

Bank, the seventy-fifth largest bank in the State, controls total deposits of $25.4 million representing 2.6 per cent of the total deposits in commercial banking institutions in the relevant market,[3] and is the fifth largest of eight commercial banks in the Worcester banking market. Three of Bank's five offices are located in the Worcester banking market and two are located on the western edges of the Boston and Providence banking markets, respectively. The closest office of Bank to a subsidiary of Applicant is 17 miles away. Applicant has no offices located in the Worcester banking market.

In its earlier Order denying Applicant's proposal to acquire Bank,[4] the Board concluded that competitive considerations lent some weight toward denial of the application. In arriving at that conclusion, the Board noted in particular that Applicant's lead bank derived some business from the Worcester market and that Applicant was a likely entrant into that market. In connection with this proposal, the competitive facts of which remain essentially the same, it is the Board's view that such considerations, when viewed in light of the facts in the record, discussed more fully below, are not so serious as to warrant denial of this application.

In the context of this proposal, the Board regards the financial and managerial resources of Applicant and its subsidiaries as generally satisfactory and their future prospects as favorable. In its Order denying the earlier proposal of Applicant to acquire Bank, the Board expressed the view that Applicant should direct its financial and managerial resources toward its existing structure.[5] That proposal contemplated a cash purchase of Bank's shares, whereas the instant application contemplates an exchange of Applicant's shares for those of Bank. Applicant's financial resources have improved somewhat since that application was denied and future prospects appear favorable. The financial and managerial resources and future prospects of Bank, absent consummation of the proposed ac-

[1]Applicant first filed an application with the Board for permission to acquire Bank in July, 1974, but later withdrew that application. Applicant subsequently resubmitted an application to acquire Bank and that proposal was denied by the Board in March, 1976. Applicant modified that proposal and resubmitted the instant application, which was accepted by the Board on August 12, 1977.

[2]All banking data are as of December 31, 1976.

[3]The relevant banking market is approximated by the Worcester Ranally Metro Area, which is comprised of the city of Worcester and 26 towns in Worcester County.

[4]See the Board's Order of March 18, 1976 denying the application of First National Boston Corporation to acquire Blackstone Valley National Bank, Northbridge, Massachusetts. 62 Federal Reserve BULLETIN 372 (1976).

[5]Ibid.

quisition, are not now entirely satisfactory but can be expected to improve as a result of Bank's affiliation with Applicant. Applicant has committed that upon consummation of the acquisition, it would make a contribution of $1 million to increase Bank's equity capital and would provide Bank with managerial assistance.[6] Accordingly, the financial and managerial factors, as they relate to the effect of this proposal upon Bank, lend some weight toward approval of the application.[7]

Affiliation with Applicant would also enable Bank to offer new and expanded services to Bank's customers. Applicant has stated that following consummation of the proposed acquisition, Bank would make available to its customers services such as long-term certificates of deposit, Saturday banking, overdraft checking, Individual Retirement Accounts, investment management services, personal financial planning, and personal trust services. Applicant has also proposed to expand auto loan and Master Charge services at Bank. Enabling Bank's customers to obtain additional and expanded services through Bank should result in Bank becoming a more attractive banking alternative and a stronger competitor in the relevant banking market. In view of the foregoing and other facts of record, considerations relating to the convenience and needs of the community to be served lend some weight toward approval of the application and, considered together with the beneficial effects on financial and managerial factors discussed above, outweigh any adverse competitive effects that might result from consummation of the proposal. Accordingly, it is the Board's judgment that approval of the application would be in the public interest and that the application should be approved.

On the basis of the record, the application is approved for the reasons summarized above. The transaction shall not be made (a) before the thirtieth calendar day following the effective date of this Order or (b) later than three months after the effective date of this Order, unless such period is extended for good cause by the Board, or by the Federal Reserve Bank of Boston pursuant to delegated authority.

[6]Applicant has indicated that at least one senior banking officer of Applicant's lead bank, First National Bank of Boston, Boston, Massachusetts, would join the board of directors and the executive committee of Bank following consummation of the proposal.

[7]The Board will continue to observe closely the effects of Applicant's expansion program upon Applicant's managerial and financial resources. Since year-end 1972, Applicant has acquired four banking subsidiaries and has twice refiled an application to acquire Bank. In addition, Applicant has expanded its nonbanking activities on a broad front, both in the United States and abroad.

By order of the Board of Governors, effective November 10, 1977.

Voting for this action: Vice Chairman Gardner and Governors Wallich, Coldwell, Jackson, Partee, and Lilly. Absent and not voting: Chairman Burns.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

Hawkeye Bancorporation,
Des Moines, Iowa

Order Approving Acquisition of Bank

Hawkeye Bancorporation, Des Moines, Iowa, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval under § 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire indirectly 98.3 per cent of the voting shares of Morningside State Bank, Sioux City, Iowa ("Bank"), through the acquisition of 60 per cent or more of the voting shares of Morningside Development Company, Sioux City, Iowa ("Development").

Notice of the application, affording opportunity for interested persons to submit comments and views, has been given in accordance with § 3(b) of the Act. The time for filing comments and views has expired, and the Board has considered the application and all comments received, including those submitted by the Iowa Department of Banking, in light of the factors set forth in § 3(c) of the Act (12 U.S.C. § 1842(c)).

Applicant, the third largest banking organization in Iowa, controls 16 banks with aggregate deposits of approximately $538 million, representing 4.1 per cent of total deposits in commercial banks in Iowa.[1] Acquisition of Bank, with deposits of $14.6 million, would increase Applicant's share of commercial bank deposits in Iowa by only one-tenth of 1 per cent and would not have an appreciable effect upon the concentration of banking resources in the State.

Bank is the sixth largest of 10 commercial banking organizations in the relevant banking market[2] and controls 2.5 per cent of deposits in commercial banks in the market. None of Applicant's subsidiary banks competes in the relevant banking market, and Applicant's nearest subsidiary bank is

[1]Unless otherwise indicated, banking data are as of December 31, 1976.

[2]The relevant banking market is approximated by the Sioux City, Iowa, RMA.

located 75 miles from Bank. While Applicant could establish a *de novo* bank in the relevant banking market, the Board regards Applicant's proposed acquisition of Bank as a foothold entry into that market. Accordingly, consummation of the proposal would not eliminate any existing competition or foreclose the development of significant potential competition, nor would it increase the concentration of banking resources in the relevant banking market. Therefore, the Board concludes that the proposed acquisition of Bank by Applicant would not have any significantly adverse effects on competition.

The financial and managerial resources of Applicant and its subsidiaries are regarded as satisfactory. As a result of consummation of this proposal, Bank's financial and managerial resources and future prospects should be improved significantly. Accordingly, considerations relating to banking factors lend some weight toward approval of the application. While no immediate changes in Bank's services are contemplated, the proposal would enhance Bank's overall ability to serve its customers and the community. In addition, the availability of Applicant's resources to Bank will increase Bank's internal efficiency, thereby increasing the quality of its services to its customers. Therefore, considerations relating to convenience and needs of the community to be served are consistent with, and lend weight toward, approval of the application.

In the course of its consideration of the subject application, the Board has also noted the existence of a management agreement between Applicant and Bank pursuant to which Applicant furnished to Bank the services of an experienced bank manager, an employee of Applicant who was the president of one of its subsidiary banks, to assume the duties of chairman and chief executive officer of Bank. While providing management consulting services to unaffiliated banks has been determined by the Board to be closely related to banking and a permissible activity for bank holding companies under § 4(c)(8) of the Act and § 225.4(a)(12) of the Board's Regulation Y, Applicant has not obtained the Board's approval to engage in that activity. Even if Applicant had obtained the Board's approval to provide management consulting services to unaffiliated banks, it appears that Applicant may have been providing Bank with services on a daily or continuing basis contrary to the proscription contained in Regulation Y.[3]

The Board has previously stated that bank holding companies should not enter into relationships, such as the transaction described above, that exceed the scope of § 225.4(a)(12) of Regulation Y, particularly where the bank holding company contemplates acquisition of the client bank.[4] However, the Board has scrutinized the circumstances of Applicant's involvement with Bank, including the financial and managerial resources of Bank, the fact that Applicant acted after consulting with the Federal Reserve Bank of Chicago, and the fact that Applicant voluntarily terminated the consulting agreement when advised of the violation, and has concluded that the facts surrounding Applicant's involvement with Bank do not in and of themselves warrant denial of the subject application. Accordingly, the Board has proceeded to consider the subject application on its merits and, on that basis, concludes that approval of the proposal would be in the public interest and that the application should be approved.

On the basis of the record, the application is approved for the reasons summarized above. The transaction shall not be made (a) before the thirtieth calendar day following the effective date of this Order or (b) later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Chicago pursuant to delegated authority.

By order of the Board of Governors, effective November 9, 1977.

Voting for this action: Vice Chairman Gardner and Governors Wallich, Coldwell, Jackson, Partee, and Lilly. Absent and not voting: Chairman Burns.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

[3]Footnote 9 to § 225.4(a)(12) of Regulation Y provides in pertinent part: "In performing this activity [bank management consulting] bank holding companies are not authorized to perform tasks or operations or provide services to client banks *either on a daily or continuing basis*, except as shall be necessary to instruct the client bank on how to perform such services for itself." (Emphasis added)

[4]In the Board's view an application involving a violation such as that described above may reflect so adversely on management as to warrant denial of the application. See Order dated July 28, 1976, approving application of Indian Head Banks, Inc., Nashua, New Hampshire, to acquire Community National Bank of Rochester, Rochester, New Hampshire (62 Federal Reserve BULLETIN 699 (1976)).

The Marine Corporation,
Milwaukee, Wisconsin

Order Approving Acquisition of Bank

The Marine Corporation, Milwaukee, Wisconsin, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval under § 3(a)(3) of the Act (12 U.S.C. § 1842 (a)(3)) to acquire 98.5 per cent or more of the shares of the American Kettle Moraine Bank, Delafield, Wisconsin.

Notice of the application, affording opportunity for interested persons to submit comments and views, has been given in accordance with § 3(b) of the Act. The time for filing comments and views has expired, and the Board has considered the application and all the comments received including those of the Wisconsin Commissioner of Banking, Hartland National Bank, Hartland, Wisconsin, Dousman State Bank, Dousman, Wisconsin and Waukesha State Bank, Waukesha, Wisconsin, in light of the factor set forth in § 3(c) of the Act (12 U.S.C. § 1842(c)).

Applicant controls sixteen banks with total deposits of $1.06 billion, representing approximately 6.4 per cent of the total deposits in commercial banks in Wisconsin,[1] and thereby ranks as the third largest commercial banking organization in the State. Acquisition of Bank ($23.6 million in deposits) would increase Applicant's share of deposits statewide by 0.1 per cent and thus would have no appreciable effect upon the concentration of banking resources in Wisconsin.

Applicant is the third largest commercial banking organization in the Milwaukee banking market.[2] Its nine subsidiary banks located in the market hold total deposits of $740.1 million, representing 13.5 per cent of total deposits in commercial banks in the market. Bank is the 31st largest of 58 commercial banking organizations in the Milwaukee banking market, controlling only 0.4 per cent of total market deposits. Consummation of the proposal would have little effect on overall market concentration and would only increase Applicant's market share from 13.5 to 13.9 per cent. Applicant would remain the third largest banking organization in the market.[3] Although the acquisition would result in the elimination of some existing competition within the Milwaukee banking market, the overall effect on competition would not be sufficiently adverse to warrant denial. Among the factors limiting the slightly adverse effect on existing competition are Bank's relatively small size and the presence of numerous alternative banking organizations in the market. Accordingly, based on the above and other facts of record, the Board concludes that the proposed acquisition of Bank by Applicant would not have significant adverse effects on competition.

The financial and managerial resources and future prospects of Applicant and its subsidiary banks are regarded as generally satisfactory and consistent with approval, as are those of Bank in light of Applicant's proposal and intention to inject a minimum of $350,000 of additional capital into Bank upon approval of the application. Therefore, considerations relating to banking factors are consistent with approval of the application. Affiliation with Applicant will allow Bank to use Applicant's financial and managerial resources to strengthen and expand the services provided by Bank, including expansion of Bank's consumer instalment lending, commercial lending, and real estate financing. Accordingly, considerations relating to the convenience and needs of the community to be served are consistent with, and lend weight toward approval.

The Board has received comments in opposition to the subject application relating to the competitive effects of the subject proposal from Hartland National Bank, Hartland, Wisconsin, Dousman State Bank, Dousman, Wisconsin, and Waukesha State Bank, Waukesha, Wisconsin ("Protestants").[4] Protestants assert that, should the application be approved, it will result in the concentration of banking resources within the Milwaukee market, eventually resulting in "oligopolistic or monopolistic practices." Protestants contend that the purchase of Bank by Applicant will have a significant anticompetitive effect and suggest that competition would be promoted if the five offices of Bank were sold to independent bankers. Protestants base their argument for denial of the subject application upon Applicant's size; alleged service area overlap be-

[1]All banking data are as of December 31, 1976.

[2]The relevant market in which to assess the competitive effects of the proposal is the Milwaukee banking market, approximated by the Milwaukee Ranally Metro Area ("RMA"). The Milwaukee RMA is comprised of all of Milwaukee County and portions of Waukesha, Jefferson, Washington, Walworth, Racine, and Ozaukee Counties.

[3]The four largest banking organizations in the market currently control 66.2 per cent of market deposits. Consummation of this proposal would increase that combined share to 66.6 per cent.

[4]Hartland National Bank (deposits of $6.8 million) controls 0.12 per cent of commercial bank deposits in the Milwaukee banking market; Dousman State Bank (deposits of $4.6 million) controls 0.08 per cent of commercial bank deposits in the market; and Waukesha State Bank (deposits of $62.4 million) controls 1.14 per cent of commercial bank deposits in the market.

tween Bank and Applicant's subsidiaries, Marine National Bank of Waukesha, Waukesha, Wisconsin and Waukesha County Marine Bank, Pewaukee, Wisconsin; recent acquisitions in Protestants' trade area by bank holding companies; and the asserted adverse impact of the proposal upon the concentration of banking resources within the relevant market. Two of the three Protestants also assert that the bidding on Bank was conducted so as not to afford other potential bidders fair opportunity to bid and that such assertedly unfair bidding procedures arose out of the role of Marine National Exchange Bank of Milwaukee, Milwaukee, Wisconsin ("Marine Bank"), as an owner of the shares of Bank subsequent to a foreclosure proceeding. Finally, Protestants contend that Applicant's winning bid for Bank's shares was higher than merited and represents a purchase of "monopoly power" in the relevant banking market.

Applicant has responded to the Protestants' views by asserting there is little existing competition between Bank and Applicant's subsidiaries. Applicant notes that the Milwaukee market is undergoing rapid growth and that within the last seven years at least three *de novo* independent banks have been formed in the immediate Waukesha County area surrounding Bank. Applicant states that the competitive effects of acquiring Bank, which was formerly owned by a bank holding company for seven years, will not be significantly anticompetitive and in support of this assertion notes that there are other bank holding companies and many independent banks in the area of sufficient size to compete successfully with Applicant.

Applicant asserts that bidding for the Bank was fair and that the amount paid for shares was a direct result of the highly competitive atmosphere of the bidding. Marine Bank and the Aid Association for Lutherans, Appleton, Wisconsin ("AAL"), a fraternal life insurance society unaffiliated with Applicant, currently hold the shares of Bank formerly owned by American Bankshares Corporation, Milwaukee, Wisconsin ("ABC"), a now-defunct bank holding company. The shares were acquired on December 11, 1975 by Marine Bank and AAL as the result of foreclosure on a loan to ABC from AAL in which Marine Bank had been a 30 per cent participant and for which the shares of Bank served as collateral. Applicant asserts that since AAL owns approximately 70 per cent of the shares of Bank, it (Applicant) was not in a position to influence the outcome of the bidding. Applicant has submitted a complete record of the bidding process, in connection with the application, which appears to support its assertions. Indeed, the record indicates that there was a highly competitive bidding process, resulting in the acceptance of the highest bid, which was submitted by Applicant.

Upon consideration of the comments of the Protestants and the responses of the Applicant thereto, the Board finds that there is some merit in Protestants' view that consummation of the proposal may result in some anti-competitive effects; however, as discussed above, in view of Bank's relatively small size, and the presence of alternative banking organizations, both independent and bank holding company-owned, such anti-competitive effects would be only slight. It is the Board's judgment that these anti-competitive effects are not significant and are clearly outweighed in the public interest by considerations relating to the convenience and needs of the community to be served. Therefore, on the basis of the record, the application is approved for the reasons summarized above. The transaction shall not be made (a) before the thirtieth calendar day following the effective date of this Order or (b) later than three months after the effective date of this Order, unless such period is extended for good cause by the Board, or by the Federal Reserve Bank of Chicago pursuant to delegated authority.[5]

By order of the Board of Governors, effective November 2, 1977.

Voting for this action: Vice Chairman Gardner and Governors Wallich, Jackson, Partee, and Lilly. Voting against this action: Governor Coldwell. Absent and not voting: Chairman Burns.

(Signed) ROBERT E. MATTHEWS,
[SEAL] *Assistant Secretary of the Board.*

Dissenting Statement of Governor Coldwell

As noted in the majority's opinion, the instant proposal involves the acquisition of a bank in the Milwaukee banking market by the third largest banking organization in the market, The Marine Corporation. Where a banking organization is already represented in the market, a horizontal acquisition such as the one proposed here results in some elimination of existing competition.

[5]In any event, it appears that Marine Bank, under § 3(a) of the Act, must divest its interest in the shares of Bank no later than December 11, 1977.

In view of the absolute size of The Marine Corporation and its position in the market, it is my opinion that the effects of the proposal on existing competition are adverse. The Bank Holding Company Act requires the Board to deny the proposed horizontal acquisition unless its anticompetitive effects are outweighed by other factors in the record. It appears to me that the other factors are not sufficient to outweigh the anticompetitive effects present in this proposal. Therefore, I would deny this application.

Michigan National Corporation,
Bloomfield Hills, Michigan

Order for Oral Presentation

Michigan National Corporation, Bloomfield Hills, Michigan ("MNC"), a bank holding company within the meaning of the Bank Holding Company Act ("the Act") and the parent holding company for some 15 national banks located in the State of Michigan,[1] has applied to the Board of Governors of the Federal Reserve System ("Board") for approval under § 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire all of the voting shares (less directors' qualifying shares) of Michigan National Bank-Sterling, Sterling Heights, Michigan ("Bank"), a proposed new bank.

On March 24, 1977, notice of the application was given to the Comptroller of the Currency ("Comptroller"), as required by § 3(b) of the Act, and to the Commissioner of the Financial Institutions Bureau of the State of Michigan, the Federal Deposit Insurance Corporation and the U.S. Department of Justice. Notice of the application also was published in the *Federal Register* on April 8, 1977, to afford opportunity for interested persons to submit comments and views (42 Fed. Reg. 19152 (1977)). The time for comment expired without any protest or adverse comment being filed against the application.

During the processing of the application, MNC transmitted to the Board copies of the pleadings and supporting materials filed in the case of *Kelley* v. *Michigan National Corporation* (E.D. Mich., Civil Action No. 77-1240, filed May 19, 1977), which raised a question relevant to the MNC proposal pending before the Board. In that action, the Commissioner of the Financial Institutions Bureau ("Commissioner") and the Attorney General of the State of Michigan contend that all of MNC's subsidiary banks, by virtue of the establishment and operation of an "accommodation transaction services" ("ATS") program and their operation in a "unitary" fashion, constitute branches of one another in violation of the provisions of the National Bank Act (12 U.S.C. § 36(c)).[2] Under the ATS program, a customer of an MNC subsidiary bank may effect a deposit to, or withdrawal from, the customer's checking or savings account, or may make a payment to the customer's bank on an instalment loan or mortgage, at any office of another MNC subsidiary bank.[3] Neither the Commissioner, the Attorney General, nor any competing bank had previously complained of the program to the Board.[4]

By letter dated July 14, 1977, the Board's staff informed the Commissioner, the Attorney General, MNC and the Comptroller that, on the basis of the United States Supreme Court's decision in *Whitney National Bank in Jefferson Parish* v. *Bank of New Orleans & Trust Company*, 379 U.S. 411 (1965), the Board would consider the branch banking issue raised by the ATS program in connection with MNC's pending application to acquire Bank. Board staff invited the Attorney General, the Commissioner, MNC and the Comptroller to submit comments, evidence or argument regarding the branch banking issue. MNC was also requested to supply certain detailed information on the program. On August 5, 1977, MNC supplied the Board with factual details on the ATS program and a legal brief on the branch banking issue.

[1]By Order dated August 3, 1972, the Board approved the formation of MNC as a multi-bank holding company through the acquisition of the voting shares of each of five operating banks located in Michigan, including Michigan National Bank, Lansing, Michigan, and Michigan Bank, N.A., Detroit, Michigan (58 Federal Reserve BULLETIN 804 (1972)). The formation of MNC represented essentially a corporate reorganization inasmuch as the five banks had been affiliated for several years through common ownership by ten families and by profit sharing trusts established at each of the five banks. The reorganization was made possible by the repeal in 1971 of a Michigan law that had prevented corporate ownership and control of a Michigan bank.

[2]12 U.S.C. § 36(c) authorizes national bnaks to "establish and operate" branches generally to the extent allowed State-chartered banks under State law.

[3]On July 15, 1977, the U.S. District Court for the Eastern District of Michigan issued a preliminary injunction enjoining MNC and its subsidiary banks from expanding the ATS program either geographically or functionally and from advertising or publicizing the availability of such services at MNC's subsidiary banks. MNC has informed the Board that the ATS program will be instituted at Bank, at the option of Bank's management, if and when legally permissible.

[4]The record indicates that the ATS program has been in effect at MNC subsidiary banks since 1972 and that the Comptroller's office has been aware of the program at least since 1973. However, the program was not brought to the Board's attention prior to the instant proposal.

In early August the Board received comments with respect to the branch banking issue from certain protestants, namely, the Michigan Association of Community Bankers ("MACB"), the Independent Bankers Association of America ("IBAA"), the Central State Bank of Beulah, Michigan ("Central"), and the Peoples State Bank of Williamston, Michigan ("Peoples").[5] On September 16, 1977, the Commissioner and the Attorney General submitted written comments on the branch banking issue. The State and the other protestants[6] requested that the Board disapprove MNC's proposed acquisition of Bank and that the Board require MNC to discontinue the ATS program. MNC has been furnished copies of all materials submitted to the Board and, in accordance with established Board policy, has been afforded the opportunity to respond to all such submissions. MNC has responded at length to the submissions of all protestants.

The State and the other protestants contend that the establishment and operation of the ATS program by MNC's subsidiary banks in and of itself constitute a violation of the National Bank Act (12 U.S.C. § 36(c)). The rationale of their position is that, since under the ATS program each MNC subsidiary bank provides banking services of the type described in the Federal definition of "branch" (12 U.S.C. § 36(f))[7] to customers of other MNC subsidiary banks, every MNC subsidiary bank is a "branch" of each of the other MNC banks. The State and the protestants additionally contend that MNC's subsidiary banks operate in a "unitary fashion" as *de facto* branches of one another and constitute a "statewide branch banking system." In support of the claim of *de facto* branching, the State and the other protestants rely upon the ATS program coupled with the similarity in names of MNC's subsidiary banks, common advertising, interlocking officers and directors, centralized marketing, data processing, purchasing and trust operations, common banking forms, logogram and stationery, correspondent relationships, loan participation policies, an alleged public perception of there being only one 'Michigan National Bank" operating throughout the State, and MNC's allegedly pervasive and uniform control of its subsidiary banks.

MNC contends that the operation of the ATS program among MNC subsidiary banks does not constitute branch banking but is merely an extension of traditional correspondent banking services and relationships[8] and is the functional equivalent of such banking services as wire transfers of funds available to large commercial customers, automated clearing house operations and direct deposit payroll services. MNC further contends that, since no MNC subsidiary bank is established or operated by any other MNC subsidiary bank, no MNC subsidiary bank may be viewed as a branch of any other subsidiary bank under the National Bank Act. MNC maintains that it is a "traditionally recognized" bank holding company; that each of its subsidiary banks has a valid and separate corporate existence; that each was so licensed by the Comptroller and is so operated; and that the relationships among MNC's subsidiary banks are those inherent and usual in a bank holding company system and authorized under the Bank Holding Company Act. MNC claims that the separate corporate existence of an MNC subsidiary bank may not be disregarded or its "corporate veil" pierced except upon a showing of fraud or sham.

The Board has given careful consideration to the facts alleged and to all arguments and comments presented by the participants in this matter. While the Board has on numerous occasions considered allegations of branch banking in the context of the bank holding company structure,[9] the Board has not previously considered such a question in a situation where ATS-type services were offered. The ATS issue brought before the Board in the pending proposal is one of first impression and a decision on that issue may have significant and

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[5]The Massachusetts Independent Bankers Association ("MIBA") also filed comments on the branch banking issue. By letter, dated August 11, 1977, the Board requested MIBA to state any grounds for standing it might have to protest MNC's application. MIBA has not responded to the Board's inquiry.

[6]There is a question whether the protestants IBAA, MACB, Central and Peoples have standing as parties in interest under § 105 of the Act (12 U.S.C. § 1850), to protest MNC's application to acquire Bank. The Board will permit these protestants to make submissions of argument and relevant facts in order that the Board may be fully informed with respect to the branch banking issue raised by the ATS program. The Board cautions, however, that this grant of permission for such limited participation is not intended as a determination that any such participant would have legal standing to participants as a formal party in this proceeding or to obtain judicial review of a Board decision in this matter.

[7]12 U.S.C. § 36(f) defines the term branch "to include any branch bank, branch office, branch agency, additional office, or any branch place of business . . . at which deposits are received, or checks paid, or money lent."

[8]*In this regard,* MNC has stated that its subsidiary banks are prepared to provide the ATS system to any bank in Michigan upon payment of reasonable compensation.

[9]*See, e.g.*, Commerce Bancshares, Inc., Kansas City, Missouri, to acquire Commerce Bank of Grandview, N.A., Grandview, Missouri, 62 Federal Reserve BULLETIN 368 (1976), *aff'd. sub nom. Grandview Bank & Trust* v. *Board of Governors*, 550 F. 2d 415 (8th Cir. 1977), *cert denied* 46 U.S.L.W. 3202 (October 4, 1977).

widespread implications for the conduct of business by bank holding companies and commercial banks.[10] The issue is, therefore, of concern to the Board in its administration of the Act and its regulation of bank holding companies. For this reason, the Board has concluded that an oral presentation on the issue raised by the ATS program would be desirable.

The Board intends that all participants shall have a full opportunity to present their positions and arguments and to provide relevant facts with respect to this issue. At the same time, the Board recognizes that MNC is entitled to a prompt decision on its application, and the Board intends that the oral presentation shall proceed in an expeditious and orderly fashion without undue delay. The Board believes that the voluminous written materials already furnished by MNC and the State of Michigan and the other protestants delineate respective positions and the issues for decision. These submissions together with the opportunity that will be afforded at an oral presentation to supplement the record with additional facts and argument should provide a fully adequate record for Board consideration and decision on the issues raised in this matter. Accordingly, the Board declines to grant at this time the requests of the State and the other protestants for a formal hearing of the type described in the Board's Rules of Practice for Formal Hearings (12 C.F.R. Part 263).[11]

Accordingly, *it is hereby ordered* that, pursuant to § 262.3(g)(3) of the Board's Rules of Procedure (12 C.F.R. § 262.3(g)(3)(1977)), a public oral presentation be held with respect to the branch banking issue that has been raised in connection with the application by MNC to acquire Michigan National Bank-Sterling. The presentation shall be held before available members of the Board commencing at 10 a.m. on November 29, 1977, in Conference Room E, Terrence Level of the William McChesney Martin Building, located on C Street, N.W. between 20th and 21st Streets, Washington, D.C. Such presentation shall consist of presentations of statements in either oral or written form, together with supporting or supplementary written submissions.

It is further ordered that the issue upon which evidence and argument will be received at the oral presentation ordered herein is whether the establishment and operation of the ATS system among MNC's subsidiary banks, in particular as it is proposed to be established and operated at Bank, constitute a violation of 12 U.S.C. § 36(c).[12]

Any person desiring to appear at the oral presentation to present testimony, evidence, argument or otherwise participate in the proceeding shall file with the Secretary of the Board of Governors of the Federal Reserve System, Washington, D.C., 20551, on or before November 15, 1977, a written request containing a statement of the extent of participation desired and the general nature of any testimony or evidence to be presented.

By Order of the Board of Governors, effective November 1, 1977.

Voting for this action: Chairman Burns and Governors Gardner, Wallich, Partee, and Lilly. Absent and not voting: Governors Coldwell and Jackson.

(Signed) THEODORE E. ALLISON,
[SEAL] *Secretary of the Board.*

National City Corporation,
Cleveland, Ohio

Order Approving Acquisition of Bank

National City Corporation, Cleveland, Ohio, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval under § 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire 100 per cent (less directors' qualifying shares) of the voting shares of the successor by merger to The First National Bank, Dayton, Ohio, in Dayton, Ohio ("Bank"). The bank into which Bank is to be merged has no significance except as a means to facilitate the acquisition of the voting shares of Bank. Accord-

[10]Under the protestants' rationale, it appears that an arrangement substantially identical to the ATS program entered into between independent financial institutions neither of which is a subsidiary of the same bank holding company would nevertheless contravene branch banking laws.

[11]The Act does not require a hearing on an application under § 3 unless within a specified time period the Comptroller of the Currency (if the transaction involves a national bank) or the appropriate State banking supervisor (if the transaction involves a State chartered bank) recommends to the Board disapproval of the application. (12 U.S.C. § 1842(b)) No such recommendation for disapproval was filed in this case and, therefore, no hearing is required. *Northwest Bancorporation* v. *Board of Governors*, 303 F. 2d 832, 843 (8th Cir. 1962). Of course, under its Rules of Procedure (12 CFR § 262.3(g)), the Board may grant a hearing, either formal or informal, if the Board determines that such action is desirable.

[12]The Board's jurisdiction to consider this issue derives from its supervisory and regulatory authority over bank holding companies. Accordingly, MNC's role, if any, in the ATS program should be clearly delineated by the participants.

ingly, the proposed acquisition of shares of the successor organization is treated herein as the proposed acquisition of shares of Bank.

Notice of the application, affording opportunity for interested persons to submit comments and views, has been given in accordance with § 3(b) of the Act. The time for filing comments and views has expired, and the Board has considered the application and all comments received in light of the factors set forth in § 3(c) of the Act (12 U.S.C. § 1842(c)).

Applicant, the third largest banking organization in Ohio, controls six banks with aggregate deposits of $1.7 billion, representing 5.3 per cent of total deposits in commercial banks in the State.[1] Acquisition of Bank, which holds deposits of $312.9 million, would increase Applicant's share of total deposits in commercial banks in the State by 0.95 per cent.[2]

As of June 30, 1976, Bank was the second largest of 25 banks in the relevant geographic market.[3] Its $306.2 million in deposits represents 18.2 per cent of market deposits. The largest bank in the market holds 34.1 per cent of market deposits. The third and fourth largest banks in the market hold, respectively, 17.4 per cent and 5.3 per cent of market deposits. No other bank in the market holds greater than 4 per cent of market deposits with the market shares of each of the remaining 21 banks ranging from 0.2 to 3.3 per cent.

The nearest office of a subsidiary of Applicant is located approximately 136 miles northeast of one of Bank's 18 offices. Bank derives 0.26 per cent of its total deposits and 0.08 per cent of its loans from areas served by Applicant's subsidiary banks. Conversely, none of Applicant's banking subsidiaries derives more than 0.11 per cent of its deposits or 0.44 per cent of its loans from Bank's service area. In addition, only one of Applicant's nonbank subsidiaries derives any business from Bank's service area and the amount of such business is minimal. Thus, consummation of Applicant's proposal would not have any significant adverse effects on existing competition within the relevant market.

Since Applicant is not currently represented in the Dayton market, consummation of the proposed acquisition would not increase deposit concentration. Although Applicant would appear to be capable of *de novo* entry into the Dayton market based on strong financial and managerial resources and recent *de novo* experiences, it does not appear that the Dayton market is attractive for *de novo* entry. In recent years, population, employment, personal and per capita income and retail sales have expanded at a slower rate in the Dayton Standard Metropolitan Statistical Area ("SMSA") than in most of the other major Ohio SMSAs and in the State as a whole. Between 1970 and 1975, total population in Dayton actually declined.

In addition to the economic environment, the banking environment also indicates that the Dayton market remains relatively unattractive for *de novo* entry. Deposit growth for banks in the Dayton SMSA was 7 percentage points below the average deposit increase in all Ohio banks between 1971 and 1976. In addition, the ratio of deposits to banking offices for the Dayton market is only $13 million as compared to $15 million throughout Ohio. Further, the performances of recent *de novo* entries into the Dayton market would tend to discourage additional *de novo* entry. Hence, on the basis of economic and banking factors, the Dayton market does not, at this time, appear to be attractive to *de novo* entry.

The possibility does exist that Applicant could gain entry into the Dayton market by foothold acquisition of one of the many smaller banks in that market. However, the prime bank candidates for such acquisition have either announced plans to merge with other banking organizations or are so small and geographically removed from downtown Dayton as to make them unattractive foothold acquisitions. In addition, any acquisitions in other than the Montgomery County portion of the Dayton banking market would not enable Applicant to branch into Montgomery County or the City of Dayton because of Ohio's home county branching laws. Therefore, it appears that foothold entry is not a vaiable alternative for Applicant. In summary, given the relative unattractiveness of the Dayton market for *de novo* entry and the apparent unavailability of possible foothold acquisitions, consummation of the instant proposal would apear to have only a slightly adverse effect, if any, on potential competition in the Dayton market.

The financial and managerial resources and future prospects of Applicant, its subsidiaries, and Bank are regarded as satisfactory and lend weight toward approval of the proposal. As a result of

[1] Unless otherwise indicated, all banking data are as of March 31, 1977, and reflect bank holding company formations and acquisitions through September 30, 1977.

[2] In addition to Applicant's banking subsidiaries, Applicant has five nonbank subsidiaries that engage in mortgage banking, auto dealer financing, commercial paper, real estate investment, and reinsurance activities.

[3] *The relevant geographic market is the Dayton Banking market, which includes all of Montgomery, Greene and Miami counties,* Bethel and Mad River Townships in western Clark County, and Clear Creek, Wayne and Massie Townships in northern Warren County.

affiliation with Applicant, Bank would be able to offer additional services to its customers, including an expansion of residential mortgage loans at more competitive interest rates, floating interest rates on commercial mortgage loans, industrial revenue financing, and expanded trust services. These considerations relating to the convenience and needs of the community to be served lend weight toward approval of the application and, in the Board's judgment, are sufficient to outweigh any slight adverse competitive effects that might result from consummation of the proposal. It is the Board's judgment that approval of the application would be in the public interest and that the application should be approved.

On the basis of the record, the application is approved for the reasons summarized above. The transaction shall not be made (a) before the thirtieth calendar day following the effective date of this Order or (b) later than three months after the effective date of this Order, unless such period is extended for good cause by the Board, or by the Federal Reserve Bank of Cleveland pursuant to delegated authority.

By order of the Board of Governors, effective November 16, 1977.

Voting for this action: Chairman Burns and Governors Gardner, Wallich, Coldwell, Jackson, Partee, and Lilly.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

Northwest Bancorporation,
Minneapolis, Minnesota

Order Approving Acquisition of Bank

Northwest Bancorporation, Minneapolis, Minnesota ("Applicant"), a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval under § 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire 90 percent or more of the voting shares of First National Bank, Fort Dodge, Iowa, in Fort Dodge, Iowa ("Bank").

By Order of May 2, 1977, the Board denied Applicant's application to acquire shares of Bank (63 Fed. Res. Bull. 585 (1977)). Thereafter, Applicant filed a request for reconsideration of the Board's Order pursuant to section 262.3(g)(5) of the Board's Rules of Procedure (12 C.F.R. § 262.3(g)(5)). By Order of August 29, 1977 (63 Fed. Res. Bull. 852 (1977)), the Board granted Applicant's request for reconsideration of that proposal.

Notice of the Board's action granting reconsideration and affording opportunity for interested persons to submit comments and views has been given in accordance with § 3(b) of the Act. The time for filing comments and views has expired, and the Board has considered the application and all comments received in light of the factors set forth in § 3(c) of the Act (12 U.S.C. § 1842(c)).

Applicant is the largest banking organization in Iowa and controls 7 banks with aggregate deposits of $757 million, representing approximately 5.8 per cent of the total deposits in commercial banks in Iowa.[1] In addition to its holdings in Iowa, Applicant also controls 82 banks in six nearby states with total deposits of approximately $6.7 billion.[2] Acquisition of Bank, which holds $66.1 million in deposits, would increase Applicant's share of deposits in commercial banks in Iowa by 0.5 per cent.[3]

Bank is located in the Fort Dodge banking market, which is approximated by Webster County plus Cedar and Reading townships in adjoining Calhoun County. Applicant's banking subsidiary closest to Bank is located in Des Moines, Iowa, 87 miles from Bank, and there is currently no meaningful competition between Bank and any of Applicant's banking subsidiaries. Accordingly, no significant existing competition would be eliminated between Bank and any of Applicant's subsidiary banks upon consummation of this proposal.

In its Order of May 2, 1977, denying this application, the Board concluded that the fort Dodge banking market was attractive for *de novo* entry; that Applicant was a likely *de novo* entrant; and that Applicant's acquisition of Bank would probably deter other banking organizations from attempting *de novo* entry into the Fort Dodge market. Applicant has submitted new evidence intended to refute each of these conclusions. On the basis of the information provided by Applicant and a field study conducted by the Federal Reserve Bank of Minneapolis, the Board has determined that the Fort Dodge market is relatively unattractive for *de novo* entry and that any anticompetitive effects associated with the proposal are slight.

The Board's original decision that the market was attractive for *de novo* entry was based in part on

[1] As of March 31, 1977.
[2] As of December 31, 1976.
[3] As of December 31, 1976.

census data for the decade ending in 1970, which showed an increase in Webster County's population over that period. More recent information provided by Applicant, however, suggests that Webster County's population decreased 2.8 per cent in the period 1970-1975. In its Order of May 2, 1977, the Board indicated its view that future economic growth in the market seemed likely. The Board noted, for example, the establishment of a new industrial park in Fort Dodge. It appears, however, on the basis of new information provided by Applicant, that many of the construction projects currently in progress in the market may not have as significant an impact on the local economy as it first appeared. The recently established industrial park in Fort Dodge, for example, has encountered difficulty in attracting occupants. Accordingly, the Board concludes that the Fort Dodge banking market may properly be characterized as relatively unattractive for *de novo* entry and that, consequently, Applicant may not be deemed a probable *de novo* entrant into the market were this application to be denied. It therefore appears that consummation of the proposed acquisition would not have a substantial adverse effect on potential competition and, on balance, any anticompetitive effects associated with the proposal now appear to be slight.

The financial and managerial resources and future prospects of Applicant and its subsidiary banks are regarded as generally satisfactory, while those of Bank are regarded as satisfactory. The proposed transaction is expected to produce several benefits to the convenience and needs of the communities to be served. Such benefits include the expansion of Bank's trust services, increased agricultural lending, introduction of twenty-four hour automatic teller machines, and lower interest rates on some loans. In its Order of May 2, the Board found that these benefits were insufficient to outweigh the substantially adverse competitive effects then expected to result from the transaction. These factors are sufficient, however, to outweigh clearly the slightly adverse competitive effects that the Board now finds. Therefore, it is the Board's judgment that consummation of the proposed acquisition would be in the public interest and that the application should be approved.

On the basis of the record, the application is approved for the reasons summarized above. The transaction shall not be made (a) before the thirtieth calendar day following the effective date of this Order or (b) later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Minneapolis pursuant to delegated authority.

By order of the Board of Governors, effective November 21, 1977.

Voting for this action: Vice Chairman Gardner and Governors Coldwell, Jackson, and Partee. Voting against this action: Governor Wallich. Abstaining: Governor Lilly. Absent and not voting: Chairman Burns.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board*

Dissenting Statement of Governor Wallich

I would deny the application of Northwest Bancorporation to acquire First National Bank, Fort Dodge, Iowa ("Bank") for the reasons set forth in my Dissenting Statements in the recent Texas Commerce Bancshares, Inc., First City Bancorporation of Texas, Inc., and DETROITBANK decisions.[1]

My dissent here is again prompted by what I perceive to be adverse effects on potential competition. Bank is the largest of eight commercial banking organizations in the highly concentrated Fort Dodge banking market, holding approximately 30 per cent of the commercial bank deposits in the market. The three largest banks in the market control approximately 85 per cent of market deposits. Northwest is one of the most likely potential entrants into the market in view of its great financial resources and its history of expansion. As the Board noted in its original Order denying this application (63 Fed. Res. Bull. 585 (1977)), Northwest's total multi-state deposits are approximately ten times larger than the second largest Iowa bank holding company. I believe competition generated by having such an organization "waiting in the wings" of the Fort Dodge market is a significant benefit for that market. The elimination of such a benefit should be balanced by a procompetitive force, such as Northwest's *de novo* or foothold entry into the Fort Dodge market.

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[1]See the Dissenting Statements accompanying the Board Orders approving the applications of Texas Commerce Bancshares, Inc., Houston, Texas, to merge with The BanCapital Financial Corporation, Austin, Texas (63 Federal Reserve BULLETIN 500 (1977)), First City Bancorporation of Texas, Inc., Houston, Texas, to acquire City National Bank of Austin, Austin, Texas (63 Federal Reserve BULLETIN 674 (1977)), and DETROITBANK Corporation, Detroit, Michigan to acquire Lake Shore Financial Corporation, Muskegon, Michigan (63 Federal Reserve BULLETIN (1977)).

The benefits that the majority finds to be convenience and needs of the community to be served are insufficient to outweigh the adverse competitive effects associated with this proposal in my view. Moreover, such benefits also could be created through *de novo* entry, a fact that further reduces their significance in this case.

The Board has now rendered such decisions as this in three states, Texas, Michigan, and Iowa. Each of these states has relatively low levels of overall concentration, thereby suggesting that the majority's view may not be one of general applicability. I continue to be quite concerned, however, that the majority's decisions *may* encourage bank holding companies to eschew *de novo* or foothold entry into highly concentrated markets in the belief that the Board will approve less procompetitive means of entry. The net result of the majority's decisions would appear to be a significant diminution of the possibility that local markets such as Fort Dodge will become less concentrated in the future coupled with an increase in the statewide concentration ratios of those states that are presently relatively unconcentrated.

Since I can not regard either of these results as being desirable, I would deny this application.

Republic Bancorporation, Inc.,
Englewood, Colorado

Order Denying
Formation of Bank Holding Company

Republic Bancorporation, Inc., Englewood, Colorado, has applied for the Board's approval under § 3(a)(1) of the Bank Holding Company Act (12 U.S.C. § 1842 (a)(1)) of formation of a bank holding company by acquiring 99 per cent (or more) of the voting shares of Republic National Bank of Englewood, Colorado ("Bank").

Notice of the application, affording opportunity for interested persons to submit comments and views, has been given in accordance with § 3(b) of the Act. The time for filing comments and views has expired, and the Board has considered the application and all comments received in light of the factors set forth in § 3(c) of the Act (12 U.S.C. § 1842(c)).

Applicant is a nonoperating corporation organized for the purpose of becoming a bank holding company through the acquisition of Bank ($16.7 million in deposits).[1] Upon acquisition of Bank, Applicant would control the 102nd largest banking organization in the State of Colorado and approximately 0.2 per cent of total deposits in commercial banks in the State.

Bank is one of the smaller banks located in the Denver banking market,[2] and holds approximately .35 per cent of the total commercial bank deposits in the market. Inasmuch as the proposed transaction involves the transfer of ownership of Bank from individuals to a corporation owned by the same individuals, and since Applicant has no subsidiaries and engages in no activities, consummation of the proposal would not have any adverse effect upon existing or potential competition nor would it increase the concentration of banking resources in the Denver banking market. Thus, the Board concludes that competitive considerations of the instant proposal are consistent with approval.

The Board has indicated on previous occasions that a holding company should constitute a source of financial and managerial strength to its subsidiary bank(s), and that the Board will closely examine the condition of an applicant in each case with this consideration in mind.[3] Having examined such factors in light of the record in this application, the Board concludes that the record presents adverse considerations as they relate to the applicant bank holding company that warrant denial of the proposal to place the ownership of Bank into corporate form.

Applicant's principal and members of his family are Bank's principal shareholders, having acquired control of Bank in May 1976 in apparent anticipation of later placing the ownership of Bank into a corporation. Bank's operations have shown improvement over the last year under the direction of applicant's principal. However, this principal also controlled another bank holding company since

[1]Unless otherwise indicated, all banking data are as of December 31, 1976.

[2]The Denver banking market is approximated by Denver, Adams, Arapahoe and Jefferson Counties and the city of Broomfield in Boulder County, Colorado.

[3]The Bank Holding Company Act requires that the Board, in acting on an application to acquire a bank, inquire into the financial and managerial resources of an applicant. While this proposal involves the transfer of the ownership of Bank from individuals to a corporation owned by essentially the same individuals, the Act requires that before an organization is permitted to become a bank holding company and thus obtain the benefits associated with the holding company structure, it must secure the Board's approval. Section 3(c) of the Act provides that the Board must, in every case, consider, among other things, the financial and managerial resources of *both* the applicant company and the bank to be acquired. The Board's action in this case is based on a consideration of such factors.

May 1974.[4] The operations of that bank holding company have fallen short of that expected by the Board at the time of its approval, and the record indicates that these results are attributable in part to certain practices of the principal.[5] These facts preclude managerial factors giving weight toward approval of this application.

With respect to financial considerations, the Board notes that Applicant would incur a sizable debt in connection with the proposed acquisition of Bank's shares, as well as mortgage debt in connection with the purchase of Bank's building and land from a partnership composed of Applicant's principals. Applicant proposes to service its acquisition debt over a 12-year period through dividends to be declared by Bank and the tax benefits associated with the holding company structure. The mortgage debt will be serviced over a 25 year period through rental income paid by Bank.

The projected earnings for Bank contained in the application are substantially greater than Bank has generally enjoyed in the past, despite some recent improvement in Bank's earnings. In addition, Applicant's projected earnings for Bank greatly exceed the average earnings of other banks of comparable size in the area. Based on a review of more realistic projections, derived from past performance and data from area banks, it is unlikely that Bank's actual earnings will be sufficient to enable Applicant to service its debt while maintaining a adequate capital at Bank, and to have the flexibility to meet any unexpected problems that might arise at Bank. In this connection, the Board also notes that the record indicates that the other holding company in which Applicant's principal has been involved has not attained the debt retirement schedule set forth in its application. Inasmuch as the Board does not view Applicant's overall financial plan as one that would enable it to serve as a source of strength to Bank or one that would enhance Bank's prospects, the Board concludes that considerations relating to financial resources and future prospects weigh against approval of this application.

Over the past year, Bank has expanded the services provided to Bank's commercial customers. No other significant changes in Bank's operations or in the services offered to customers are anticipated to follow from consummation of the proposed acquisition. Thus, while convenience and needs factors are consistent with approval of this proposal, they are not sufficient, in the Board's view, to outweigh the other adverse findings with respect to the proposal.

On the basis of the circumstances concerning this application, the Board concludes that the banking considerations involved in this proposal present adverse factors bearing upon the financial and managerial resources and future prospects of Applicant and Bank. Such adverse factors are not outweighed by any procompetitive effects or by benefits that would result in better serving the convenience and needs of the community. Accordingly, it is the Board's judgment that approval of the application would not be in the public interest and that the application should be denied.

On the basis of the facts of record, the application is denied for the reasons summarized above.

By order of the Board of Governors, effective November 3, 1977.

Voting for this action: Vice Chairman Gardner and Governors Wallich, Coldwell, Jackson, Partee, and Lilly. Absent and not voting: Chairman Burns.

(Signed) ROBERT E. MATTHEWS,
[SEAL] *Assistant Secretary of the Board.*

[4] The Board has previously stated that in considering an application involving a bank that is a part of a chain of one-bank holding companies, it should look beyond the bank that is the subject of the application and analyze the financial and managerial resources of the other banks that are part of the chain. (See Board's Order dated June 14, 1976 denying the formation of a bank holding company by Nebraska Banco, Inc., Ord, Nebraska, 62 Federal Reserve BULLETIN 638 (1976)).

[5] The Board believes that it is reasonable to expect an applicant to demonstrate some history of satisfactory managerial performance. Otherwise, an applicant's management could take temporary steps to improve the earnings and operations of a prospective subsidiary bank for the sole purpose of securing the Board's approval of the proposal, and, after the transaction is approved and consummated, revert to its previous management practices to the detriment of its subsidiary bank.

ORDERS UNDER SECTION 4 OF BANK HOLDING COMPANY ACT

River Cities Investment Co.;
Investment Management, Inc.,
Bettendorf, Iowa

Order Approving Retention of Lloyd's Plan, Inc. and Determination Regarding "Grandfather Privileges"

River Cities Investment Co. and Investment Management, Inc., both of Bettendorf, Iowa (hereinafter jointly referred to as "Applicant"),[1] are bank holding companies within the meaning of the Bank Holding Company Act, and have applied for the Board's approval, under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.4(b)(2) of the Board's Regulation Y (12 CFR § 225.4(b)(2)) to retain fifty per cent of the voting shares of Lloyd's Plan, Inc., Davenport, Iowa, a company organized on April 23, 1973, at which time Investment Management, Inc., acquired a 50 per cent interest without the Board's prior approval as required by section 4 of the Act and section 225.4(a) of the Board's Regulation Y. Lloyd's Plan is a company that engages in the activities of a consumer finance company, operates as an industrial loan company in the manner authorized by the State of Iowa, and acts as an insurance agent or broker with respect to the sale of credit life and credit accident and health insurance directly related to extensions of credit by Lloyd's Plan. Such activities have been determined by the Board to be closely related to banking (12 CFR §§ 225.4(a)(1), (2) and (9)(ii)).

Notice of the applications, affording opportunity for interested persons to submit comments and views on the public interest factors, has been duly published (42 *Federal Register* 34555). The time for filing comments and views has expired, and the Board has considered the applications and all comments received in light of the public interest factors set forth in § 4(c)(8) of the Act.

Applicant controls one bank, Northwest Bank & Trust Company, Davenport, Iowa ("Bank"), the 21st largest commercial bank in Iowa, with deposits of $73.9 million, representing approximately 0.6 per cent of the total commercial bank deposits in the State.[2] Bank is located in the Quad Cities banking market[3] and has $11.6 million in consumer finance receivables, which represent less than 1 per cent of the total receivables in the State and 6.7 per cent of the total consumer finance receivables held by commercial banks in the relevant market.

Lloyd's Plan's only office operates in the Quad Cities market and has total receivables of $1.3 million, representing less than 0.1 per cent of total receivables in Iowa and 0.7 per cent of the total consumer finance receivables held by commercial banks in the quad Cities market. Lloyd's Plan's market share would rank it 24th among the commercial banks in the relevant product market. There are over 175 competitors in the Quad Cities consumer finance market, including 28 consumer finance companies (among which are five of the ten largest in the country), 27 commercial banks and over 125 credit unions.

Lloyd's Plan's *de novo* entry into the market in April 1973 added an additional competitor and eliminated no existing competition. Thus, it appears there were no significant adverse competitive effects at the time Lloyd's Plan entered the market. With respect to present competitive effects, Bank and Lloyd's Plan presently compete directly in the market; however, in light of the numerous alternative sources of consumer finance credit available in the market and the relative size and market shares of Lloyd's Plan and Bank, it does not appear that approval of Applicant's retention of Lloyd's Plan would have any significant adverse effects on existing or potential competition in the consumer finance market. Due to the nature of Lloyd's Plan's insurance activities, which are limited to acting as agent in the sale of credit insurance related to loans it originates, it does not appear that Applicant's retention of Lloyd's Plan would have any significant adverse competitive effects in this area. Retention of Lloyd's Plan, on the other hand, would provide benefits to the public by offering a continued and additional convenient source of consumer finance credit in the Quad Cities market. Moreover, there is no evidence in the record indicating that retention would result in any undue concentration of resources, unfair competition, conflicts of interests, unsound banking practices or other adverse effects on the public interest.

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[1]River Cities Investment Co. is a bank holding company by virtue of its ownership, since January 1964, of over 98 per cent of the outstanding Class A and Class B shares of Investment Management, Inc., which acquired 55.75 per cent of the outstanding voting stock in Northwest Bank & Trust Company on November 6, 1963.

[2]All data are as of December 31, 1976, with the exception of Statewide consumer finance receivables data which are as of December 31, 1975.

[3]The Quad Cities banking market, which is the Davenport, Iowa/Rock Island, Illinois RMA, approximates the Quad Cities consumer finance market, and is the relevant market for analyzing the competitive effects of the retention application.

As indicated above, the subject applications are an after-the-fact request for the Board's approval to engage in activities that were commenced in violation of the Board's Regulation Y. Upon examination of all the facts and circumstances surrounding the acquisition of Lloyd's Plan's shares without prior Board approval, it appears that the violation does not warrant denial of these applications. In acting upon the applications the Board has taken into consideration the fact that Applicant has taken steps to conform its operations to the Act by filing the subject applications. In addition, Applicant's management has sought to prevent violations from occurring in the future, including the initiation of an affirmative program under the direction of one of its officers to ensure that the management of Applicant's subsidiaries is aware of its responsibilities under the Bank Holding Company Act. The Board expects that these actions will assist Applicant in avoiding a recurrence of similar violations. In consideration of the above and other information in the record evidencing Applicant's intent to comply with the requirements of the Bank Holding Company Act, the Board has determined that the circumstances of the above violation do not warrant denial of the applications.

In connection with its consideration of the applications, the Board has also reviewed, pursuant to § 4(a)(2) of the Act, the "grandfather" privileges of Applicant, a "company covered in 1970" as that term is defined in the Act.[4] Under § 4(a)(2) of the Act, the Board may terminate such "grandfather" privileges if the Board determines, having due regard to the purposes of the Act, that such action is necessary to prevent undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices. Accordingly, the Board has reviewed the activities of Applicant for the purposes of determining whether the combination of banking and nonbanking interests in Applicant's holding company system would be likely to have an adverse effect on the public interest. Notice of the Board's proposed review of the "grandfather" privileges of Applicant and an opportunity for interested persons to submit comments and views or request a hearing was given (42 *Federal Register* 55924). The time for filing comments, views, and requests has expired, and none has been received.

Since January 1964, Applicant has been continuously engaged in a general insurance agency business. As a general insurance agency, Applicant has been engaged in the sale as agent of ordinary life, term life, credit life and disability, and accident and health insurance. Most of the insurance is directly related to extensions of credit by Applicant's subsidiary bank. On the basis of the facts before the Board, it appears that the volume, scope and nature of the activities of Applicant do not indicate an undue concentration of resources, nor is there any evidence before the Board of decreased or unfair competition, conflicts of interests, or unsound banking practices.

There appears to be no reason to require Applicant to terminate its nonbanking activities. It is the Board's judgment that at this time termination of the "grandfather" privileges of Applicant is not necessary in order to prevent an undue concentration of resources, decreased or unfair competition, conflicts of interests or unsound banking practices. However, this determination is not authority to enter into any activity that Applicant was not engaged in on June 30, 1968, and continuously thereafter, or any activity that is not the subject of this determination. A significant alteration in the nature or extent of Applicant's activities, or a change in location thereof (significantly different from any described in this determination) will be cause for a reevaluation by the Board of Applicant's activities under the provision of § 4(a)(2) of the Act. Such an alteration or change may result in a finding that "grandfather" privileges should be terminated in order to prevent an undue concentration of resources or any of the other evils designated in the Act. No merger, consolidation, acquisition of assets (other than in the ordinary course of business), and no acquisition of any interest in a going concern, to which the Applicant or any nonbank subsidiary thereof is a party, may be consummated without prior approval of the Board. Further, the provision of any credit, property, or service by the Applicant or any subsidiary thereof shall not be subject to any condition which, if imposed by a bank, would constitute an unlawful tie-in arrangement under section 106 of the Bank Holding Company Act Amendments of 1970.

In making its determination herein, the Board also finds that combining Bank with Applicant's existing nonbanking activities would not have an adverse effect upon the public interest at this time. However, the determination herein does not preclude a later review by the Board of Applicant's nonbanking activities, and a future determination by the Board in favor of termination of "grandfather" benefits of Applicant. This determination is

[4]Investment Management has been continuously engaged in general insurance agency activities since prior to June 30, 1968.

subject to the Board's authority to require such modification or termination of the activities of Applicant or any of its nonbanking subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasions thereof.

Based upon the foregoing and other considerations reflected in the record, the Board has determined that the balance of the public interest factors the Board is required to consider under § 4(c)(8) is favorable. Accordingly, the applications are hereby approved. This determination is subject to the conditions set forth in section 225.4(c) of Regulation Y and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

By order of the Board of Governors, effective November 7, 1977.

Voting for this action: Chairman Burns and Governors Gardner, Coldwell, Jackson, Partee, and Lilly. Absent and not voting: Governor Wallich.

(Signed) THEODORE E. ALLISON,
Secretary of the Board.

[SEAL]

United Bancorp,
Roseburg, Oregon

Order Approving
Acquisition of Family Finance Corporation

United Bancorp, Roseburg, Oregon, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval, under § 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and § 225.4(b)(2) of the Board's Regulation Y (12 C.F.R. § 225.4(b)(2)), to acquire Family Finance Corporation, Roseburg, Oregon ("FFC"), a company that engages in the activities of making consumer and personal loans and acting as agent for credit health and credit life insurance in connection with extensions of credit by FFC.[1] Such activities have been determined by the Board to be closely related to banking (12 C.F.R. § 225.4(a)(1) and (9)(ii)).

Notice of the application, affording opportunity for interested persons to submit comments and views on the public interest factors, has been duly published (42 Fed. Reg. 46085 (1977)). The time for filing comments and views has expired, and the Board has considered the application and all comments received in the light of the public interest factors set forth in § 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)).

Applicant controls Douglas National Bank, Roseburg, Oregon, which ranks third among four commercial banks in the relevant market[2] with total deposits of $42.6 million, representing 21.4 per cent of deposits in commercial banks in the market.[3]

FFC, which holds total assets of approximately $364 thousand, operates a single consumer finance office in Roseburg, Oregon, less than one mile from the main office of Douglas National Bank. Applicant and FFC compete for the origination of consumer loans in the Roseburg market. Applicant is the third largest of twelve lenders in the market with approximately $7.6 million in consumer loans representing 19.9 per cent of the total consumer loans outstanding in the market. FFC ranks twelfth in the market with $348 thousand of consumer loans outstanding, a market share of approximately 0.8 per cent. Thus, approval of the proposed acquisition would increase Applicant's share of the total consumer loan market slightly to 20.7 per cent. Eleven independent originators of consumer loans would remain in the market.

FFC has not been an aggressive competitor in the market. Between 1972 and 1976, the amount of its receivables decreased by 18 per cent, while those of all the other firms in the market increased by approximately 67 per cent. In view of the insubstan-

[1]FFC sells subordinated debentures as a convenience to its customers who wish to invest their interest. As of April 30, 1977, the outstanding amount of these debentures was $150 thousand, representing approximately 41 per cent of FFC's total assets. At maturity, the debentures become redeemable by the holder semiannually. Approximately 60 per cent of the outstanding debentures have matured, and have not been redeemed. FFC has not actively marketed debentures since 1974, and Applicant has indicated that, upon consummation of the proposed acquisition, FFC will cease to issue new debentures. On the basis of all the facts of record, the Board has determined that the affiliation of Applicant's member bank subsidiary with FFC by virtue of consummation of the proposed acquisition would not violate section 20 of the Glass-Steagall Act (12 U.S.C. § 377).

[2]The Roseburg banking market is approximated by Douglas County west of the Coast range, excluding the city of Reedsport on the Pacific Coast.

[3]Banking data are as of December 31, 1976.

tial increase in Applicant's market share, the competitive structure of consumer finance lending in the Roseburg market and the lack of competitive effectiveness on the part of FFC, it appears that consummation of the proposal would not have any significant adverse effects on existing competition in the relevant market area. Furthermore, there is no evidence in the record that indicates that consummation of the proposed transaction would result in undue concentration of resources, unfair competition, conflicts of interests, unsound banking practices, or other effects that would be adverse to the public interest.

Acquisition of FFC by Applicant would provide additional managerial and financial support for FFC's operations and facilitate expansion of the number and types of loans that FFC makes available to its customers. Accordingly, it appears that the proposed acquisition would produce benefits to the public that are consistent with and lend weight toward approval of the application.

Based upon the foregoing and other considerations reflected in the record, the Board has determined in accordance with § 4(c)(8) of the Act that Applicant's acquisition of FFC can reasonably be expected to produce benefits to the public that outweigh possible adverse effects. Accordingly, the application is hereby approved. This determination is subject to the conditions set forth in § 225.4(c) of Regulation Y and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

The transaction shall be made not later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of San Francisco.

By order of the Board of Governors, effective November 21, 1977.

Voting for this action: Vice Chairman Gardner and Governors Wallich, Coldwell, and Lilly. Absent and not voting; Chairman Burns and Governors Jackson and Partee.

(Signed) GRIFFITH L. GARWOOD,
[SEAL] *Deputy Secretary of the Board.*

ORDERS UNDER SECTION 2(g)(3) OF BANK HOLDING COMPANY ACT

Redwood Bancorp,
San Francisco, California

Order Granting
Determination Under Bank Holding Company Act

Redwood Bancorp, San Francisco, California ("Redwood"), a bank holding company within the meaning of § 2(a) of the Bank Holding Company Act of 1956, as amended ("Act") (12 U.S.C. § 1841(a)), has requested a determination by the Board, pursuant to § 2(g)(3) of the Act (12 U.S.C. §1841(g)(3)), that Redwood is not in fact capable of controlling Bowest, Inc., Los Angeles, California ("Bowest"), a wholly-owned subsidiary of the Bowery Savings Bank, New York, New York, notwithstanding indebtedness incurred by Bowest to Redwood in connection with Bowest's purchase from Redwood of all of the shares of National Mortgage Insurance Agency, Inc., Tucson, Arizona, National Insurance Agency, Inc., Salt Lake City, Utah, West Coast Security Agency, Inc., San Francisco, California (hereinafter collectively referred to as the "Agencies"), that were wholly-owned subsidiaries of Redwood. Redwood further asks that it be determined that it is not in fact capable of controlling the Agencies which it sold to Bowest.

Under the provisions of § 2(g)(3) of the Act, shares transferred after January 1, 1966, by any bank holding company to a transferee that is indebted to the transferor or has one or more officers, directors, trustees, or beneficiaries in common with or subject to control by the transferor, are deemed to be indirectly owned or controlled by the transferor unless the Board, after opportunity for hearing, determines that the transferor is not in fact capable of controlling the transferee.

Redwood has submitted to the Board evidence to support its contention that Redwood is not in fact capable of controlling Bowest and the Agencies.

Notice of an opportunity for hearing with respect to Redwood's request for a determination under § 2(g)(3) was published in the *Federal Register* (40 *Fed. Reg.* 52440). The time provided for requesting a hearing has expired. No such request has been received by the Board, nor has any evidence been received to show that Redwood is in fact capable of controlling Bowest or the Agencies.

It is hereby determined that Redwood is not in fact capable of controlling Bowest or the Agencies.

This determination is based upon the evidence of record in this matter, including (1) a certified copy of a resolution passed by the Board of Directors of Redwood to the effect that Redwood does not in any way exercise control over Bowest or the Agencies; and evidence establishing (2) the fact that, except for the purchase of the Agencies' stock from Redwood and the resulting indebtedness, Bowest has no present or past relationship with Redwood, other than that Bowest services a small portion of the mortgage loan portfolio of Redwood Bank, San Francisco, California, a subsidiary of Redwood; (3) the fact that Bowest's indebtedness to Redwood in connection with the purchase of the Agencies is a promissory note for the sum of $3,000 secured by neither the shares of the Agencies nor the shares of Bowest or any related company; (4) the fact that there are no directors, officers, or employees that are common to both Redwood and Bowest; and (5) the fact that Bowest is a subsidiary of Bowery Savings Bank, New York, New York, a substantial firm independent of Redwood.

Accordingly, it is ordered, that the request of Redwood for a determination pursuant § 2(g)(3) be and hereby is granted. Any material change in the facts or circumstances relied upon by the Board in making this determination or any material breach of any of the commitments upon which the Board based its decision could result in the Board reconsidering the determination made herein.

By order of the Board of Governors, acting through its General Counsel, pursuant to delegated authority (12 CFR § 265.2(b)), effective November 7, 1977.

(Signed) ROBERT E. MATTHEWS,
[SEAL] *Assistant Secretary of the Board.*

Trans Texas Bancorporation, Inc.
El Paso, Texas

Trans Texas Bancorporation, Inc., ("Trans Texas"), a bank holding company within the meaning of § 2(a) of the Bank Holding Company Act of 1956, as amended (12 U.S.C. § 1841, et seq.) (the "Act") by virtue of its ownership of controlling interests in several banks, has requested a determination pursuant to the provisions of section 2(g)(3) of the Act that neither Trans Texas nor any of its affiliates or subsidiaries is capable of controlling Mr. Charles Frederick Opel or C.F. Opel, Inc., both of El Paso, Texas, notwithstanding the fact that Mr. Opel, who purchased shares of C.F. Opel, Inc., from El Paso International Company, a Trans Texas subsidiary, and C.F. Opel, Inc., were indebted to a subsidiary of Trans Texas at the time of transfer.

Under the provisions of section 2(g)(3) of the Act, shares transferred after January 1, 1966, by any bank holding company to a transferee that is indebted to the transferor are deemed to be indirectly owned or controlled by the transferor unless the Board, after opportunity for hearing, determines that the transferor is not in fact capable of controlling the transferee.

Notice of an opportunity for hearing with respect to Trans Texas' request for a determination under section 2(g)(3) was published in the *Federal Register* (42 Fed. Reg. 27297(1977)). The time provided for requesting a hearing has expired. No such request has been received by the Board, nor has any evidence been received to show that Trans Texas is in fact capable of controlling Mr. Opel or C.F. Opel, Inc.

It is hereby determined that Trans Texas is not, in fact, capable of controlling Mr. Opel or C.F. Opel, Inc. This determination is based upon the evidence of record in this matter, including that establishing the following facts.

Mr. Opel paid cash for the shares of C.F. Opel, and the only indebtedness of Mr. Opel or C.F. Opel, Inc., to Trans Texas or its subsidiaries at the time of the transaction and currently is routine installment loan and credit card indebtedness to bank subsidiaries of Trans Texas, which debt is unrelated to the stock transaction. The amount of debt owed by C.F. Opel to Trans Texas or its subsidiaries at the time of the transfer was substantially less than the purchase price of the shares. The net worth of both Mr. Opel and C.F. Opel, Inc., is substantially more than the existing unrelated debt. Trans Texas does not own, control, or hold a security interest in voting securities of C.F. Opel, Inc. All parties have stated under oath that no control agreement or understanding existed at the time of transfer or currently exist and there are no director, officer, or employee interlocks between Trans Texas and its subsidiaries with C.F. Opel, Inc. *Accordingly, it is ordered* that the request of Trans Texas Bancorporation, Inc., El Paso, Texas, for a determination pursuant to section 2(g)(3) be and hereby is granted. This determination is based upon the representation made to the Board by Trans Texas and Mr. Opel and C.F. Opel, Inc. In the event the Board should hereafter determine that facts material to this determination are otherwise than as represented, or that Trans Texas, Mr. Opel, or C.F. Opel, Inc., has failed to disclose to the

Board other material facts, this determination may be revoked, and any change in the facts and circumstances relied upon by the Board in making this determination could result in the Board reconsidering the determination made herein.

By order of the Board of Governors, acting through its General Counsel, pursuant to delegated authority (12 CFR § 265.2(b)(1)), effective November 9, 1977.

[SEAL]

(Signed) GRIFFITH L. GARWOOD,
Deputy Secretary of the Board.

PRIOR CERTIFICATION PURSUANT TO THE BANK HOLDING COMPANY TAX ACT OF 1976

The Jacobus Company,
Wauwatosa, Wisconsin

[Docket No. TCR 76-138]

The Jacobus Company, Wauwatosa, Wisconsin ("Jacobus"), has requested a prior certification pursuant to § 1101(b) of the Internal Revenue Code (the "Code"), as amended by § 2(a) of the Bank Holding Company Tax Act of 1976 (the "Tax Act"), that its proposed divestiture of all of the 340,983 shares of common stock (the "Inland Shares") of Inland Heritage Corporation, (formerly Inland Financial Corporation) Milwaukee, Wisconsin ("Inland"), presently held by Jacobus, through the *pro rata* distribution of such shares to the holders of common stock of Jacobus, is necessary or appropriate to effectuate the policies of the Bank Holding Company Act (12 U.S.C. § 1841 *et seq.*) ("BHC Act").

In connection with this request, the following information is deemed relevant, for purposes of issuing the requested certification:[1]

1. Jacobus is a corporation organized on May 24, 1924 under the laws of the State of Wisconsin. Inland is a corporation organized on October 6, 1964 under the laws of the State of Wisconsin.

2. Between April 1966 and July 1967 Jacobus acquired ownership and control of 48,000 shares, representing 80 per cent of the outstanding voting shares, of Heritage Bank of Whitefish Bay (formerly Whitefish Bay Bank & Trust Co.), Whitefish Bay, Wisconsin ("Bank"). Between March 1965 and April 1968, Jacobus acquired ownership and control of 205,584 shares of common stock, representing 73.3 per cent of the outstanding common stock, of Inland. On April 29, 1968 Jacobus acquired 7,500 shares of $6.50 Preferred Stock ("Preferred Stock"), representing 100 per cent of the outstanding Preferred Stock, of Inland in exchange for the 48,000 shares of Bank. Jacobus sold 5,000 shares of Preferred Stock to the Harriet G. Jacobus Trust on July 15, 1969 for cash. On August 9, 1971 Jacobus received 21,738 shares of Inland common stock in exchange for 2,500 shares of Preferred Stock.[2] On June 29, 1972 Jacobus received 113,661 shares of common stock of Inland in a corporate recapitalization in which three shares of Inland common stock were issued for every two shares of Inland common stock then outstanding.[3]

3. Jacobus became a bank holding company on December 31, 1970, as a result of the 1970 Amendments to the BHC Act, by virtue of its direct ownership and control at that time of more than 25 per cent of the outstanding voting shares of Inland and by virtue of its indirect ownership and control at that time, through Inland, of more than 25 per cent of the outstanding voting shares of Bank, and it registered as such with the Board on September 1, 1971.[4] Jacobus would have been a bank holding company on July 7, 1970 if the BHC Act Amend-

[1] This information derives from Jacobus' correspondence with the Board concerning its request for this certification, Jacobus' and Inland's Registration Statements filed with the Board pursuant to the BHC Act, and other records of the Board.

[2] Under subsection (c) of § 1101 of the Code, property acquired after July 7, 1970 generally does not qualify for the tax benefits of § 1101(b) when distributed by an otherwise qualified bank holding company. However, where such property was acquired by a qualified bank holding company in a transaction in which gain was not recognized under § 305(a) of the Code, then § 1101(b) is applicable. Jacobus had indicated that for accounting and tax purposes, this exchange of Inland Preferred Stock for Inland common stock was treated as a recapitalization under § 368(a)(1)(E) of the Code. Accordingly, even though the 21,738 shares of Inland common stock were acquired by Jacobus after July 7, 1970, those shares would nevertheless qualify as property eligible for the tax benefits provided in § 1101(b) of the Code, by virtue of § 1101(c), if the Inland shares were in fact received in a transaction described in § 368(a)(1)(E) of the Code in which no gain was recognized.

[3] Jacobus has indicated that pursuant to § 305(a) of the Code, no gain was recognized as a result of the June 29, 1972 recapitalization. Accordingly, even though this 113,661 Inland shares of common stock were acquired by Jacobus after July 7, 1970, they would nevertheless qualify as property eligible for the tax benefits provided by § 1101(b) of the Code by virtue of § 1101(c) of the Code, if the Inland shares were in fact received in a transaction described in § 368(a)(1)(E) of the Code in which no gain was recognized.

[4] Inland similarly became a bank holding company on December 31, 1970, as a result of the 1970 Amendments to the BHC Act, by virtue of its direct ownership and control of more than 25 per cent of the outstanding voting shares of Bank, and it registered as such with the Board on June 17, 1971.

ments of 1970 had been in effect on such date, by virtue of its direct and indirect ownership and control on that date of more than 25 per cent of the outstanding voting shares of Inland and Bank, respectively. Jacobus presently owns and controls 42 per cent of the outstanding voting shares of Inland.

4. Jacobus holds property acquired by it on or before July 7, 1970, the disposition of which would be necessary or appropriate to effectuate section 4 of the BHC Act if Jacobus were to continue to be a bank holding company beyond December 31, 1980, which property is "prohibited property" within the meaning of section 1103(c) of the Code.

5. On December 14, 1971, in connection with an application by Inland to acquire an additional bank, Jacobus made a commitment to the Board that it would divest ownership and control of all of its Inland shares within 90 days of the effective date of legislation providing for nonrecognition of gain on divestitures required as a result of the BHC Act Amendments of 1970. The Board has relied on this commitment by Jacobus in approving applications by Inland to acquire additional banks. Accordingly, Jacobus must divest its shares of Inland by December 31, 1977. In addition, Jacobus and Inland have committed to the Board that no person holding an office or position (including an advisory or honorary position) with Jacobus or any of its subsidiaries as a director, policy-making employee or consultant, or who performs (directly, or through an agent, representative or nominee) functions comparable to those normally associated with such office or position, will hold any such office or position or perform any such function with Inland or any of its subsidiaries. Jacobus and Inland have further committed that all such interlocking relationships presently existing between Jacobus and Inland and their respective subsidiaries will be terminated.

On the basis of the foregoing information, it is hereby certified that:

(A) Jacobus is a qualified bank holding corporation, within the meaning of subsection (b) of section 1103 of the Code, and satisfies the requirements of that subsection;

(B) the shares of Inland that Jacobus proposes to distribute to its shareholders are all of the property by reason of which Jacobus controls (within the meaning of § 2(a) of the BHC Act) a bank or a bank holding company; and

(C) the distribution of such shares is necessary or appropriate to effectuate the policies of the BHC Act.

This certification is based upon the representations and commitments made to the Board by Jacobus and upon the facts set forth above. In the event the Board should determine that facts material to this certification are otherwise than as represented by Jacobus, or that Jacobus has failed to disclose to the Board other material facts or to fulfill any commitments made to the Board in connection herewith, it may revoke this certification.

By order of the board of Governors, acting through its General Counsel, pursuant to delegated authority (12 CFR 265.2(b)(3)), effective November 10, 1977.

[SEAL] (Signed) GRIFFITH L. GARWOOD,
Deputy Secretary of the Board.

ORDER RELATING TO CONTROL OVER FINANCIAL GENERAL BANKSHARES, INC.

International Bank,
Washington, D. C.

As a result of the 1966 Amendments to the Bank Holding Company Act (12 U.S.C.§ 1841 *et seq.*) (the "Act"), International Bank, Washington, D. C. ("IB") took certain steps in December 1966 for the ostensible purpose of terminating its control of Financial General Bankshares, Inc., Washington, D. C. ("FG"), a registered bank holding company, and thereby terminating IB's own status as a bank holding company. On August 1, 1974, the Board made a determination[1] pursuant to sections 2(a)(2)(A) and (B), 2(d), and 2(g)(1) and (3) of the Act that, notwithstanding its alleged divestiture of control of FG, IB still directly and indirectly controlled FG (the "Count I" determination). In addition, the Board made a preliminary determination under section 2(a)(2)(C) of the Act and section 225.2(c) of the Board's Regulation Y (12 CFR § 225.2(c)) that IB exercised a controlling influence over the management and policies of FG (the "Count II" determination).

IB requested a hearing to contest both the Count I and Count II determinations, and on October 4, 1974, the Board ordered that a public hearing be held before an Administrative Law Judge.[2] In its hearing order, the Board set forth certain specific questions to be considered at the hearing relating to the existence of a control relationship between IB and FG. In addition, the Board directed the Administrative Law Judge to recommend whether the Count I determination should be set aside and whether the Count II determination should become final.

FG and Financial International Corporation ("FIC") were permitted to intervene in the proceeding, and extensive prehearing discovery was conducted between October 1974 and February 1977. On February 10, 1977, formal hearings commenced before the Administrative Law Judge. After all the evidence had been presented, the parties jointly requested the Board to dispense with the requirement for a recommended decision by the Administrative Law Judge. On March 10, 1977, the Board granted this motion and directed that the record be certified to the Board not later than April 30, 1977, together with briefs, proposed findings of fact and conclusions of law, and a statement of the issues for decision by the Board.

The record was subsequently certified to the Board in accordance with the March 10 Order. Among the issues certified was the question whether this proceeding had become "moot" by reason of a proposed sale by IB of its stock in FG. On May 20, 1977, the Board ordered that the record be reopened for further proceedings with respect to questions arising from the sale. The supplemental record developed on this question was subsequently certified to the Board and the record in this proceeding was closed.[3] As supplemented,[4] the record indicates that on April 29, 1977, IB sold all of the 1,204,231 shares of FG common stock owned by it of record, representing 22.2 per cent of the outstanding voting shares of FG, to a group of 26 investors represented by J. William Middendorf, II (the "Middendorf Group").[5]

In light of the present state of the record the Board believes the principal questions before it may be broadly stated as follows:

1. Was IB's purported divestiture of FG in December 1966 effective to terminate IB's control of FG?

2. If IB failed to make an effective divestiture in December 1966, what action, if any, should the Board take to assure that the control relationship between IB and FG will be completely terminated and will not be reestablished?

The Board has considered the entire record of this proceeding and has set forth in an appendix to this Order its findings of fact, which are incorporated herein by reference. The following discussion summarizes the principal findings and sets forth the Board's conclusions of law and the reasoning underlying those conclusions.

I. *History of the IB-FG Relationship.*

IB is a diversified holding company, formed in 1920, that has engaged through subsidiaries and affiliates in a variety of financial and nonfinancial activities, including commercial banking, consumer credit financing, casualty and life insurance underwriting, lease financing, and both heavy and light manufacturing. In addition, IB owns a large modern office building in Washington, D. C.[6]

At all times relevant to this case FG has held controlling interests in more than two banks, and at present it controls 15 banks.[7] However, FG did not register as a bank holding company following the passage of the Bank Holding Company Act because FG qualified for an exclusion from the Act's definition of a "bank holding company" by reason of its affiliation with The Equity Corporation, a registered investment company subject to the Investment Company Act of 1940.[8] Although IB was not itself either a registered investment company or an affiliate of a registered investment company, it claimed to be entitled to the benefits of the exemption enjoyed by its subsidiary, FG, and did not register as a bank holding company.[9] IB's claim was contested by the Board, but before the issue was resolved it became academic when, on July 1, 1966, Congress amended the Act to repeal the investment company exemption. FG and IB thus both became clearly subject to the Act.

Following the 1966 Amendments to the Act, FG registered with the Board as a bank holding company and IB acknowledged its status as a bank holding company by virtue of its control of 32 per cent of FG's voting common stock. However, in a November 9, 1966 letter to the Federal Reserve Bank of Richmond, IB announced that it had "adopted a policy that International Bank shall cease to be a bank holding company prior to December 31, 1966."[10] Purportedly in furtherance of that policy IB took the following steps in late 1966:

1. IB reduced its nominal ownership of FG common stock to below 25 per cent of FG's outstanding voting shares by transferring approximately 8.2 per cent of FG's voting common stock to Financial International Corporation (a newly created wholly-owned IB subsidiary having no other assets) in exchange for all of FIC's stock. The FIC shares were then distributed to IB shareholders on a *pro*

rata basis.[11] (This transaction is referred to herein as the "FIC Spin-off.")

2. IB granted FIC, without consideration, an irrevocable proxy to vote, and a right of first refusal on, an additional 7.4 per cent of FG's voting common stock.[12] As a result of this action, IB and FIC each had the right to vote 16 per cent of FG's voting common stock.

3. FIC assumed $1,500,000 (approximately 25 per cent) of IB's long term debt, for which all of FIC's FG shares were pledged as security. By cross guarantees, IB and FIC remained contingently liable on each other's shares of the long-term debt.[13]

4. IB informed the Board that at the time of and subsequent to the transfer of the FG stock to FIC, there would be no director or officer interlocks between IB and FIC.[14]

5. All nominal officer interlocks, and all but two director interlocks (George Olmsted and William L. Cobb), between IB and FG were eliminated. Although Olmsted continued as Chairman of the Board of FG, the FG by-laws were amended on November 2, 1966, to provide that the Chairman would not be an officer.[15]

While the 1966 Amendments allowed FG until December 31, 1978, to separate its banking and nonbanking interests, on December 15, 1967 FG adopted a plan for the divestiture of its insurance, merchant banking, and industrial subsidiaries. To carry out the plan, FG created Financial Security Corporation ("FSC") as a wholly-owned FG subsidiary, and, on October 28, 1968, following FG's transfer of substantially all of its interest in the nonbank subsidiaries to FSC in exchange for all of FSC's stock, FG distributed the stock of FSC *pro rata* to FG shareholders. Shortly after the distribution FSC was merged into IB. Thus, IB ended up owning all of the nonbanking assets divested by FG through the FSC spin-off, and FG's other shareholders ended up holding IB stock in lieu of their *pro rata* interest in FG's former nonbanking assets.[16]

After the spin-off of FSC, FG's only remaining impermissible properties were its real estate management and finance subsidiaries. In December 1974, FG transferred certain of these prohibited assets into Financial Mortgage and Realty Corporation ("FMRC"), a wholly-owned subsidiary of FG, and, as it had in the case of FSC, distributed the stock of FMRC *pro rata* to FG shareholders.[17]

In summary, in order to comply with the requirements imposed upon them by the 1966 Amendments to the Act, IB and FG rearranged their respective holdings in a complex series of corporate reorganizations as follows: (1) IB's previous holding of approximately 32 per cent of FG's voting common stock was divided so that FIC, a new company formed by IB and having identical stockholders as IB, took over 8 per cent and IB continued to hold 24 per cent, and (2) FG's nonbanking activities were taken over almost entirely by IB.

II. *IB's Control Relationship With FG After 1966.*

We now turn to the question whether IB's purported divestiture of FG in December 1966, through the FIC Spin-off, was effective to terminate IB's control of FG. Under section 2(a)(2) of the Act, as presently in effect, such control could exist if it were found (A) that IB directly or indirectly, or acting through one or more other persons, owned or controlled 25 per cent or more of FG's voting common stock, (B) that IB in any manner controlled the election of a majority of FG's directors, or (C) that IB directly or indirectly exercised a controlling influence over FG's management or policies. In addition, IB could be deemed to have controlled FG during this period if the transaction by which IB effected the FIC Spin-off in December 1966 gave rise to a presumption under section 2(g)(3) of the Act that IB continued to control FIC's FG shares and that presumption was not overcome in an appropriate manner.

In considering these issues the Board recognizes that section 2(a)(2) of the Act as it was in effect in December 1966 did not expressly define "control" to include either ownership or control of stock "acting through" others or the exercise of a "controlling influence." The principal issue before the Board, however, is whether IB made an effective divestiture of FG in 1966, and the Board's consideration of that issue is not limited to the technical legal question whether IB's relationship with FG after 1966 constituted statutory control. Section 5(b) of the Act authorizes the Board to issue orders to carry out the purposes and prevent evasions of the Act. If IB's direction of FG's business after 1966 was so extensive as to support the conclusion that IB was continuing to engage in the banking business through FG, the Board could conclude, even in the absence of a "controlling influence" test of control, that the purported divestiture was ineffective and could order appropriate relief. Facts that would support control findings under sections 2(a)(2)(A) and (C) as amended in 1970 would, in the Board's judgment, also support the conclusion that the purported divestiture in December 1966 was not effective to terminate IB's engagement in the business of banking through FG.

The Board has concluded, based upon the evidence of record, that continuously after December 13, 1966, IB was in control of FG within the meaning of the definitions of control set forth in sections 2(a)(2)(A) and (B) of the Act, as well as by operation of the presumption of continued control in section 2(g)(3) of the Act. In addition, IB's domination of FG after 1966 was such that, when section 2(a)(2)(C) was added to the Act in 1970, IB was in control of FG within that definition as well. Accordingly, the Board finds that the purported divestiture of FG by IB in 1966 was ineffective.

A. *IB Directly or Indirectly Owned or Controlled More Than 25 Per Cent of FG's Voting Common Stock.*

Prior to December 13, 1966, IB was by its own admission a bank holding company because of its direct ownership of 32 per cent of FG's voting common stock. IB has contended that when it transferred 8.4 per cent of FG's voting common stock to FIC and distributed the stock of FIC to IB shareholders, it ceased to be a bank holding company. The Board rejects this contention on two grounds: First, we find that FIC has at all times during its existence served as the alter ego of IB, and even though IB itself has not owned any FIC stock since December 13, 1966, IB has nonetheless so dominated this vehicle it created for the sole purpose of relieving IB from regulation under the Act that FIC should be deemed to be indistinguishable from IB for purposes of the Act. Second, even if FIC were not viewed as an alter ego of IB, IB clearly has controlled FIC by virtue of its exercise of a controlling influence over FIC and by virtue of IB's ability to control the election of FIC's directors. Finally, because of interlocking relationships between IB and the controlling shareholder of FIC, IB has since 1966 been presumed by law to control FIC. FIC is thus a subsidiary of IB within the meaning of sections 2(d)(2) and 2(d)(3) of the Act,[18] and FIC's holdings of FG stock must be attributed to IB.[19]

The facts upon which the Board bases these conclusions are set forth in Findings 37 through 49. Principal among these facts are the following: FIC's sole purpose for existing was to serve as a repository for FG stock that IB could no longer hold. IB directors and senior officers have at all times chosen the officers and directors of FIC. IB has controlled FIC's principal business decisions. For example: in 1969, senior officers of IB formed a new subsidiary of FIC and arranged to have FIC dispose of the subsidiary in order to avoid regulation of FIC under the Investment Company Act of 1940; in 1970 and 1971 senior officers of IB directed a change in FIC's investment policy and developed a plan to convert FIC into a mutual fund; in 1971 and 1972 IB's senior vice president negotiated the refinancing of FIC's long-term debt; IB caused FIC to attempt to register as a bank holding company in 1973 in an effort to resolve IB's problems with the Board under the Act—indeed, IB personnel even prepared FIC's Form F.R. Y-5 Registration Statement and signed the name of an FIC official to that Form; IB personnel approved FIC bills, including routine items, for payment; and IB officers initiated FIC's decision to liquidate the company after IB had decided to dispose of its holdings of FG during the course of this proceeding. While IB has purportedly avoided having any overlap of officers or directors with FIC, that policy has extended only to nominal office holders; the people who have actually run FIC have been IB officers, directors, and employees. In fact, FIC has had only one employee of its own, and he spent less than one day a month on FIC business.[20]

FIC argues that the Board should not disregard its "separate" identity and "pierce the corporate veil." However, it is well established that the separate existence of a corporation will be disregarded when it is "essential to the end that some accepted public policy may be defended or upheld." *Anderson* v. *Abbott*, 321 U.S. 349, 362 (1944). FIC itself recognizes this legal principle and relies on the expression of the principle in *Burrows Motor Co.* v. *Davis*, 76 A.2d 163, 165 (D.C. Mun. Ct. App. 1950):

> Before a corporate entity can be disregarded and the acts and obligations of a corporation can legally be recognized as those of particular persons, or vice versa, it must appear that the corporation is not only controlled by those persons, but also that the separateness of the persons and the corporation has ceased and the facts must be such that an adherence to the fiction of the separate existence of the corporation would sanction a fraud or promote injustice.

The Board believes that to treat FIC as a separate entity would promote evasion of the Bank Holding Company Act. Congress intended in the Act to require a separation in fact of the banking and nonbanking activities of holding companies. If the Board were to recognize FIC as a separate entity, it would, in effect, be ruling that the requirements of the Act can be satisfied by the formalistic rearrangement of holdings in a manner that does not change actual control relationships at all.[21] Such a ruling would nullify a fundamental purpose of the Act. Congress expressly empowered the Board to issue such "orders as may be necessary to . . . prevent evasions" of the Act, and the grant of that authority sustains our conclusion that we should in this order disregard FIC's nominal "separateness" for purposes of determining IB's status under the Act.[22]

If the separate identity of FIC is disregarded, and its holdings of FG stock are attributed to IB, IB must be deemed to have continued to own or control more than 25 per cent of FG's stock after the FIC Spin-off, and therefore to have continued to be a bank holding company after December 1966.

As an alternative basis for the conclusion that FIC's interest in FG should be attributed to IB, the Board has concluded, upon essentially the same facts as support our "alter ego" finding, that FIC has continued to be a "subsidiary" of IB—at all times since the FIC Spin-off, within the meaning of section 2(d)(2) of the Act, and since 1970, within the meaning of section 2(d)(3)—because it controlled the election of FIC's directors, and because it both had the power to exercise and in fact exercised a controlling influence over the management and policies of FIC.

Finally, the Board finds that the FIC Spin-off gave rise to a statutory presumption that IB continued to control the FG shares held by FIC. Section 2(g)(3) of the Act provides that

> shares transferred after January 1, 1966, by any bank holding company (or by any company which, but for such transfer, would be a bank holding company) directly or indirectly to any transferee that . . . has one or more officers, directors, trustees, or beneficiaries in common with or subject to control by the transferor, shall be deemed to be indirectly owned or controlled by the transferor. . . .

This presumption is self-executing; it arises automatically when the requisite facts are present; it imposes a legal obligation upon a company to which it applies to continue to act as a bank holding company subject to the Act; and it remains in effect unless and until the Board determines, after opportunity for hearing, "that the transferor is not in fact capable of controlling the transferee."

Among the IB shareholders who received shares of FIC at the time of the FIC Spin-off were George Olmsted, who was then Board Chairman, Chief Executive Officer and President of IB, as well as three companies on whose boards George Olmsted served, and continues to serve, as a director or trustee: Iowa Capital Corporation and International Capital Corporation, which are personal holding companies of Olmsted, and The George Olmsted Foundation, a charitable foundation established by him. These three companies together received 41.78 per cent of FIC's shares in the Spin-off [23] and Olmsted personally received an additional 7.7 per cent.[24] Because of Olmsted's interlocking service between these companies and IB, all of the FIC shares distributed to the companies, and to him personally,[25] were presumed, by virtue of section 2(g)(3) of the Act, to remain under IB's control. Since well over 25 per cent of FIC's shares fell subject to this presumption, FIC, by operation of law, continued to be a subsidiary of IB, and the 8.4 per cent of FG held by FIC was thus deemed by section 2(g)(1) of the Act to be indirectly controlled by IB.[26]

IB has contended that control of both FIC and IB rests with George Olmsted as an *individual*, and that IB itself can neither control Olmsted nor control FIC through Olmsted. The Board rejects this contention. While Olmsted has indeed played a dominant role in the affairs of both IB and FIC, the record establishes convincingly that the control of FIC was carried out by IB in its corporate capacity and by Olmsted and other IB officials acting as officers of IB. This is not a case in which a single individual has elected, for tax or estate planning purposes, to use a closely held corporation as a vehicle for holding shares of a business of which he is sole owner. IB and FIC were both widely held public companies. FIC's affairs were manipulated not to serve independent personal purposes of Olmsted, but to serve IB's corporate purposes. Furthermore, even though he personally controlled almost 50 per cent of IB's stock, Olmsted, as an officer and director of a publicly held company, had significant fiduciary responsibilities to IB and its minority shareholders. He was not free, as the controlling shareholder of FIC, for example, to conduct the affairs of FIC in a manner antithetical to the interests of IB shareholders—particularly in light of the fact that FIC was literally created out of IB assets and had a complete identity of shareholders with IB at the time of the FIC Spin-off. Indeed, under these circumstances Olmsted may have had an affirmative obligation to conduct the affairs of FIC for the benefit of IB shareholders. Because of this fiduciary obligation to IB and its shareholders, Olmsted may in a sense be viewed as having himself been subject to the "control" of IB. At the least, this relationship and these obligations support the conclusion that IB was "acting through" Olmsted to control FIC.[27]

B. *IB Controlled the Election of FG's Directors.*

Section 2(a)(2)(B) of the Act provides that a company may be deemed to be a bank holding company if it "controls in any manner the election of a majority of the directors" of a bank or another bank holding company. We find that even after IB's purported divestiture of a portion of its FG stock, IB did in fact thereafter control the election of a majority of the FG directors, principally through IB's control over FG management itself. The facts upon which this conclusion is based may be summarized as follows:

In about 1958 IB obtained an interest in FG that gave IB effective working control of FG.[28] After the FIC Spin-off in December 1966 only two IB directors sat on the FG board of directors, and no person holding a title as an officer of IB also served as an officer of FG. However, the elimination of nominal interlocks among officers and the reduction of interlocking directors resulted in no significant change in IB's actual participation in and control over the FG management. As IB's President stated in 1973, the FIC Spin-off changed only the formal structure; "Nothing else changed."[29] This characterization is borne out by the record:

1. Olmsted, IB's Chairman and President, continued as the *de facto* chief executive officer of FG.[30]

2. William L. Cobb, FG's President and nominal chief executive officer until July 1, 1974, served as a *de facto* officer of IB until at least September 1, 1976.[31]

3. R. Sherrard Elliot, Jr., Hugh McNaughton and Howard Hussing functioned as nominal and *de facto* senior officers of both IB and FG after 1966.[32]

4. Guy Martin, whose law firm was counsel to both IB and FG, was involved in the management of both companies and served on the IB Board of Directors, while his law partner, Allen Whitfield, continued as an FG director.[33]

5. William J. Schuiling, FG's nominal President from June 1974 to June 1976 (and an officer of FG or a subsidiary bank of FG since 1963), and Donald L. Jenkins, FG's nominal Secretary until 1975, performed valuable services for IB.[34]

6. Significant FG decisions made since 1966 were made by officials of IB,[35] and no significant FG decision since 1964 was made without George Olmsted's advice and concurrence.[36]

7. IB controlled companies spun-off by FG both before and after those companies were spun-off.[37]

8. IB officers and directors served on the boards of directors of FG subsidiary banks. At this time, IB is represented on the board of each of the eight largest FG banks, whose combined assets represent over 88 per cent of all FG bank assets.[38]

9. IB maintained control and surveillance over FG through joint meetings between their nominal officials, through the operation of various formal and informal groups, and through the proximity of the IB and FG executive offices.[39]

10. Ownership of FG's voting stock other than that held by IB and FIC, was widely dispersed. As of March 13, 1974, only 26 persons other than IB and FIC were known to have owned as much as 0.1 per cent of the FG stock, and four of these stockholders were IB directors or IB subsidiaries.[40]

IB's actual control of the FG management enabled IB to select, and IB in fact selected, the management slate of nominees for the FG board of directors. In light of IB's position as the dominant FG stockholder, nomination was always tantamount to election.[41] IB thus controlled the election of FG directors. Exercise of this control is evidenced by the history of the FG board of directors since 1966. In April 1966, at a time when IB concededly controlled FG, the FG board had 11 members.[42] Between 1966 and August 1974, when this proceeding was initiated, nine additional persons were elected to the FG board to fill vacancies. Six of these individuals were asked to join the FG board either by IB's chief executive officer or by an IB director.[43] Thus, while only four persons who served on the FG board in 1966 were members in August 1974, IB's control of FG through IB's selection of a majority of FG's board membership was not diluted during that period.

Further proof of IB's ability to select the FG board members is found in the facts surrounding IB's 1977 sale of FG stock to the Middendorf Group. Olmsted, on behalf of IB, conducted the negotiations leading to that sale.[44] Middendorf wanted a majority of the nominees for election as directors at the annual meeting of FG shareholders to be held in June 1977 to be persons selected by Middendorf. Olmsted and Middendorf reached agreement that the slate would consist of 21 persons, 13 to be chosen by Middendorf and eight existing FG directors, four of whom were kept on at Olmsted's request. As an express condition of the closing on IB's sale of the stock to the Middendorf Group, FG was required to designate a slate of nominees so chosen, and this condition was fulfilled one week after the Olmsted-Middendorf agreement when the FG board designated the nominees chosen by Olmsted and Middendorf.[45] The Board finds this to be compelling proof that the interest in FG controlled by IB after December 1966 continued to carry with it the power to select the FG directors.

Again IB contends that these facts at most support the conclusion that George Olmsted as an individual, rather than IB as a company, controlled FG.[46] However, IB is a broadly held public company, a substantial portion of whose assets were committed to ownership of FG stock, and it was by virtue of IB's ownership of FG stock that Olmsted became FG's chief executive officer.[47] Olmsted's exercise of influence in the affairs of FG, such as in connection with the 1977 Annual Meeting, was frequently to advance IB's corporate interests. Moreover, IB officers and directors other than Olmsted continued to be active in the management of FG after the purported divestiture in 1966, and their actions were plainly taken on behalf of IB, not Olmsted. Thus, while Olmsted may personally hold a controlling stock interest in IB, IB's control of FG must be viewed as "company" control, covered by the Act, rather than control by an individual acting solely in his individual capacity.

C. IB Exercised a Controlling Influence Over FG.

The findings that support the foregoing conclusions as to IB's control relationship with FG also compel the conclusion that IB exercised a controlling influence over the management and policies of FG, within the meaning of § 2(a)(2)(C) of the Act as amended in 1970. The record of this case is replete with evidence of IB's pervasive and determinative influence over important decisions of FG. If the obvious facts were not sufficient to compel this conclusion, the admission of IB's president that "nothing else changed" in the IB-FG relationship after the FIC Spin-off makes this conclusion unavoidable.[48]

The conclusion that IB has exercised a controlling influence over FG is buttressed by two regulatory presumptions that are applicable.

Section 225.2(b)(2) of Regulation Y provides that:

> A company that owns . . . more than 5 per cent of any class of voting securities of a . . . company . . . presumably controls that . . . other company if additional voting securities are owned (or) controlled . . . by individuals . . . who are directors, (or) officers of the company . . . and, together with the company's securities, aggregate 25 per cent or more of any class of voting securities of that . . . other company.

All parties to this proceeding have stipulated to facts that establish the applicability of this presumption.[49]

Section 225.2(b)(3) of Regulation Y provides that:

> A company that enters into any agreement . . . with (another) company . . . such as a management contract, pursuant to which the company or any of its subsidiaries exercises significant influence with respect to the management or overall operations of the . . . other company presumably controls such . . . other company.

At all relevant times after the FIC Spin-off, Financial Services, Inc. ("FSI"), at first a wholly-owned subsidiary of FG, provided management services to both IB and FG under a written contract. In July 1969, FSI was transferred to IB. IB personnel were nominally paid their salaries by FSI, which in turn billed IB for its allocated share of each employee's salary. When IB personnel rendered services to FG, they did so as nominal "employees" of FSI.[50] The Board finds that the FSI-FG contract was a management contract covered by section 225.2(b)(3) of Regulation Y, and that IB, through its subsidiary FSI, exercised significant influence over the management and operations of FG by reason of this relationship.

The rebuttable presumptions of control in Regulation Y may be overcome if it appears that the company to which a presumption applies is not in fact capable of controlling the other company. In the present case no such showing was made by IB or FG. On the contrary, the evidence establishes that IB has in fact controlled FG. The presumptions give added weight to our ultimate conclusion and are an independent basis for holding that IB is a bank holding company.[51]

In summary, the Board concludes on the basis of the entire record of this proceeding (1) that the steps taken by IB beginning in 1966 by which IB purported to terminate its admitted control over FG were not effective, (2) that IB continued after 1966 to control more than 25 per cent of the shares of FG and to control the election of a majority of the directors of FG, (3) that IB has exercised a controlling influence over the management and policies of FG, and (4) that IB continued after 1966 to be a bank holding company with regard to FG, in violation of the Act. In light of these conclusions, the Board has decided that the determinations set forth in its Order of August 1, 1974, based on sections 2(a)(2)(A) and (B), 2(d) and 2(g)(1) and (3) of the Act should not be set aside, and that its preliminary determination under section 2(a)(2)(C) should become final.[52]

III. *Termination of the IB-FG Control Relationship and Prevention Against Reestablishment.*

Having determined that IB continued to control FG after December 1966, in violation of the Act, notwithstanding IB's purported divestiture of control through the FIC Spin-off, we now consider what action, if any, should be taken to assure that this unlawful control relationship will be completely terminated and will not be reestablished.

In considering this question, two aspects of the IB-FG relationship are of particular significance: First, even though it controlled only about one-third of FG's voting common stock, IB's actual working control of FG was pervasive. IB, acting through its own major shareholder and other IB officials, was able to dominate FG's board of directors, select FG's principal officers and employees, and direct FG's corporate actions and policies. Second, IB's conduct over the past 11 years evidences a clear and determined intention to evade the Act. Through a series of purported divestitures, carried out by essentially meaningless changes in corporate form, and through concealment from public view of the facts relating to IB's domination of FG while maintaining publicly the pretense that FG was merely an "investment" of IB, IB has succeeded for more than a decade in retaining unified control of a banking and industrial empire that Congress decreed in 1966 should be split up.

In the Board's judgment, these factors call not only for measures that will assure that the control relationship will be completely terminated, but also for protective conditions that will prevent the reestablishment of such a relationship. For this reason we reject the contention that the case has become "moot" by reason of IB's sale of its directly-owned FG stock. Where a company is required to terminate a long-standing and pervasive control relationship—particularly one maintained in violation of the Act—the Board believes it appropriate to require that all direct and indirect ownership or control of voting stock be divested and that interlocking management relationships between the two companies come to an end. So long as the divesting company maintains an economic interest or stock ownership in the divested company the incentive remains to attempt to influence the management and policies of the divested company, and so long as management interlocks continue the divesting company has available to it a means by which to exert such influence.[53] Where, as here, the divesting company has evidenced a disposition to circumvent the requirements of the Act, sterner protective measures may also be required.

The Board fully recognizes that one of the main bases for IB's control position—namely, its direct ownership of a 22.2 per cent block of FG's voting stock—has been eliminated by virtue of the sale of that stock to the Middendorf Group. While that sale undoubtedly goes a long way toward terminating the illegal control relationship, the Board's Count I and Count II control determinations, as well as its control findings on the record in this proceeding, were based upon additional factors apart from this stock ownership, a significant number of which continue to exist. The Board believes that where, as here, it has made control findings based upon a number of relationships among several companies it may insist upon the cessation of all of those relationships, without weighing the relative contribution of each to the overall finding of control. To do otherwise would, in effect, require the Board to litigate a whole sequence of control cases as the parties reshuffled relationships, perhaps dropping one or two at a time, or dropping some and reestablishing others, in an effort to slip just below the threshold of illegality while maintaining as many of the old ties as possible. Such an approach would not only severely protract proceedings such as this, but would allow a foundation for reestablishment of the control relationship to remain in place.

The record in this case indicates that a number of significant relationships between IB and FG have not yet been terminated:

1. FIC still owns 7.9 per cent of the voting common stock of FG.[54]

2. Insurance company subsidiaries of IB still own 1.5 per cent of FG's voting common stock.[55]

3. Financial Mortgage and Realty Corporation, an IB affiliate whose board consists almost entirely of IB officers and directors, owns 3 per cent of FG's voting common stock.[56]

4. Eight members of FG's board of directors are persons who served in that capacity prior to the purchase by the Middendorf Group and who were permitted to continue to hold such office by reason of Olmsted's agreement with Middendorf.[57]

5.IB officers and directors continue to serve on the boards of a number of FG's subsidiary banks.[58]

6. George Olmsted was employed by FG in September 1975 as Coordinator of Policy and Planning, until at least September 30, 1978, "to assist in the formulation and execution of the Company's long-term objectives." In addition, he serves as consultant to FG under a life-time contract.[59]

7. Mr. Middendorf, the new Chairman and Chief

Executive Officer of FG, continues to receive advice from Mr. Olmsted concerning FG business and has stated that he intends to continue to consult Olmsted regarding FG matters.[60]

8. IB and FG continue to maintain their corporate headquarters in the Olmsted Building in Washington, D. C.[61]

9. IB and FG continue to participate jointly in the FG Group Employee Retirement Plan, the administrative committee of which includes four IB officers.[62]

The Board recognizes that certain of these relationships will be altered in the relatively near future. FIC is in the process of liquidation, and its FG stock will also be sold or distributed to FIC shareholders.[63] In addition, IB and FG have given assurances that remaining management interlocks between IB and FG subsidiary banks will end when the banks have their next regular annual meetings.[64]

However, as noted above, where the Board has found, on the basis of a number of connections between two companies, that an unlawful control relationship has existed between those companies, it may, pursuant to its authority under section 5(b) of the Act and in order to assure that the control relationship has been fully terminated, require that all of those connections be severed. In addition, under the same authority, it may impose protective conditions and requirements to assure that the unlawful relationship will not be reinstated. Accordingly, in view of its findings and conclusions in this matter the Board hereby orders as follows:

1. IB and FIC shall, within 90 days, divest direct and indirect ownership and control of all shares of stock of FG now owned or controlled by them, and shall not reacquire any such shares without the prior written approval of the Board.

2. All interlocking relationships between FG, on the one hand, and IB, FIC, FMRC, Iowa Capital Corporation, International Capital Corporation, or The George Olmsted Foundation, on the other hand, shall be terminated no later than January 31, 1978, and no such relationship shall hereafter be created without the prior written approval of the Board. An "interlocking relationship" shall be deemed to exist between two companies[65] if (a) a person holding an office or position (including an advisory or honorary position) with a company as an officer, director, trustee, policy-making employee or consultant, or who performs (directly, or through an agent, representative or nominee) functions comparable to those normally associated with such office or position, or (b) a person owning or controlling, directly or indirectly or through one or more other persons, 25 per cent or more of a class of voting securities of a company, or (c) a partner, member of the immediate family, agent, representative or nominee of any person, described in (a) or (b), holds any such office or position or performs any such functions with the other company.

3. FG shall not permit George Olmsted, nor any partner, member of his immediate family, agent, representative or nominee of George Olmsted to act for or on behalf of FG in any capacity or hold any office or position in FG of a sort specified in paragraph 2(a) above.

4. All interlocking relationships between IB and FMRC shall be terminated no later than January 31, 1978, unless by that time FMRC shall have divested direct and indirect ownership and control of all shares of stock of FG.

5. No director, officer, employee or agent of FG shall communicate in any manner with any officer, director, trustee, policy-making employee, agent or representative of IB, FIC, FMRC, Iowa Capital Corporation, International Capital Corporation, The George Olmsted Foundation, or George Olmsted, concerning any matter relating to the management, policies or operations of FG, except in the same manner and under the same circumstances as such communications are made publicly to all shareholders of FG.

6. IB and FIC shall not hereafter, alone or acting through one or more other persons, directly or indirectly acquire, retain, exercise or attempt to exercise control, or any controlling influence over the management or policies of FG.

7. FG and each of its subsidiaries shall each, within 45 days, provide the Board with a certified copy of a resolution adopted by its board of directors, in form satisfactory to the General Counsel of the Board of Governors, to the effect that IB does not control or exercise a controlling influence over the management or policies of such company or bank, and that such company or bank will not hereafter agree to, acquiesce in or permit the acquisition, retention or exercise of control or any controlling influence over it by IB.

8. All loan, deposit and other banking or trust relationships between FG, on one hand, and IB, FMRC, Iowa Capital Corporation, International Capital Corporation, The George Olmsted Foundation or George Olmsted, on the other hand, shall be entered into and maintained on substantially the same terms and conditions as those prevailing at that time for comparable transactions with other persons.

9. IB, FIC and FG shall take all steps necessary to carry out this Order and shall submit such reports under oath, in writing or otherwise, as the General Counsel of the Board or the Federal Reserve Bank of Richmond may require to insure compliance with the terms of this Order.

10. At such time as the General Counsel of the Board shall determine in writing that the affirmative actions required to be taken under this Order have been taken, IB shall be deemed to have ceased being a bank holding company.[26]

By order of the Board of Governors, effective November 25, 1977.

Voting for this action: Chairman Burns and Governors Wallich, Coldwell, Jackson, and Lilly. Absent and not voting: Governors Gardner and Partee.

(Signed) THEODORE E. ALLISON,
[SEAL] *Secretary of the Board.*

FOOTNOTES

[1]39 *Federal Register* 29054.

[2]39 *Federal Register* 36059.

[3]Citations in this Order will be principally to the Board's findings of fact ("Findings") and to Board Exhibits ("BX") and IB Exhibits ("IBX") in evidence.

[4]On September 16, 1977, FIC and Board Counsel jointly moved to reopen the record for the purpose of furnishing certain information about the liquidation of FIC. That motion is hereby granted.

[5]Finding 35. The Board has not had occasion to consider, and expresses no opinion on, the question whether the Middendorf Group constitutes a "company" within the meaning of the Act.

[6]Finding 1; BX 1609; BX 1678.

[7]Finding 2.

[8]Section 2(a) of the Original Act provided that

> no company shall be a bank holding company which is registered under the Investment Company Act of 1940, and was so registered prior to May 15, 1955 (or which is affiliated with any such company in such manner as to constitute an affiliated company within the meaning of such Act, unless such company (or such affiliated company), as the case may be, directly owns 25 per centum or more of the voting shares of each of two or more banks. . . .

Since FG's control of its subsidiary banks was held indirectly, through subsidiaries, it did not, therefore, "directly own" 25 per cent of two or more banks. Thus, its affiliation with The Equity Corporation made FG eligible for this exemption.

[9]At one point during 1966 IB asserted that it was itself an affiliate of another registered investment company, but it never established a factual basis for that claim.

[10]BX 1, November 9, 1966 letter.

[11]Findings 3, 28.

[12]Finding 28.

[13]*Id.*

[14]*Id.*

[15]Findings 9, 10, 12 and 28.

[16]Finding 30. By reason of FG's distribution of FSC, IB and FIC, as FG shareholders, received about 23 per cent and 8 per cent, respectively, of the stock of FSC.

[17]Finding 33. As a result of this distribution FIC received about 11 per cent of FMRC's stock.

[18]The Board's hearing Order of October 4, 1974, set as one of the issues to be adjudicated in this case the question whether FIC is a "subsidiary" of IB within the meaning of § 2(d) of the Act. The parties have stipulated that among the issues before the Board are the questions whether IB has controlled the election of FIC's directors and has exercised a controlling influence over FIC's management or policies.

[19]Section 2(g)(1) of the Act provides that shares controlled by a subsidiary shall be deemed to be controlled by the parent.

[20]Finding 24.

[21]The Board does not mean to suggest that a spin-off will in every case be an unacceptable method of effecting a required divestiture. On the contrary, Congress has recognized in the tax relief measures it has adopted in connection with the Bank Holding Company Act that divestitures may be accomplished through such distributions. The Board must nevertheless be assured that such a distribution—which is likely to result in an enduring identity of shareholders between the divesting company and the divested company—will in fact terminate all control relationships between the two companies.

[22]Our decision to treat FIC as IB's alter ego is supported by cases in other areas of the law. "A very numerous and growing class of cases wherein the corporate entity is disregarded is that wherein it is so organized and controlled, and its affairs are so conducted, as to make it merely an instrumentality, agency, conduit or adjunct of another corporation." W. Fletcher, *Cyclopedia of the Law of Private Corporations* § 43 (rev. perm. ed. 1974). See also *Leach Co. v. General Sani-Can Mfg. Corp.*, 393 F.2d 183 (7th Cir. 1968); *NLRB v. Patterson Menhaden Corp.*, 389 F.2d 701 (5th Cir. 1968); *Ohio Tank Car Co. v. Keith Ry. Equip. Co.*, 148 F.2d 4 (7th Cir.), *cert. denied*, 326 U.S. 730 (1945).

[23]Finding 79, Stipulations Nos. 1 and 2.

[24]*Id.*; BX 1656; BX 1657.

[25]The Board has repeatedly held that the section 2(g)(3) presumption arises with respect to shares transferred by a bank holding company to a transferee who himself is an officer or director of the transferor. That is, the presumption is not limited to transfers to *companies* having an officer or director in common with the transferor. See *Moody Foundation*, 33 *Federal Register* 866 (1968); *Mercantile National Corporation*, 40 *Federal Register* 24771 (1975).

[26]As we have noted, the presumption of continued control in section 2(g)(3) is self-executing, and the burden was on IB to request a Board order overcoming the presumption. No such request was made prior to the initiation of this proceeding, nor was any order entered.

[27]Because of the disposition made in this Order, the Board need not reach the question whether IB has carried its burden under § 2(g)(3) of overcoming the presumption of continued control of FIC.

[28]In 1963, when IB owned about 17 per cent of FG's common stock and The Equity Corporation owned about 15.9 per cent, the SEC determined that IB controlled FG within the meaning of § 2(a)(9) of the Investment Company Act of 1940. (41 S.E.C. 521) That conclusion rested on several factors: IB was the single largest shareholder of FG; six of the 10 FG directors were also directors of IB, and three of those six were the principal FG officers; most FG officers held identical offices with IB; IB officers and directors served as directors of FG subsidiaries; IB actively engaged itself in FG's operations; FG's second largest shareholder, Equity Corporation, was not represented on the FG board and did not have any interlocking officers despite its ownership of almost 16 per cent of

FG's voting securities. Finding 27.

[29]Finding 49.

[30]Findings 11, 50.

[31]Findings 13, 51.

[32]Findings 15, 16, 17, 52, 53.

[33]Finding 55.

[34]Findings 56, 57.

[35]Findings 58-63.

[36]Finding 50.

[37]Findings 30-34.

[38]Findings 64-66.

[39]Findings 27, 66-68.

[40]Although at sometime after March 1974 two persons acquired blocks of FG stock amounting to approximately 6 per cent and 8 per cent, respectively, of the total outstanding, IB continued to own the largest block, and the IB-FIC block was at least 3-½ times as large as the next largest block.

[41]Courts have repeatedly found that "power to control through the election of directors may exist where a large block of shares, even though a minority, is owned by one group and the remaining shares are widely scattered." *Gottesman* v. *General Motors Corp.*, 279 F.Supp. 361, 368 (S.D.N.Y. 1967) (23%); See also *Essex Universal Corp.* v. *Yates*, 305 F.2d 572 (2d Cir. 1962) (28.3%); *American Gas & Electric Co.* v. *SEC*, 134 F.2d 633 (D.C. Cir. 1943) (17.5%); *Morgan Stanley & Co., Inc.* v. *SEC*, 126 F.2d 325, 328 (2d Cir. 1942) (19.6%); *Koppers United Co.* v. *SEC*, 138 F.2d 577 (D.C. Cir. 1943) (14.6%); Berle, *"Control" in Corporate Law*, 58 *Colum. L. Rev.* 1212 (1958).

[42]BX 1751.

[43]Finding 72.

[44]IBX 53, page 1.

[45]Finding 73; BX 1753, April 29, 1977, page 4.

[46]IB Brief at pages 25-37.

[47]Olmsted has not personally owned as much as 1 per cent of FG's stock at any time since February 1, 1966. He did not become FG's Chief Executive Officer until after IB required its FG stock in 1958, and he ceased being a member of the FG board in 1977 when IB sold its FG stock.

[48]Finding 49.

[49]Stipulation No. 17.

[50]Findings 4, 75.

[51]IB contends that the Board lacks power to promulgate such regulatory presumptions. We disagree. Section 5(b) of the Act empowers the Board "to issue such regulations and orders as may be necessary to enable it to administer and carry out the provisions of [the Act] and prevent evasions thereof," and this provides ample legal basis for these provisions of Regulation Y. A similar argument was made in an attack upon a portion of the Board's Regulation Z, under the Truth in Lending Act, which conclusively presumed that a credit transaction was involved where payments were made in four or more installments. This regulatory presumption, which had been promulgated by the Board under a broad rulemaking power similar to that in § 5(b) of the Act, was upheld by the Supreme Court in *Mourning* v. *Family Publications, Inc.*, 411 U.S. 356 (1973).

[52]IB has argued that the Board's Count I determination improperly prejudged the issues to be decided in this case on the record made at the hearing. This contention is without merit. There was no requirement for a hearing prior to the issuance of the Court I determination. Indeed, that determination was based at least in part upon a self-executing statutory presumption that deemed IB to control FG as a matter of law. A principal purpose of the hearing ordered in this case was to determine whether the Count I determination should be set aside. The claim of "prejudgment," therefore, can carry no more weight here than in any case in which an agency is asked to reconsider a decision it has made. The Board's decision on the question whether to set aside the Court I determination has been based solely upon the record compiled before the Administrative Law Judge, and no presumptive weight has been accorded the original determination. The practical effect, therefore, is as if the Board were making the Court I determination *de novo* on the basis of this record.

Several other facts should also be noted: First, IB has not shown that any of the material facts upon which the Count I determination was based were erroneous; second, IB has voluntarily waived a recommended decision by an independent Administrative Law Judge; and third, a majority of the present Board took office well after the Count I determination was made, and thus did not participate in the action constituting the alleged "prejudgment."

IB has also claimed that the Administrative Law Judge erred in not requiring production of certain Board records sought by IB consisting of confidential portions of examination reports and internal staff recommendations, drafts, legal opinions and analyses. No showing has been made that the Law Judge abused his discretion or that any party has been prejudiced by the lack of access to these materials. Furthermore, the Board notes that IB brought a Freedom of Information Act suit to obtain these documents, but dismissed that action voluntarily in January 1977, before the hearing in this case commenced. The Board finds no merit in this claim of error.

Finally, IB has suggested that the Board is "estopped" from now finding that the FIC Spin-off was not effective to terminate IB's control of FG. The Board rejects this contention. The record shows that IB did not disclose all of the facts relating to this transaction. In particular, IB implicitly represented that FIC would be a bona fide corporation with an actual existence separate and distinct from IB, when in fact FIC was never so operated. Moreover, the record indicates that IB was cautioned by the Board staff, and itself recognized, that the Board as such had not taken a position on the effectiveness of the purported divestiture. (See IBX 5, BX 2, Heller Dep. pp. 218-19).

[53]IB has shown a particular facility for exercising a control relationship with respect to another company in which it owns less than a 25 per cent voting interest. For example, in 1971 an IB official stated that IB could control a bank holding company with as little as 10 per cent ownership (BX 474), and IB claimed the ability to exercise "significant influence" over the operations of a manufacturing company with ownership of as little as 10 per cent of the company's voting stock (BX 475). IB's president told a group of security analysts in 1972 that with IB's "style of operation," under which it placed its nominees on key committees of another company, it could control that company with as little as 20 per cent (BX 476, page 10).

The various limits fixed in the Act for stock ownership that may exist without Board approval—such as the 25 per cent limit on the ownership of bank shares, in § 2(a)(2)(A), and the 5 per cent limits on a holding company's ownership of bank and nonbank shares, in § 3(a)(3) and § 4(c)(6)—are not determinative tests of the completeness of a required divestiture, particularly where actual working control, or a "controlling influence" relationship, has existed. The Board's authority under § 5(b) of the Act to issue orders necessary to carry out the purposes and prevent evasions of the Act allows it, in order to assure that a control relationship will be fully terminated and will not be reestablished, to require the disposition of holdings that might otherwise have been permissible absent the control relationship.

[54]Finding 7.

[55]Finding 6.

[56]Findings 8, 34.

[57]Finding 73.

[58]Finding 64.

[59]Finding 77.

[60]*Id.*

[61]Finding 2.

[62]Finding 78.

[63]IBX 65. On September 13, 1977, FIC's shareholders adopted a plan of liquidation and FIC filed a certificate of dissolution in Delaware. Any shares of FG that remain owned by FIC after sufficient assets are sold to pay FIC's debts will be distributed *pro rata* to FIC shareholders.

[64]IBX 62.

[65]For purposes of this order, references to any company shall be deemed to include all subsidiaries of such company.

[66]Nothing in this Order should be deemed to constitute approval by the Board of, or acquiescence in, any action taken by IB, either before or after the FIC Spin-off, that would not be permissible for a bank holding company.

Appendix
to Order Relating to Control Over Financial General Bankshares, Inc.

International Bank

*Findings of Fact**

1. International Bank ("IB"), an Arizona corporation formed in 1920, is headquartered in the District of Columbia. IB is a holding company divided into seven major operating groups: International, Banking, Casualty Insurance, Life Insurance, Industrial, Finance and Leasing and Investments. (BX 1609; BX 1750, May 21, 1976, page 2). The two domestic assets described by IB as "investments" are: (a) Financial General Bankshares, Inc. (until April 29, 1970, the company's name was Financial General Corporation), and (b) a wholly-owned office building located at 1701 Pennsylvania Avenue, N.W., Washington, D.C. (BX 1678, pages 16-17).

2. Financial General Bankshares, Inc. ("FG"), is a Virginia Corporation headquartered in the IB-owned building (1701 Pennsylvania Avenue, N.W.). FG is a bank holding company registered under the Bank Holding Company Act (the "Act"), with stockholdings in 15 banks. Of those 15 banks, FG's voting common stock ownership exceeds 50% in 13 banks and is over 25% in the other two banks. (BX 1723, pages 8-9; BX 1753, July 22, 1976, pages 1-2; BX 1698, front cover). FG has at all times since 1959 owned or controlled more than 25% of the outstanding voting shares of two or more banks. (BX 1679, page 12). FG also holds 96% of the voting common stock of National Mortgage Corporation and 69% of the voting common stock of H. G. Smithy Company, which it must divest by December 31, 1978, pursuant to the 1966 Amendments to the Act. (IBX 31, page 21, Note (1), third paragraph). FG presently is negotiating the sale of its interest in H. G. Smithy. (BX 1753, February 18, 1977, page 7).

3. Financial International Corporation ("FIC") is a Delaware corporation headquartered in the IB-owned office building at 1701 Pennsylvania Avenue, N.W. FIC was formed by IB in 1966 for the sole purpose of holding certain FG shares. (BX 1734, front cover; BX 1754, FIC Articles of Incorporation; Olmsted deposition, page 16; Elliot February 18, 1976 deposition, pages 47–48). Although FIC's headquarters are designated as 1701 Pennsylvania Avenue, N.W., the company has no actual offices. (Lee deposition page 15). On June 10, 1977, the FIC Board of Directors voted to adopt and approve a plan of complete liquidation and dissolution approved by the FIC shareholders on November 30, 1976, with certain modifications. (BX 1744, Exhibit B; BX 1754, June 10, 1977, page 2).

4. Financial Services, Inc. ("FSI") is a District of Columbia corporation 100% owned by IB. (BX 1653, page 38). In July 1969, FSI was transferred from FG to IB because FSI "belonged in the IB side". (BX 1749, September 19, 1969, page 4; Elliot February 18, 1976 deposition pages 30-31; see also finding 30). There is no evidence of any actual consideration passing from IB to FG for FSI. FSI's sole function is to provide services to companies within the "IB family" on a breakeven basis. (BX 480, pages 1, 5 and Addenda; McNaughton February 3, 1976 deposition pages 12-13). FSI has never entered into a management contract with any corporation not "subsidiary to or affiliated with the [IB/FG] group corporations." (Cramer deposition page 34). The services provided by FSI include, inter alia:

§ 1(a) "Such executive officers as the Board of Directors of such Group Corporation [the corporation receiving the services] shall determine it requires for the adequate conduct of its business;

§ 1(b) "Corporate secretarial and financial service and officers and personnel in connection therewith;

§ 1(c) "Accounting personnel and services and consultation and advice on all accounting, investment and research matters;

. . .

§ 1(n) "Consultation and advice with respect to management problems."

(BX480).

5. By 1958 IB had acquired working control of FG through its acquisition of approximately 17% of the FG voting common stock. (Olmsted deposition pages 4-10; Martin deposition pages 191-195). By 1966, IB owned approximately 31.6% of FG. (BX 1, page 2 of the November 9, 1966 letter). On November 15, 1966, IB transferred 300,000 shares (8.2%) of its FG voting common stock to FIC, thereby reducing its direct ownership in FG to less than 25% of the voting common stock. (BX 3). After November 15, 1966, and until April 29, 1977, IB's ownership of the FG voting common stock ranged between 22.2% and 23.6%. (BX 1681, page 1; BX 1683, page 1; BX 1704, page 3; BX 1705, page 3; BX 1706, page 2; BX 1707, page 2; BX 1708, page

* The following abbreviations appear in the citations: "BX"—Board Exhibit; "IBX"—International Bank Exhibit.

2; BX 1709, page 2; BX 1710, page 2; BX 1711, page 1; BX 1712, page 1; IBX 54, page 1). On April 29, 1977, IB sold all of the FG shares registered in its name. (IBX 54, page 1).

6. Since June 20, 1969, five insurance companies controlled by IB (Hawkeye Security, Northeastern, United Security, First Reinsurance, and United Services Life) have owned between 1.1% and 1.7% of the FG voting common stock. (BX 1637, pages C-13, D-12, E-16; BX 1639, pages F-10, G-7, H-9; BX 1708, page 4; BX 1709, page 4; BX 1710, page 4; BX 1711, page 3; BX 1652, page D-10; BX 1712, page 3; IBX 54, page 3). Those companies currently own 1.5% of the FG voting common stock. (IBX 54, page 3).

7. Since November 15, 1966, FIC has owned between 7.9% and 8.6% of the FG voting common stock (Finding 5; BX 1703, page 3; BX 1704, page 3; BX 1705, page 3; BX 1706, page 2; BX 1707, page 2; BX 1708, page 2; BX 1709, page 2; BX 1710, page 2; BX 1711, page 1; BX 1712, page 1; IBX 54, page 3). FIC currently owns 7.9% of the FG voting common stock. (BX 54, page 3).

8. Since late 1974, Financial Mortgage and Realty Corporation ("FMRC") has owned approximately 3% of the FG voting common stock. (BX 1745, page 3; BX 1746, page 1; IBX 54, page 3).

9. George Olmsted has served as Chairman of the Board and Chief Executive Officer of IB since 1954. (BX 1668, page 2; BX 1750, May 21, 1976, page 2). He joined the FG Board in 1948 (BX 1712, page 2) and in 1958, soon after IB gained control of FG (see Finding 5), Olmsted became FG's President and Chief Executive Officer. (Cobb deposition pages 5, 10-11). When William L. Cobb became FG President in 1965, Olmsted continued as the Chief Executive Officer. (Cobb deposition page 12).

10. When FG amended its by-laws in November 1966, to provide that "the Chairman of the Board will not be an officer of the Corporation and will not have any duties or responsibilities except to preside at meetings of the Board of Directors", Olmsted continued in that position, but purported to cease acting as FG's "Chief Executive Officer". (BX 1751, November 2, 1966, pages 2-4, attached letter dated October 21, 1966). In October 1975, Olmsted entered into a three-year contract with FG whereby, for $270,000 payable in three installments, he became FG's Coordinator of Policy and Planning. (BX 1753, October 3, 1975, pages 3-4). In 1976, Olmsted resigned as Chairman of the FG Board, but was elected as Chairman of the FG Executive Committee. (BX 1751, October 21, 1966, page 6; BX 1753, May 21, 1976, pages 2, 3).

11. Although George Olmsted has not been a nominal officer of FG since November 1966, he did in fact function as FG's "Chief Executive Officer" after that time. (See Finding 50).

12. William L. Cobb has worked with George Olmsted since 1935. (Cobb deposition pages 3, 7). In 1947 Olmsted and Cobb became associated with the Equity Corporation, which then controlled FG. (*Id.*, page 4). When Olmsted acquired control of IB, Cobb became a director and member of the IB Executive Committee. (Stipulation No. 10). When IB gained control of FG, Cobb became Vice President and a director of FG. (Cobb deposition pages 5, 10-11). In 1965, Cobb was elected FG's President and in 1966, he became the nominal Chief Executive Officer; he ceased serving in both positions in June 1974. (Stipulation No. 16). Cobb was chosen FG President even though he had no prior banking experience. (Cobb deposition pages 6-17). His prior FG responsibility had been in insurance. (*Id.*, pages 12-13).

13. Although William L. Cobb resigned from the IB Executive Committee in October 1966, he continued as IB director (BX 1749, October 21, 1966, page 2; Stipulation No. 16), and in fact continued to serve as the "number two man" in both IB and FG. (Finding 51).

14. Josef S. Tressler has served as IB Vice President from May 1970, until May 1972, Executive Vice President from May 1972, until May 1974, and President and Chief Operating Officer since May 1974. He has been a member of the IB Board since February 1972. (Stipulation No. 16). Prior to becoming an IB officer, in 1970, Tressler was associated with three insurance companies—Hawkeye Security, United Security, and Northeastern—which were acquired by IB in 1969 following their 1968 spin-off from FG. (Tressler February 9, 1976 deposition pages 12-13; see Finding 30).

15. W. Hugh McNaughton, currently IB Senior Vice President-Financial, has been employed by IB since June 1, 1957, McNaughton served as IB Treasurer until approximately February 1962, when he became Vice President-Financial; he was elected to his present position in May 1974. (McNaughton February 3, 1976 deposition pages 3-5; Stipulation No. 16). McNaughton served as Vice President of FG from 1962 until December 1966. (McNaughton February 3, 1976 deposition page 7; Stipulation No. 16).

16. Howard Hussing served as IB's Secretary from approximately 1956 until May 1970, when he became Vice President and Secretary, a position he

continues to hold. (Hussing February 12, 1976 deposition page 4; Stipulation No. 16). From approximately 1960 until December 1966, Hussing served as FG's nominal Secretary. (Hussing February 12, 1976 deposition page 5; Stipulation No. 16). He served as FG's Secretary in fact until Jack Beddow became FG's Secretary in 1975. (See Finding 53).

17. R. Sherrard Elliot, Jr. was Executive Vice President of both IB and FG until July 31, 1966. (Stipulation No. 16). On that day he resigned from both positions (BX 1749, September 16, 1966, page 5; BX 1751, July 28, 1966, page 2), but entered into a consulting contract with both companies under which his duties were substantially the same as those he had as Executive Vice President of IB and FG. Elliot continued to work full-time at IB and FG until the end of 1973. (Elliot February 18, 1976 deposition pages 8, 23, 41-42; Olmsted deposition pages 345-346).

18. Guy Martin has served as IB's counsel and a member of the IB Board since 1952, and as a member of the IB Executive Committee since at least 1966. (Martin deposition pages 3-4; BX 1656, page 4; BX 1657, page 2; BX 1658, page 2; BX 1659, page 4; BX 1662, page 3; BX 1663, page 3; BX 1664, page 3; BX 1665, page 2; BX 1666, page 2; BX 1667, page 2; BX 1668, page 2). George Olmsted, IB's Chief Executive Officer, views Martin as the "senior staff man on the legal side." (Olmsted deposition pages 196-197; see also Finding 55).

19. Phillip L. Green became IB and FG Assistant Treasurer in April 1962, and IB and FG Treasurer in December 1964. (Green deposition page 3). In December 1966 he purported to resign as FG's Treasurer. (BX 1751, December 16, 1966, page 7). In fact he served as FG Treasurer until at least June 1968. (Finding 54).

20. William J. Schuiling joined FG in 1963 as President of the Bank of Commerce (NY), an FG subsidiary bank. (Schuiling deposition page 4). He served as FG Vice President from September 1967, through May 1970, as Senior Vice President from May 1970, through December 1971, and as President and nominal Chief Executive Officer from June 1974, through May 1976. Schuiling was an FG director from December 1973, until June 1977. (Stipulation No. 16; BX 1753, June 17, 1977, page 5). In addition, Schuiling has served as Vice President (since May 1972) and a director (since August 1971) of FIC. (Stipulation N 16).

21. Harold K. Johnson became an FG director in April 1970. In 1974, he became Vice Chairman of the FG Board of Directors, and from July 1976, until June 1977, he was President and nominal Chief Executive Officer. Johnson also served as President and a director of FIC from October 1973, to May 1977. (Stipulation No. 16; BX 1753, May 21, 1976, page 4; June 20, 1977, page 3; BX 1754, May 20, 1977, pages 2-3).

22. Donald L. Jenkins joined FG in 1945 (Jenkins deposition page 5), served as FG's Secretary and Treasurer from December 1966, until May 1969, and as Vice President and Secretary from May 1969, until December 1974. Jenkins also served as FIC Secretary from September 1969, until May 1972, and as a director of that corporation from December 1969, until April 1972. (Stipulation No. 16).

23. H. Paul Mount, currently President and Chief Executive Officer of the Arlington Trust Company, an FG subsidiary bank, served as FIC's nominal President from April 1966, until May 1967, and from April 1972, until October 1973, and as an FIC director from November 1966, until April 1967, and from April 1972, until May 1977. (Stipulation No. 16; Mount deposition page 3; BX 1754, May 20, 1977, pages 2-3).

24. Donald W. Lee, Comptroller of the Arlington Trust Company since 1972, has served as FIC's nominal Secretary and Treasurer since May 1972. (Stipulation No. 16; Lee deposition page 5). Lee, the only salaried officer or employee of FIC, spends, on the average, one day each month on FIC business. (Lee deposition pages 9, 19-20).

25. Prior to 1966, FG was an "affiliate" of the Equity Corporation, a registered investment company, and did not directly own more than one bank, and therefore was not covered by the Bank Holding Company Act definition of a bank holding company. (BX 1679, pages 4-5 ["status under Bank Holding Company Act of 1956"]; 12 U.S.C. 1841 (a)(2) prior to the 1966 Amendments). IB claimed that it was entitled to exemption from registration as a bank holding company because either it or its subsidiary FG was an affiliate of an investment company. (BX 1, page 1 of the November 9, 1966 letter; BX 2000, page 5).

26. In 1966, when the investment company exemption was removed from the Act, FG registered as a bank holding company. (BX 1679, page 4, second paragraph). Under the 1966 Amendments, FG has until December 1978, to divest its nonbanking assets. (12 U.S.C. 1843(a)(2)).

27. In 1963, in proceedings before the SEC, IB sought to establish that it controlled FG within the meaning of the Investment Company Act of 1940. (BX 1624, transcript of SEC proceeding 812-1372,

In the matter of International Bank). George Olmsted, who was Chief Executive Officer of both IB and FG in 1963, testified that:

A. The location of the offices of FG and its subsidiaries in the same building as IB enables IB to exercise more effective control over those companies (SEC Tr. 24, 29-30).

B. George Olmsted frequently meets with the executives of these companies, to discuss their operations. These meetings include Management Council meetings, which are attended by the chief operating officers of all the related corporations. In addition, the IB banking group has two series of meetings: (a) FG Advisory Council, for the bank Presidents; and (b) FG Operations Committee, for the bank operating officers. Each of these groups meets twice a year. (SEC Tr. 24-25).

C. The President or senior executives of the companies controlled by IB consult with George Olmsted (a) before making a major change in financial policy, (b) before selecting their own successors or other senior executives of the company, and (c) to inform him regularly of the business developments in the company. (SEC Tr. 28-29).

D. In the formation of IB's policy, one of the functions of directors and officers of IB who are appointed to the board of directors of subsidiaries and affiliates of IB is to exercise control over those companies. (SEC Tr. 33).

E. At the meetings of the IB Board of Directors, the Board receives reports of the operations of the underlying companies. These reports are presented by the officers of those companies. Following such presentations, the Board discusses and formulates the policy of IB as it applies to these companies, and forwards these views to the companies. (SEC Tr. 33-34).

F. It is IB's policy to keep the number of "IB" and "FG" directors on the Boards of commercial banks at the smallest number possible. (SEC Tr. 66).

On May 15, 1963, the SEC found that IB controlled FG and that the Equity Corporation, although a substantial investor in FG (15.9% of the FG voting common stock vs. IB's 17.14%) exercised no control over FG. (BX 1623, SEC File No. 812-1561, May 15, 1963).

28. When the Act was amended in 1966 to eliminate the investment company affiliation exemption, IB admitted that it was a bank holding company. However, it adopted a plan by which it intended to close its status as such. The principal elements of this plan were as follows: (a) IB transferred 300,000 shares of FG voting common stock (approximately 8.2% of the outstanding voting common stock of FG) into FIC, a wholly-owned IB subsidiary with no other assets, in exchange for all of FIC's stock, and on December 13, 1966, distributed the FIC shares to the IB shareholders (BX's 1,3,4; Finding 3); (b) IB granted FIC a proxy to vote, and a right of first refusal on, an additional 7.4% of the FG voting common stock IB retained (BX 4; Olmsted deposition page 135); (c) termination of all but two director interlocks and all formal officer interlocks between IB and FG (BX1); (d) FIC became primarily liable on $1,500,000 (approximately 25%) of IB's long-term debt; FIC's FG shares were pledged as security for FIC's portion of this debt, and by cross-guarantees, IB and FIC remained contingently liable on each other's share of this long-term debt (BX 3, ¶3.1; BX 1749, November 4, 1966, pages 2-3; McNaughton February 3, 1976 deposition page 80); and (e) IB informed the Federal Reserve Board that all IB-FIC director and officer interlocks were terminated prior to November 9, 1966 (BX 1, page 6 of the November 9, 1966 letter). IB disclosed its plan to the Board in a letter dated November 9, 1966. (BX 1). That letter stated that IB believed the plan, when consummated, would terminate IB's status as a bank holding company. Although IB's counsel had been advised by the Board staff that a formal opinion should be sought if IB wanted to know the Board's position, IB did not request a Board opinion. (Heller deposition pages 218-219). The Federal Reserve Bank of Richmond replied to IB's counsel, stating: "the absence of any comments or questions by either the Board of Governors or by this Bank should not be construed as approval of the proposed transaction described in the letter or concurrence in the opinions or conclusions with respect to the Bank Holding Company Act expressed therein." (IBX 5).

29. A February 15, 1967, IB internal memorandum prepared by IB's counsel (Olmsted deposition pages 247-248; December 20, 1976, Prehearing Tr. 29-33) referred to the substance of the IB-FIC relationship and stated that "The Staff of the Board of Governors has not taken a formal position on these matters nor has it indicated complete compliance therewith will necessarily insure that neither International Bank nor Financial International Corporation will be a bank holding company as defined in the Bank Holding Company Act of 1956, as amended. The personnel relationships are merely one factor in the overall question of direct or indirect control of Financial General and/or its subsidiaries." (BX 2).

30. On December 15, 1967, the FG Board of

Directors adopted a plan for divestiture of FG's insurance, merchant banking, and industrial subsidiaries. FG formed Financial Security Corporation ("FSC"), gave that company 95% of the voting common stock of the subsidiaries to be divested, and in October 1968, distributed the stock of FSC to the FG shareholders. IB thus became a 23% shareholder in FSC and FIC became an 8% shareholder. (BX 1751, December 15, 1967, pages 8-10; June 28, 1968, pages 1-3; BX 1748, page 4; Findings 5, 7). Two days after the distribution, IB announced that it was considering the acquisition of one of FSC's subsidiaries. By January 1969, IB and FSC were discussing the possibility of a merger. In March 1969, the two companies entered into a merger agreement, which was consummated on June 20, 1969. Five days later, IB acquired from FG the minority interest in the FSC companies that FG had retained. (BX 428; BX 429; BX 1638, page 68; BX 1749, June 25, 1969, pages 4-5).

31. While the transactions presented in Finding 30 were portrayed as a series of arms-length discussions between IB and FSC, they merely reflected an IB/FG decision, made in 1966, that all assets divested by FG as a result of the 1966 Amendments to the Act would be merged into IB. (Martin deposition pages 88-89; Elliot February 18, 1976 deposition page 33; BX 64, page 1; BX 430, page 7; Olmsted deposition page 164; BX's 431-437; McNaughton August 16, 1976 deposition, pages 152-155).

32. IB officers and directors prepared the minutes of the first FSC Board of Directors meeting and decided whether a discussion of FSC's basic policy should be included in those minutes. These IB personnel were involved because they were "the people who were the most familiar with the many problems involved . . ." (BX's 438, 439; Cobb deposition page 74).

33. After the 1969 FSC spin-off, FG's only "prohibited properties" were its interests in National Mortgage Corporation and the H. G. Smithy Company. FG placed certain of the assets of these companies into FMRC and on December 20, 1974, distributed FMRC to the FG shareholders on a pro rata basis. (BX 1688, page 2; BX 1753, October 8, 1974, pages 5-6; BX 1745). Thus, IB owned approximately 23%, and FIC owned approximately 8%, of FMRC. (BX 1745, pages 1-2). In January and February 1976, IB sold its FMRC shares. (Stipulation No. 12).

34. Although IB owned no FMRC stock before December 20, 1974 and after February 1976, and never owned more than approximately 23% of FMRC, IB has at all times since December 1966, controlled that company. Since 1966, George Olmsted has served as Chairman of the Board, and a majority of the directors have been IB directors or officers. (Stipulation No. 16). Four of the five current directors (Martin, Avery, Conway, and Olmsted) are IB officers or directors, and the fifth (George Olmsted, Jr.) is the son of IB's Chairman and Chief Executive Officer. (*Id.*). In October 1974, while FMRC was still wholly-owned by FG, IB personnel replaced FG personnel as officers of FMRC. (BX 441; Stipulation No. 16).

35. On April 29, 1977, IB sold 1,204,231 shares of FG voting common stock (22.2% of the FG vote) to a group of 26 purchasers represented by J. William Middendorf, II. None of the purchasers bought as much as 5% of the FG common stock, and only two purchasers own more than 2% of the FG common stock. (IBX 50; IBX 54, pages 1-2).

36. Some time after March 1974, B. F. Saul and Eugene Casey each acquired FG stock representing more than 5% of the FG vote. Casey now owns approximately 8% of the vote and B. F. Saul owns approximately 7%. (BX 1520, page 1; BX 1521, page 5; BX 1525, page 2; BX 1712, page 2; IBX 54, page 3; IBX 49, page 2).

37. IB directors and senior officers have at all times controlled the selection of FIC's directors and officers. Guy Martin and George Olmsted discussed the selection of each of the FIC Presidents. (Martin deposition page 152). Olmsted asked Paul Mount to serve as FIC's "caretaker President" during 1972-1973, and in 1973 decided that Harold K. Johnson should replace Mount. (Mount deposition page 8; Olmsted deposition pages 19, 142; Martin deposition page 153; Johnson deposition pages 15-17, 32-33). Johnson's assumption of the FIC Presidency was part of an arrangement, worked out by Olmsted and Martin, by which Johnson became associated with FG. (Johnson deposition pages 15-17, 32-33; BX 1754, October 30, 1973, page 4). In 1971, Josef Tressler, with assistance from Olmsted, Martin, and Hugh McNaughton, picked the FIC director slate. (BX 5, page 2; BX 6; Tressler February 9, 1976 deposition, page 91; BX 7; BX 1754, February 19, 1971, page 5; August 26, 1971, page 3; September 24, 1971). In other years, Martin and Tressler discussed the selection of FIC's directors and officers. (Martin deposition pages 145-146, 152-153). In 1973, Olmsted and Hussing worked together in selecting FIC's directors and officers (BX 8, page 1 (handwritten note by Betty Bagger, Olmsted's personal secretary), page 2 (Olmsted handwritten note);

Olmsted deposition page 109; BX 9; BX 1754, February 23, 1973, pages 2-3).

38. When FG spun off the FSC voting common stock, FIC received approximately 8% of those shares (Finding 30) and, because it thereupon owned more than 5% of the voting common stock of two different companies, registered with the SEC under the Investment Company Act of 1940. (BX 1726). IB then caused FIC to form Security International Corporation ("SIC") and to place its FSC shares in SIC because IB did not want FIC to remain registered under the Investment Company Act. (BX 1754, February 19, 1969, page 3; Martin deposition pages 119, 120, 125; BX 10; BX 1754, June 25, 1969, page 1). Work relating to the formation of SIC and the attempted de-registration of FIC was performed by George Olmsted, Guy Martin, Hugh McNaughton, and Howard Hussing. (BX 10 (handwritten notes by Betty Bagger); Martin deposition page 123). IB exercised complete control over SIC both before and after that corporation was spun off by FIC. The only directors and officers of SIC during its existence were Hugh McNaughton, Howard Hussing, Ridgway Espy, F. Anthony Guida, and William M. Cramer, all of whom were IB officers. (Stipulations 9 and 16).

39. During 1970, Josef Tressler and other IB officers, acting at the request of George Olmsted, undertook an investigation of the legal, financial and operational aspects of converting FIC into a mutual fund. (Olmsted deposition page 77; Tressler February 9, 1976 deposition pages 29, 32, 56). After the FIC Board authorized a study of the possibility of conversion (BX 1754, September 18, 1970, page 6), Tressler conducted extensive research on the subject, discussed it with others, and prepared a written report for Olmsted. (BX 5). When the decision was made not to convert FIC into a mutual fund, Olmsted asked Tressler, "If not mutual fund, how do we best employ these idle assets?" (BX 16; Tressler February 9, 1976 deposition, page 47; BX 5, page 1, handwritten note at top right corner; Olmsted deposition page 76). In October 1970, Tressler suggested that FIC might become a closed-end dual purpose mutual fund; Olmsted directed him to pursue that idea (BX 13; see also BX's 14 and 15; Olmsted deposition pages 53-54; BX 1754, December 18, 1970, page 2). There is no evidence that any of FIC's nominal officers had any role in considering these proposals.

40. In January 1971, Josef Tressler recommended to George Olmsted that (a) FIC have a reverse stock split, and (b) FIC change its investment policy. (BX 16). After further work by Tressler and involvement by Guy Martin and other IB officers, the FIC Board of Directors formally ratified Tressler's recommendations. (BX 17; BX 1754, February 19, 1971, pages 2-4). Thereafter, Tressler, Olmsted, McNaughton, and William Cramer prepared the 1971 FIC proxy materials and in August the shareholders approved Tressler's recommendations. One day before the shareholder vote, in anticipation of that vote, Tressler sent Donald Jenkins (then FIC's nominal Secretary) the letter to be sent over Jenkins' signature to FIC shareholders. (BX's 18 (see page 2, memo from William A. Doying), 19; Tressler February 9, 1976 deposition, page 102; BX 1754, August 26, 1971, pages 3-5).

41. In 1969, Hugh McNaughton and R. Sherrard Elliot, acting on behalf of FIC, travelled to Hartford, Connecticut and Springfield, Massachusetts to meet with FIC's lenders and to "discuss FIC long-term debt and other plans." (BX's 20, 21; McNaughton August 16, 1976 deposition pages 38, 42; Elliot February 18, 1976 deposition page 49). In 1971-1972, McNaughton initiated and accomplished a refinancing of FIC's debt. However, he sought to create an appearance of involvement by FIC's nominal officers (for "legalistic" reasons). (BX 23; BX 1754, December 17, 1971, pages 2-4; BX's 24-28; McNaughton August 16, 1976 deposition, pages 87-88).

42. In 1973, IB developed a scheme whereby IB would grant FIC and "an appropriate third party" proxies to vote sufficient FG shares to reduce IB's direct vote in FG to below 5%. (BX 1750, August 30, 1973, page 4; November 19, 1973, pages 2-3; BX 1754, October 30, 1973, pages 2-3; December 14, 1973, page 2). No consideration was to flow from FIC to IB for the proxy. (BX 11, page 3). The real purpose for the proposal was to create another argument by which IB might avoid registration under the Act. (Fischer deposition, page 11).

43. In 1973, IB caused FIC to prepare and file Federal Reserve Form F.R.Y.-5, a bank holding company registration statement "in an effort to resolve . . . International Bank's problems" under the Act. (BX 1754, October 30, 1973, page 3; BX 12; Fischer deposition page 14). This form was prepared solely by IB personnel, primarily William Cramer; FIC's officers had no role. Cramer signed the name of Donald Lee, FIC's nominal Secretary/Treasurer, to the form, and it was not until after the F.R.Y.-5 was sent to Richmond that Lee learned of the form's existence. (Martin deposition page 161; BX 12, page 15; BX 12, letter of November 6, 1973; Lee deposition pages 19-20, 45,

47-48).

44. Since 1966, IB officers and directors have approved numerous FIC bills for payment. In 1972, Paul Mount, FIC's nominal President, turned to George Olmsted for guidance concerning FIC's legal expenses; Olmsted in turn asked Hugh McNaughton for his help. (BX 32; Olmsted deposition page 102). In 1973, Mount again turned to Olmsted, stating that "enlightening is what we [FIC] need, General, and I know you are the man, or know the man who can help us." (BX 33). After Guy Martin and William McAnallen (then head of the FSI Tax Department) became involved, the problem was solved. (BX 1754, August 30, 1973). All FIC bills in evidence were approved by one or more IB officers or directors; only five were also approved by an FIC officer. (BX's 33-53; Hussing February 12, 1976, deposition pages 33-36; Green deposition pages 80-85; Cobb deposition pages 292-294, 297).

45. On May 26, 1976, IB announced that it would reduce its holdings in FG to below 5% of the FG voting common stock. (BX 488). Four months later, the FIC Board adopted a "Plan of Complete Liquidation and Dissolution." (BX 1754, September 24, 1976). The FIC Board purportedly acted because it had determined that liquidation would be "advisable and in the best interest of the Company and its stockholders" (*id.;* although in 1972 the FIC Board rejected a stockholder suggestion that the company liquidate (BX 1754, September 15, 1972, page 2) even though FIC was then, as it was in 1976, an inferior vehicle for investing in FG. (BX 5, page 1, paragraph A.1). The idea for FIC's liquidation originated with George Olmsted; Olmsted and Guy Martin presented the plan to the FIC Board. (Martin deposition pages 162, 170; Lee deposition pages 37-38).

46. At the Feburary 22, 1974, meeting of the FIC Board, the directors fixed the number of directors to be elected at the April 23, 1974, stockholders meeting at 10, and by separate resolution nominated 10 people, including John Beck, Harvey Gram, and James Moore (each of whom were then directors). (BX 1754, February 22, 1974, pages 2-3). Beck, Gram, and Moore were "interested persons" within the meaning of § 2(a)(19) of the Investment Company Act of 1940, as amended—Beck, a member of the law firm of Frost & Towers, was an attorney for FIC (BX 1741, page 2; BX 1754, FIC Minutes December 14, 1973, pages 2-3); Gram was a stockbroker (BX 1741, page 3); Moore was a member of Guy Martin's law firm, which also served as FIC counsel (BX 1051). Three other nominees were "interested persons"—Alice Olmsted Burt, Harvey H. Fischer, and Harold K. Johnson. (BX 1742, page 3, note *). Thus, 6 of the 10 nominees were "interested persons". FIC's 1974 proxy statement—the first proxy statement to disclose that certain nominees were "interested persons"—was prepared by William Cramer, IB's Assistant Secretary, and Guy Martin's (an IB director) law firm and listed only eight management director nominees—Beck, Gram, and Moore were not included; Milton Drewer, President of an FG-owned bank, was a new nominee (BX 1742; BX 1054; Lee deposition pages 59-60; Stipulation No. 16). On June 7, 1974, more than one month after the annual meeting, and at a time when he was no longer on the FIC Board, Gram was sent a "unanimous consent" form by Donald Lee, FIC's Secretary. This form was dated April 2, 1974, and listed as management's nominees for director the eight individuals named in the proxy statement and already elected at the annual meeting. Gram signed the consent form and returned it to Lee, stating that "this was an amazing situation because I did not even know I had been dropped from the Board." (BX 1607; BX 1754, February 22, 1974, last page). Gram has no idea why he was dropped. (Gram deposition pages 29-32). In fact, Gram was dropped, upon the advice of Martin's law firm, because he was a stockbroker. (Lee deposition pages 57-58). Beck was also dropped upon the advice of Martin's law firm. (*Id.*).

47. Of the 12 FIC directors elected for the first time since December 1, 1966 (excluding FG Bank Advisory Council chairmen, who automatically became FIC directors until April, 1972), IB officers or directors were involved in the selection of the following 9: (a) John Beck—William Schuiling and Guy Martin discussed Beck's service as a director (Martin deposition page 39); (b) Alice Olmsted Burt—George Olmsted asked her to join the FIC Board (Burt deposition pages 6-7); (c) Paul P. Collis—William Cobb asked him to serve with FIC (Collis deposition pages 11-12); (d) Harvey H. Fischer—asked by Olmsted to become a director (Fischer deposition page 5); (e) Harvey B. Gram, Jr.—either George Olmsted or Guy Martin asked him to join the FIC Board (Gram deposition page 12); (f) Donald L. Jenkins—asked by Cobb to become a director (Jenkins deposition page 44); (g) Harold K. Johnson—Olmsted and Martin chose Johnson as a director (Finding 37); (h) James A. Moore—Cobb and Martin discussed his service as a director (Martin deposition pages 52-53); (i) William J. Schuiling—Martin, Olmsted and Cobb discussed

his service as a director (Martin deposition page 53).

48. FIC's management annually proposes a slate of directors to be elected by the stockholders. Since December 1, 1966, all management nominees have been elected. (BX 1754, April 25, 1967, pages 2-3; April 23, 1968, pages 2-3; April 22, 1969, pages 2-3; August 26, 1971, pages 2-3; April 25, 1972, pages 2-3; May 15, 1973, pages 2-3; April 23, 1974, pages 2-3; April 22, 1975, pages 2-3; April 27, 1976, pages 2-3).

49 Statements by Josef Tressler in 1971 and 1973 indicate that the 1966 change in IB's holdings of FG did not alter the substance of the IB-FG relationship:

"About the only changes [resulting from the 1966 legislation] are that Congress is happier (at least we hope Mr. Patman is) [and] the Federal Reserve and other governmental agencies are viewing Financial General as a truly registered bank holding company. . ."

"Actually our [IB's] subsidiaries and present management have been the same for many more years than [during 1970-1973], however, a 1966 amendment to the Bank Holding Company Act required us to change our structure. *Nothing else changed.*" (Emphasis added).

(BX 471, 473. See also BX 472, Tressler's revised revised version of his comments in BX 471).

50. Although George Olmsted purported to resign as FG's Chief Executive Officer in November 1966, he was the chief executive officer in fact until April 29, 1977. In December 1966, it was Olmsted who invited Arleigh Burke to join the FG Board. (BX 66). In 1967, James Bancroft, then President of FG's Banking Division, indicated that he was not convinced that Olmsted had in fact ceased to serve as FG's Chief Executive Officer. (BX's 1, 67; Martin deposition pages 218-220). William Cobb, FG's President from 1965 until June 1974, frequently consulted with Olmsted on major decisions; he could recall no instances where FG acted contrary to Olmsted's wishes. (Cobb deposition pages 15, 135; BX 68, page 1, handwritten notes on the left side of the page stipulated to be those of Cobb and Olmsted). William Schuiling, Donald Jenkins, and Paul Collis (FG officers) and Lloyd Bauman (an FG director) viewed Olmsted as the senior FG officer (BX's 69-104; Jenkins deposition page 52; Olmsted deposition pages 533-534; Collis deposition pages 131-134; Bauman deposition pages 32-33; Collis deposition page 129). Schuiling testified that FG made no significant decisions since 1964 without first consulting Olmsted. (Schuiling deposition pages 17-18, 23; see also BX's 105, 106; Schuiling deposition page 188). Harold Johnson stated that he, Olmsted, and Schuiling comprised the "team that looks at policy issues or directions as they come up." (Johnson deposition pages 59-60). By Olmsted's own admission, prior to October 3, 1975 (when he "resigned" from FG and became Coordinator of Policy and Planning) he was "an executive, a responsible officer of the organization [FG]. *I had the command responsibility*". (emphasis added). (Olmsted deposition pages 411-412). After 1975, Olmsted continued to be active in FG's affairs. (Mount deposition pages 60-61).

51. Prior to the 1966 reorganization, Willian Cobb was "the number two man in both International Bank and Financial General." (Olmsted deposition page 191). Although Cobb resigned from the IB Executive Committee in October 1966 (see Finding 13), he continued to function as a *de facto* officer of IB. He served on the IB Board's Finance Committee from 1966 to 1972, served as an officer of the IB insurance companies and, in his own words, "furnished advice to the International Bank. I still do. I will continue to." (Cobb deposition pages 4-5, 32-35, 173, 247-248, 250-255; BX 108; Stipulations No. 7 and No. 16; BX;s 1749 and 1950, Minutes of Annual Meetings of IB Board of Directors, 1966-1972). From 1970 to 1975, between 31% and 38% of Cobb's salary was paid by the IB insurance company subsidiaries. (BX's 540-564).

52. Although Hugh McNaughton resigned as a nominal FG officer in 1966 (see Finding 15), he continued to function thereafter as an FG officer in fact. During 1967 and 1968, McNaughton spent more than one-half his time on FG business. (BX's 526-535). William Cobb often consulted McNaughton on FG's financing matters, as did other FG officers and directors (Cobb deposition pages 188-189, 202-203; McNaughton February 3, 1976 deposition page 115; McNaughton August 16, 1976 deposition pages 128-131; BX's 110-113 (McNaughton handwriting stipulated), 114-121).

53. From 1966 until 1975, Howard Hussing functioned as *de facto* Secretary of FG. During that time, more than one-half, and often as much as 80%, of his time was spent on the affairs of FG, its subsidiaries, and (after 1969, when FSC was merged into IB) its former subsidiaries. (BX's 520-564). Until Jack Beddow became FG Secretary in 1975, Hussing was responsible for all aspects of the FG Secretary job. (Hussing February 12, 1976 deposition pages 8-11, 95-97, 126, 135-137; BX's 122-166 (handwriting stipulated to be Hussing's)).

54. Phillip L. Green resigned as FG Treasurer in

December 1966 (Stipulation No. 16), but his 1966-1968 salary allocations indicate that his IB-FG workload remained relatively unchanged as a result of his resignation. (BX's 522-534). Green performed numerous tasks on behalf of FG after 1966. (BX's 167-254; Green deposition pages 37-38, 51-52). He was viewed by Donald Jenkins, FG's nominal Treasurer, and Paul Collis, FG's Assistant Treasurer, as the *de facto* FG Treasurer. (Jenkins deposition page 144; Collis deposition page 57). James Best, IB's Assistant Treasurer in 1967, also performed numerous FG-related tasks. (Green deposition page 24; BX's 255-268; Best deposition page 43).

55. Guy Martin has consulted with FG management concerning the selection of FG directors and FG Presidents and has worked with George Olmsted in selecting senior officers of IB and FG (Martin deposition pages 3-4, 21, 36-37, 60-61, 63, 196-197; Johnson deposition pages 19-20). Martin's law partner, Allen Whitfield, has been an FG director since 1958. (BX 1712, page 2).

56. William Schuiling, who was FG's primary banking expert (Schuiling deposition pages 4, 11-12), was called upon by IB whenever his banking expertise was needed. In 1970, he was asked to develop a banking program that would aid IB and a company IB wanted to acquire. (BX 269; Schuiling deposition pages 46-48). Also in 1970, he presented an IB claim for compensation to a senior official at the Agency for International Development. (BX 270; Schuiling deposition pages 49-51). In 1973, Hugh McNaughton sought and received Schuiling's aid in forming a bank for IB in the Bahamas. (BX's 271, 272). Beginning in 1971, Schuiling aided IB in its investment in the Peoples Bank of the Virgin Islands. (BX's 270-304; Schuiling deposition pages 132-133). In 1975, at Tressler's request, Schuiling hired an IB officer whose position had been terminated by IB, and helped draft an agreement by which IB was to sell its 367,000 warrants to purchase common stock of Central National Bankshares, and Iowa bank holding company. (BX 1750, February 21, 1975, pages 2-3; BX 305; Schuiling deposition page 68; BX 1753, May 16, 1975, pages 2-3; BX 306).

57. In his role as FG's liaison with its banks, Donald Jenkins provided valuable assistance to IB. In 1969, at the request of George Olmsted, he contacted the chief executive officers of the FG banks to recruit bank officers for positions in IB's "off-shore" banks. (BX 307; Jenkins deposition pages 121-122). He assisted IB by attempting to relocate within the FG system those former FG officers who had taken positions in the IB off-shore banks. (BX 308; Jenkins deposition pages 123-124). Jenkins also encouraged the FG banks to utilize the services IB companies could provide to banks. (BX's 309-311 (the handwritten note on the October 15 letter is stipulated to be Olmsted's); Jenkins deposition pages 148-152).

58. From 1966 until 1970, the four individuals at FG responsible for supervising FG bank acquisitions were George Olmsted, William Cobb, William Schuiling, and Donald Jenkins. (Olmsted deposition page 324). However, it was Olmsted who made the final decision concerning each proposal. The evidence concerning FG's attempts to acquire the First National Bank of Norfolk, The First National Bank in Harrisonburg, Bank of Hampton Roads, and other banks confirms this. (BX's 312, 313; BX 314; BX 315; Schuiling deposition pages 100-102; BX 316; BX 317 (Olmsted's handwriting on page 1); BX 318; Schuiling deposition pages 102-111; BX's 319, 320; BX 321; BX 322; BX 323 (handwriting on pages 1 and 5 is Olmsted's; that on pages 2 and 3 is Schuiling's); BX 324; Schuiling deposition pages 103-104; BX 325 (Olmsted's handwriting); BX's 326-330; BX 331; BX's 332, 333; Schuiling deposition pages 125-127, 187-188; BX's 334-342).

59. George Olmsted also controlled FG's post-1966 decisions concerning bank divestitures. (BX 343; Cobb deposition pages 154-159; BX 334; Olmsted deposition pages 315-316). In 1974, when FG prepared a "Statement of Basic Policy" that called for FG to concentrate its bank holdings in "Region A" (Maryland, Virginia, and D.C.), Olmsted dictated the terms of the final draft, which was then approved by the FG Board. (BX's 345-347 (handwritten note on page 2 of BX 347 is stipulated to be Olmsted's); Schuiling deposition pages 28-29; BX 1753, May 2, 1975, page 2, attachment; BX 349). Justin Bowersock, an FG director, testified that "George Olmsted has been of extraordinary value in the very handsome sales that have been made of the three or four banks that have been sold [since May, 1975] . . ." and that Omsted could be a "key figure" in future sales. (Bowersock deposition page 71; see also Mount deposition pages 58-59).

60. In 1969, 1970, and 1971, when FG wanted to pay off its lines of credit with two New York banks for 60 days (as was required by the New York banks), FG's officers turned to Hugh McNaughton, who in turn enlisted the assistance of Sherrard Elliot, Fred Lininger (an IB Vice President), and the International Trust Company of Liberia ("ITCL"; an IB subsidiary). McNaughton handled all phases of the 1969-1971 "rollovers". FG officers were involved only to the extent that their

signatures were needed on the various documents. (BX 350; McNaughton October 15, 1976 deposition pages 203-220; BX's 351-361; BX's 362-381).

61. In 1975, a dispute arose between IB and FG over the amount of compensation FG should receive from IB as a result of an IRS assessment against FG based upon errors in tax returns filed by the former FG subsidiaries which were merged into IB in 1969. (BX 382). Three officers, two from IB and one from FG, were appointed by Olmsted, Schuiling, and Johnson to work out a compromise. (BX 382; McNaughton August 16, 1976 deposition page 54). A compromise was reached (BX 382), but was not immediately accepted by FG. (Schuiling deposition page 147). When Jack Beddow, FG's Secretary, suggested arbitration (BX 383; Schuiling deposition pages 148-151; McNaughton August 16, 1976 deposition page 64), McNaughton told Olmsted that he opposed this route. (BX 383, page 4 (Olmsted's handwritten note), page 7; McNaughton August 16, 1976 deposition page 66). After Olmsted told Schuiling that he and Tressler agreed with McNaughton, FG accepted the compromise position without arbitration. (BX 383, page 1 (handwritten notes by Olmsted and Tressler); Olmsted deposition page 424; Schuiling deposition pages 146-147, 155; McNaughton August 16, 1976 deposition pages 71-72).

62. In 1969, George Olmsted located purchasers for the FSC shares the Equity Corporation had received from FG. (BX 384; Olmsted deposition pages 435-436). Olmsted agreed to find a purchaser for those FSC shares should the FSC purchasers wish to sell at a later date. (*Id.*).

63. In 1970, when two purchasers exercised their option to sell and Olmsted could find no purchasers, he caused his controlled partnership, Amicitia & Co., to purchase the shares. (BX 1642, page A10; BX 1640, page F7, Note B; McNaughton February 3, 1976 deposition pages 181-206; Olmsted deposition page 436). The purchase was financed through a complex series of transactions. (*Id.*). The net effect was that three FG subsidiary banks were used by IB and Olmsted to help finance the 1970 re-purchase of the FSC shares from the 1969 purchasers.

64. Since December 1966, IB officers or directors have served on the boards of a majority of the FG subsidiary banks. (See Stipulation No. 15). As of December 31, 1975, an IB officer or director served on the board of each of the eight largest FG banks, which accounted for 88.9% of FG's bank assets. (Stipulation No. 15; BX 1723, pages 8, 9).

65. IB officers serving as directors of FG banks have been active in the business affairs of those banks. George Olmsted has involved himself in the important business activities of Union First, Arlington Trust, and Bank of Commerce. (Bowersock deposition page 76; BX's 386-411; Tressler February 9, 1976 deposition pages 315-316; Mount deposition pages 35-37). Since joining the Alexandria National Bank ("ANB") Board in 1969, Tressler has served on several of the Board's committees, participated in the formation of ANB's Advisory Board, advised ANB's President on several matters, and worked closely with ANB and FB in considering a merger between ANB and Arlington Trust Company. (BX's 412-419; Tressler February 9, 1976 deposition pages 286-287; Tressler September 7, 1976 deposition pages 13, 17-21, 26-27, 38). Even after Hugh McNaughton resigned from three Virginia bank boards, he continued to be concerned with the activities of those banks, and with FG banking activity in Virginia. (McNaughton February 3, 1976 deposition page 56; BX's 420-425; Olmsted, Jr. deposition pages 35-37). Since 1968, McNaughton has served on the American National Bank board; he has been a member of the Executive and Loan Committees. (McNaughton February 3, 1976 deposition pages 63-66).

66. Until 1974, one device by which IB supervised FG banks was through the FG Bank Directors Council, which was established in 1967 when Olmsted asked Schuiling to keep him alert to any problems in the FG banks. (BX's 426, 427). At this group's meetings, IB officers received detailed reports on the operation of each FG bank. (Collis deposition pages 56, 60; Jenkins deposition pages 86-87; Stipulation No. 5).

67. Senior IB officers monitored the operations of FG and the FG subsidiaries through the meetings of several other formal groups. Management Council meetings, held immediately prior to the quarterly board meetings of IB, FG, and their subsidiaries, consisted of detailed reports on two or three IB or FG subsidiaries and general reports on all IB/FG companies. The Council has been chaired by both IB and FG officers. (Tressler February 9, 1976 deposition pages 226-227; Cobb deposition pages 308-311; BX's 442-444, 489-501; Stipulation No. 16). "Staff meetings", attended by the senior core of the IB and FG management, were used to facilitate communication within the IB-FG organization. (BX's 502-519; Collis deposition pages 65-66, 69; Olmsted deposition page 449; Cobb deposition pages 302-303; Jenkins deposition pages 141-143). Advisory Council meetings, held twice each year and attended by the presidents of the FG

banks and senior officers of IB and FG, have been used by IB as a forum for selling IB's services to the FG banks. (Olmsted deposition page 337; Jenkins deposition pages 127-129; BX's 446-453; McNaughton February 3, 1976 deposition pages 72-73). The FG Operations Committee served as an operations-level counterpart to the Advisory Council. (Jenkins deposition pages 138-139, 141; Olmsted deposition page 380; BX's 454-457). In 1970, the IB/FG Public Relations Committee was established; its members included representatives from both IB and FG, with Tressler serving as Chairman and liaison for both IB and FG with outside public relations firms and securities analysts. (Tressler February 9, 1976 deposition pages 113-121, 147-150; BX's 460-470; Cobb deposition pages 276-278).

68. In addition to the structured committee meetings attended by IB and FG senior officers, these officers communicated with each other on a daily basis. Until late 1976, IB and FG executive offices were both located on the 12th floor of 1701 Pennsylvania Avenue. IB and FG officers ate lunch together in the 12th floor executive dining room. These lunches served as a forum for discussions of IB/FG business. (Stipulation No. 14; Olmsted, Jr. deposition pages 28-31; Guida deposition page 68).

69. As of March 13, 1974, only 26 persons other than IB and FIC are known to have owned as much as 0.1% of the FG stock. Four of these stockholders were IB directors or IB subsidiaries. (BX's 1520, 1522).

70. At all annual meetings since January 1, 1966, FG has prepared a "management slate" of directors. These nominees have, without exception, been elected by the FG stockholders. (BX's 1751 through 1753, FG Minutes of Annual Stockholder Meetings: April 27, 1966, pages 2-4; April 26, 1967, pages 2-3; April 24, 1968, pages 2-3; April 23, 1969, pages 2-3; April 29, 1970, pages 2-4; April 28, 1971, pages 2-3; April 26, 1972, pages 2-3; April 25, 1973, pages 2-4; April 24, 1974, pages 2-4; April 30, 1975, pages 3-4; April 28, 1976, pages 3-4; June 17, 1977).

71. International Bank and Financial International Corporation have always voted their FG shares in the same way. (BX's 1751-1753, FG Minutes of Annual Stockholder Meetings: April 26, 1967; April 24, 1968; April 23, 1969; April 29, 1970; April 28, 1971; April 26, 1972; April 25, 1973; April 24, 1974; April 30, 1975; April 28, 1976).

72. Of the nine men who joined the FG Board of Directors from December 1966 until August 1974, six (Arleigh Burke, Harold Johnson, F. Joseph Donohue, William Schuiling, Justin Bowersock, and Paul Mount) were either asked to join the Board by George Olmsted, Guy Martin, or William L. Cobb or were suggested as Board members by one of those three. (Finding 50 [Burke]; Johnson deposition page 14; Martin deposition pages 21-24 [Donohue]; *Id.*, pages 36-37 [Schuiling]; Bowersock deposition page 56; Mount deposition page 55); one (James Lemon) went on to fill the "Johnston-Lemon" seat on the FG Board (Martin deposition pages 27-29); and one (Orval Cook) was on the FG Board for only six months (Stipulation No. 16).

73. During the negotiations leading to the sale of IB's block of FG stock to a group of investors represented by J. William Middendorf, II, Middendorf told Omsted that he wanted a majority of the persons on the slate of nominees presented to the 1977 FG shareholders meeting to be new persons chosen by Middendorf. (June 21, 1977 Hearing Tr. pages 70-71). He also wanted to retain four specific existing directors. (IBX 52, page 3). Olmsted asked Middendorf to retain an additional four of the existing directors, to which Middendorf agreed. (*Id.*).

74. Since February 15, 1966, George Olmsted has owned between .86% and .95% of the FG voting common stock. (BX 1702, page 3; BX 1703, page 4; BX 1704, page 4; BX 1705, page 3; BX 1706, page 3; BX 1707, page 3; BX 1708, page 3; BX 1709, page 3; BX 1710, page 2; BX 1711, page 2; BX 1712, page 2).

75. Since at least 1966 IB and FSI have been parties to a management contract, and until March 1, 1977, FG was a party to that contract. (BX 480; IBX 54, page 10). The FSI contract required FSI to provide certain management services to FG. (Finding 4). All IB officers receive their salary from FSI. (Stipulation No. 13). Thus, the services provided to FG by IB officers (see Findings 50, 52-54) may de deemed to be provided pursuant to the FG-FSI management contract.

76. J. William Middendorf, II holds proxies on FG stock owned by certain of the purchasers from IB (covering approximately 16.3% of the vote), on FG stock owned by the IB insurance company subsidiaries and FMRC (covering an aggregate of 244,218 shares of FG voting common stock, or 4.5% of the vote), on the FG shares owned by Eugene Casey (covering 8.6% of the vote) and on a majority of the FIC shares. (IBX 54, pages 1-3). The proxies given by the purchasers from IB expire on various dates between September 30, 1977 and June 30, 1980. (IBX 61, Exhibit H). Those given by the IB insurance subsidiaries expire on September 30, 1977. (IBX 61, Exhibit D). That given by FMRC expires on June 30, 1979. (*Id.*, Exhibit F). Those

given by the FIC shareholders expire on April 30, 1979 and June 30, 1979. (*Id.*, Exhibit E). All of the above proxies were given without consideration. (June 21, 1977 Hearing Tr. page 49; June 28, 1977 Hearing Tr. pages 358-359).

77. George Olmsted has been retained by FG as Coordinator of Policy and Planning to assist in the formation and execution of FG's long-term objectives. Olmsted is committed to provide services to FG in this capacity until September 30, 1978. Olmsted is also party to a retirement contract with FG pursuant to which he is required to act as an independent consultant to FG and is required to hold himself available to consult and advise the officers, directors, and other representatives of FG. (IBX 54, page 8, note (5)). Olmsted has advised Middendorf, FG's Chief Executive Officer, that he intends to continue to make himself available to the FG management. (June 29, 1977 Hearing Tr. pages 416-417). He has in fact given advice to Middendorf and Middendorf has stated that he intends to continue to consult with George Olmsted. (*Id.*, pages 413-417).

78. On December 10, 1976, the IB Board of Directors voted to continue that company's participation in the Financial General Group Employee Retirement Plan. (BX 1750, December 10, 1976, page 3). On June 20, 1977, the FG Board of Directors established the Administrative Committee of that plan. That committee includes four IB officers—Tressler, McNaughton, Hussing, and Cramer. (BX 1753, June 20, 1977, page 6).

79. On December 13, 1966, at a time when IB admitted that it was a bank holding company with respect to FG, IB transferred its FIC stock to the IB shareholders. George Olmsted received 7.72% of the FIC stock. Three IB shareholders—Iowa Capital Corporation, International Capital Corporation, and the George Olmsted Foundation ("TGOF")—received an aggregate of 41.78% of the FIC stock. These three entities have at all times since 1966, and until at least April, 1975, owned more than 25% of the FIC common stock, the only voting stock of FIC. (BX 1724, FIC Form 10, page 1, item 2(a); BX's 1735 through 1743, FIC proxy statements). Since December 1, 1966, George Olmsted has owned all of the voting stock of both the Iowa Capital Corporation and the International Capital Corporation. In addition, since December 1, 1966, George Olmsted has been a director of both the Iowa Capital Corporation and the International Capital Corporation. Finally, George Olmsted has been a director of The George Olmsted Foundation since December 1, 1966. (Stipulations 1 and 2).

ORDER APPROVED UNDER BANK HOLDING COMPANY ACT

By the Board of Governors

During November 1977, the Board of Governors approved the applications listed below. Copies of the order are available upon request to Publications Services, Division of Administration Services, Board of Governors of the Federal Reserve System, Washington, D.C. 2055.

Section 3

Applicant	*Bank(s)*	*Board action (effective date)*
Allied Bancshares, Inc., Houston, Texas	Addicks Bank, Addicks; American National Bank, Humble; The First National Bank of Newton, Newton; Hillcroft Bank, Houston; Gulf Coast State Bank, Winnie, all located in Texas	11/3/77

Central State Bancshares, Inc., Nevada, Missouri	Webb City Bank, Webb City, Missouri	11/16/77
Deport Bancshares, Inc., Deport, Texas	First National Bank of Deport, Deport, Texas	11/17/77
First Douglas BanCorporation, Inc., Tuscola, Illinois	First National Bank and Trust Company of Tuscola, Tuscola, Illinois	11/28/77
First National Fairbury Corporation, Lincoln, Nebraska	The First National Bank of Fairbury, Fairbury, Nebraska	11/25/77
Gilman Investment Co., Gibson, Iowa	Citizens Savings Bank, Gilman, Iowa	11/25/77
Royal Trustco Limited, Ottawa, Ontario, Canada	Royal Trust Bank Corp., Miami, Florida	11/14/77
Tipton Bancorporation, Inc. Tipton, Oklahoma	First National Bank, Tipton, Oklahoma	11/11/77

Section 4

Applicant	*Nonbanking company (or activity)*	*Board action (effective date)*
Southwest Florida Banks, Inc. Fort Myers, Florida	Credit related insurance activities	11/7/77

By Federal Reserve Banks

During November 1977, applications were approved by the Federal Reserve Banks as listed below. Copies of the orders are available upon request to the Reserve Banks.

Section 3

Applicant	*Bank(s)*	*Reserve Bank*	*Effective date*
Huntington Bancshares, Inc., Columbus, Ohio	The Franklin National Bank, Franklin, Ohio	Cleveland	11/14/77
Midwest Bancorporation (of Ohio), Inc., Cleveland, Ohio	The Village Bank of Aurora, Aurora, Ohio	Cleveland	11/22/77
County National Bancorporation, Clayton, Missouri	Bank of Louisiana, Louisiana, Missouri	St. Louis	11/15/77

PENDING CASES INVOLVING THE BOARD OF GOVERNORS*

Central Bank v. *Board of Governors*, filed October 1977, U.S.C.A. for the District of Columbia.

Plaza Bank of West Port v. *Board of Governors*, filed September 1977, U.S.C.A. for the Eighth Circuit.

First State Bank of Abilene, Texas v. *Board of Governors*, filed August 1977, U.S.C.A. for the District of Columbia.

BankAmerica Corporation v. *Board of Governors*, filed May 1977, U.S.D.C. for the Northern District of California.

BankAmerica Corporation v. *Board of Governors*, filed May 1977, U.S.C.A. for the Ninth Circuit.

First Security Corporation v. *Board of Governors*, filed March 1977, U.S.C.A. for the Tenth Circuit.

Farmers State Bank of Crosby v. *Board of Governors*, filed January 1977, U.S.C.A. for the Eighth Circuit.

National Automobile Dealers Association, Inc. v. *Board of Governors*, filed November 1976, U.S.C.A. for the District of Columbia.

First Security Corporation v. *Board of Governors*, filed August 1976, U.S.C.A. for the Tenth Circuit.

Central Wisconsin Bankshares, Inc. v. *Board of Governors*, filed June 1976, U.S.C.A. for the Seventh Circuit.

National Urban League, et al. v. *Office of the Comptroller of the Currency*, et al., filed April 1976, U.S.D.C. for the District of Columbia Circuit.

Farmers & Merchants Bank of Las Cruces, New Mexico v. *Board of Governors*, filed April 1976, U.S.C.A. for the District of Columbia Circuit.

Association of Bank Travel Bureaus, Inc. v. *Board of Governors*, filed February 1976, U.S.C.A. for the Seventh Circuit.

Memphis Trust Company v. *Board of Governors*, filed February 1976, U.S.D.C. for the Western District of Tennessee.

First Lincolnwood Corporation v. *Board of Governors*, filed February 1976, U.S.C.A. for the Seventh Circuit.

Roberts Farms, Inc. v. *Comptroller of the Currency, et. al.*, filed November 1975, U.S.D.C. for the Southern District of California.

Florida Association of Insurance Agents, Inc. v. *Board of Governors*, and *National Association of Insurance Agents, Inc.* v. *Board of Governors*, filed August 1975, actions consolidated in U.S.C.A. for the Fifth Circuit.

† *David R. Merrill, et al.* v. *Federal Open Market Committee of the Federal Reserve System*, filed May 1975, U.S.D.C. for the District of Columbia.

Louis J. Roussel v. *Board of Governors*, filed April 1975, U.S.D.C. for the Eastern District of Louisiana.

Georgia Association of Insurance Agents, et. al. v. *Board of Governors*, filed October 1974, U.S.C.A. for the Fifth Circuit.

Alabama Association of Insurance Agents, et al. v. *Board of Governors*, filed July 1974, U.S.C.A. for the Fifth Circuit.

Bankers Trust New York Corporation v. *Board of Governors*, filed May 1973, U.S.C.A. for the Second Circuit.

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*This list of pending cases does not include suits against the Federal Reserve Banks in which the Board of Governors is not named a party.

†The Board of Governors is not named as a party in this action.

Announcements

REGULATION Q: Amendment

The Board of Governors of the Federal Reserve System announced that it had lowered the minimum rate of interest that must be paid on a loan secured by a depositor's time or savings deposit at a member bank.

Regulation Q (Interest on Deposits) had required that the interest rate on loans, using as collateral a time deposit or a savings deposit for which prior notice of withdrawal is required, could not be less than 2 per cent above the rate being paid on the deposit.

Effective November 23, 1977, Regulation Q was amended to provide that the minimum rate such borrowers must pay is 1 per cent above the rate being paid on the deposit.

A minimum borrowing rate is set on such loans to avoid the use of loans to, in effect, withdraw time deposits before maturity without incurring the penalty for early withdrawal (loss of 90 days' interest and reduction of interest on the amount withdrawn to the passbook rate—5 per cent at commercial banks—for the period of time that the amount was held in the time deposit).

The reduced minimum applies to future interest payments on outstanding loans, as well as to new loans.

The Federal Deposit Insurance Corporation is expected to take similar action in the near future with respect to the financial institutions that it supervises.

PROPOSED AMENDMENT AND INTERPRETATION

The Board of Governors has issued for comment a proposed amendment to its Regulation Z (Truth in Lending) concerning the right of consumers to be notified that they may cancel open-end credit plans within 3 days if their home is pledged as security. The Board requested comment by February 1, 1978.

The Board also proposed for comment an interpretation of Regulation A (Extensions of Credit by Federal Reserve Banks) that would extend the kinds of bankers acceptances eligible for discount by Federal Reserve Banks. The Board requested comment by February 1, 1978.

MEETING OF CONSUMER ADVISORY COUNCIL

The Board of Governors has announced that the Federal Reserve System's Consumer Advisory Council met on December 8, 1977.

The Council advises the Board on the exercise of responsibilities with respect to consumer credit laws and regulations. The Council is headed by Mrs. Leonor Sullivan, former House Member from Missouri, who sponsored much of the consumer credit protection legislation passed by the Congress in the last decade. Most such legislation directed the Federal Reserve Board to write regulations for putting the laws into effect.

At the December meeting the Council discussed the newest consumer-related legislation, the Community Reinvestment Act. The Council discussed (1) the report of its task force on the Council's organization and procedures and (2) results of a survey, sponsored by the Federal bank regulatory agencies, of consumer awareness of rights and responsibilities under consumer credit protection laws.

On December 13, the Board of Governors made a further announcement that the Consumer Advisory Council would continue under its present leadership and that eight members whose terms were to expire at the end of 1977 have accepted reappointment.

CREDIT RIGHTS OF CONSUMERS: Inquiry

The Board of Governors on November 16, 1977, approved an inquiry to determine the extent to which consumers are exercising certain rights under the Equal Credit Opportunity and the Fair Credit Billing Acts, and the cost to creditors of compliance with those laws.

The inquiry will attempt to assess the use the public is making of the following rights and also the corresponding costs to creditors:

1. Under the Equal Credit Opportunity Act and the Board's Regulation B:
   —The right to a separate credit history for married persons.
   —Notification by creditors of specific reasons for denial of credit.
2. Under the Fair Credit Billing Act and the Board's Regulation Z;
   —The rights under the provisions establishing a procedure for resolving billing disputes.

The sample will be taken from a representative cross section of creditors that are subject to the two statutes and whose customers represent a cross section of the incomes of credit-card users.

Information received will help the Board and the Congress to assess the effectiveness of these requirements. It will also indicate whether the Board should be given greater latitude with regard to the frequency and timing of notices and to whom they should be sent.

Information will be solicited from four major retailers that extend credit (Sears, J. C. Penney, Federated Department Stores, and Aldens); three bank-card issuers (Bank of America, Maryland National Bank, and First National Bank of Chicago); one travel and entertainment card issuer (American Express); and one oil company card issuer (Shell Oil Company).

The questions to be asked have been examined by several representative creditors. They have told the Board that they regard the questions as being fair and capable of eliciting meaningful responses.

Responses to the inquiry will be open to the public.

TWO NEW BOARD PUBLICATIONS

The *Annual Statistical Digest, 1972–76*, is designed to be a convenient source of economic, and especially financial, data for a broad range of users. Its main function is to provide sufficient historical data for tables in the statistical section of the Federal Reserve BULLETIN in order to reduce drastically the work required to put together consistent and detailed series of statistics for the areas covered. Another function is to provide several special tables that for many years had appeared in the BULLETIN. Data for those tables now appear only in the *Digest*, as do data for certain other series that are no longer available in the BULLETIN.

This issue of the *Digest* generally covers the period 1972–76. Weekly data are shown only for 1976 unless otherwise noted. Domestic nonfinancial series included are those for which the Board of Governors is the primary source.

Copies of the *Digest* are available from Publications Services, Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. The price is $10.00 per copy.

Industrial Production—1976 Edition (304 pages) contains descriptive material; weights; classification; sources of underlying data; and statistical tables showing the total index from 1919 through 1975 and data for component indexes as far back as available. The price is $4.50 per copy; in quantities of 10 or more sent to one address, $4.00 each.

A 9-track, 1600 BPI, standard-label computer tape containing the statistical tables from 1919 until June 1977 is also available for $60.00. Copies of the publication and/or tape may be obtained from Publications Services, Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. Remittances payable to the order of the Board of Governors should accompany all requests.

SYSTEM MEMBERSHIP: Admission of State Banks

The following banks were admitted to membership in the Federal Reserve System during the period November 16, 1977, through December 15, 1977:

Alabama
Brewton .... First Progressive Bank
Missouri
Maryland Heights .... Manchester Bank of West County
Utah
Salt Lake County ..... Heritage Bank & Trust

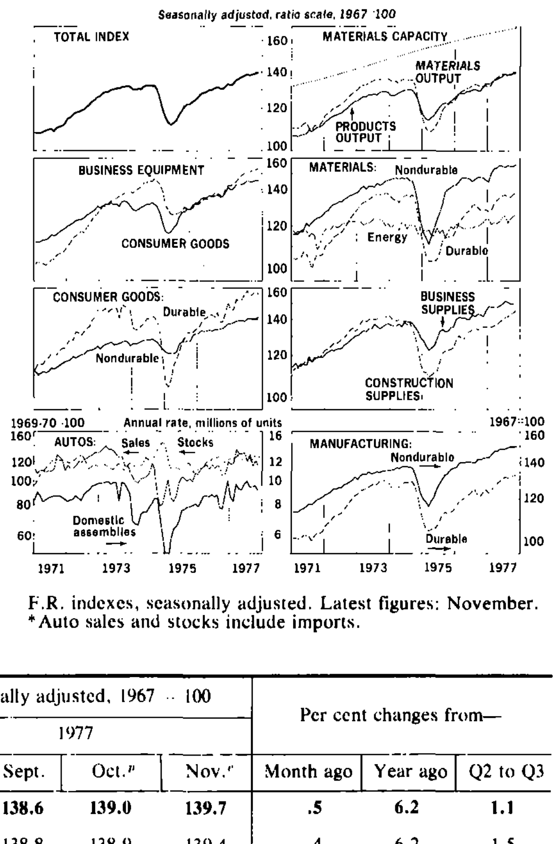
Industrial Production

Released for publication December 14

Industrial production increased by an estimated 0.5 per cent in November to 139.7 per cent of the 1967 average, following gains of 0.3 and 0.4 per cent in October and September, respectively. Increases in output were widespread among nonautomotive products and materials. Industrial production was 6.2 per cent higher in November than a year earlier.

Output of consumer goods declined slightly in November as gains in the output of home goods and nondurable goods failed to offset a decline of more than 4 per cent in auto production, partly because of brief strikes. Assembly schedules for December have been reduced by the industry in response to the slowdown of car sales in November. Output of business equipment increased 0.3 per cent in November—the same as in the preceding month; there were substantial gains in output of both manufacturing and commercial equipment, but production of transit equipment declined. Output of intermediate products increased strongly, with a large gain in production of construction supplies.

Output of both durable goods and nondurable goods materials rose sharply in November, as energy materials increased moderately. Production of basic metals materials rose, but raw steel production declined for the third successive month. Large gains occurred in November in output of chemical materials. Coal production declined slightly, but it remained close to the production index's record high set in October when a December strike seemed likely.



F.R. indexes, seasonally adjusted. Latest figures: November.
*Auto sales and stocks include imports.

Industrial production	Seasonally adjusted, 1967 = 100, 1977: Aug.	Sept.	Oct.[p]	Nov.[e]	Per cent changes from— Month ago	Year ago	Q2 to Q3
Total	**138.1**	**138.6**	**139.0**	**139.7**	**.5**	**6.2**	**1.1**
Products, total	138.4	138.8	138.9	139.4	.4	6.2	1.5
Final products	136.3	136.8	136.9	137.0	.1	6.0	1.4
Consumer goods	144.7	144.9	145.5	145.4	–.1	5.1	1.2
Durable goods	154.7	155.8	157.9	155.9	–1.3	8.5	2.0
Nondurable goods	140.6	140.6	140.5	141.2	.5	3.7	.9
Business equipment	151.1	152.2	152.6	153.0	.3	9.2	1.9
Intermediate products	146.1	146.4	146.8	148.0	.8	6.5	2.0
Construction supplies	141.7	143.3	144.1	145.6	1.0	7.2	2.5
Materials	137.6	138.2	139.1	140.1	.7	6.2	.4

[p] Preliminary. [e] Estimated.

Financial and Business Statistics

CONTENTS

1.10 MONETARY AGGREGATES AND INTEREST RATES

Item	1976	1977			1977				
	Q4	Q1	Q2	Q3	June	July	Aug.	Sept.	Oct.
	Monetary and credit aggregates (annual rates of change, seasonally adjusted in per cent)[12]								
Member bank reserves									
1 Total	4.4	2.7	3.0	9.0	4.8	16.9	9.8	-.5	9.1
2 Required	4.0	3.0	3.5	8.6	6.9	12.5	12.5	-.8	....
3 Nonborrowed	4.8	2.6	1.9	3.4	2.9	14.9	-15.4	14.6	-14.1
Concepts of money [1]									
4 *M*-1	6.5	4.2	8.4	9.3	4.5	18.3	5.9	7.3	12.0
5 *M*-2	12.5	9.9	9.2	10.3	8.1	16.6	6.4	7.9	10.1
6 *M*-3	14.4	11.3	10.0	r12.4	9.8	16.1	r11.5	r12.3	12.4
Time and savings deposits									
Commercial banks:									
7 Total	12.2	12.5	8.3	10.0	13.2	11.0	6.9	7.6	14.6
8 Other than large CD's	17.1	14.0	9.8	r10.9	10.7	15.4	r6.8	r8.6	8.6
9 Thrift institutions [2]	17.3	13.4	11.2	r15.5	12.2	15.5	18.4	r12.3	12.4
10 Total loans and investments at commercial banks [3]	10.8	8.8	11.9	9.4	8.9	9.3	12.3	3.7	13.6

Item	1976	1977			1977				
	Q4	Q1	Q2	Q3	July	Aug.	Sept.	Oct.	Nov.
	Interest rates (levels, per cent per annum)								
Short-term rates									
11 Federal funds [4]	4.88	4.66	5.16	5.82	5.42	5.90	6.14	6.47	6.51
12 Treasury bills (3-month market yield) [5]	4.67	r4.63	4.84	5.50	5.19	5.49	5.81	6.16	6.10
13 Commercial paper (90- to 119-day) [6]	4.91	4.74	5.15	5.74	5.38	5.75	6.09	6.51	6.54
14 Federal Reserve discount [7]	5.39	5.25	5.25	5.42	5.25	5.27	5.75	5.80	6.00
Long-term rates									
Bonds:									
15 U.S. Govt.[8]	7.54	7.62	7.68	7.60	7.60	7.64	7.57	7.71	7.76
16 State and local government [9]	6.18	5.88	5.70	5.59	5.63	5.62	5.51	5.64	5.49
17 Aaa utility (new issue) [10]	8.15	8.17	8.21	8.09	8.14	8.04	8.07	8.23	8.27
18 Conventional mortgages [11]	8.95	8.82	8.95	9.00	9.00	9.00	9.00	9.00	....

1 *M*-1 equals currency plus private demand deposits adjusted.
M-2 equals *M*-1 plus bank time and savings deposits other than large negotiable certificates of deposit (CD's).
M-3 equals *M*-2 plus deposits at mutual savings banks, savings and loan associations, and credit union shares.
2 Savings and loan associations, mutual savings banks, and credit unions.
3 Quarterly changes calculated from figures shown in Table 1.23.
4 Seven-day averages of daily effective rates (average of the rates on a given date weighted by the volume of transactions at those rates).
5 Quoted on a bank-discount rate basis.
6 Most representative offering rate quoted by five dealers.
7 Rate for the Federal Reserve Bank of New York.
8 Market yields adjusted to a 20-year maturity by the U.S. Treasury.
9 *Bond Buyer* series for 20 issues of mixed quality.
10 Weighted averages of new publicly offered bonds rated Aaa, Aa, and A by Moody's Investors Service and adjusted to an Aaa basis. Federal Reserve compilations.
11 Average rates on new commitments for conventional first mortgages on new homes in primary markets, unweighted and rounded to nearest 5 basis points, from Dept. of Housing and Urban Development.
12 Unless otherwise noted, rates of change are calculated from average amounts outstanding in preceding month or quarter.

1.11 FACTORS AFFECTING MEMBER BANK RESERVES

Millions of dollars

Factors	Monthly averages of daily figures			Weekly averages of daily figures for weeks ending—						
	1977			1977						
	Sept.	Oct.	Nov.p	Oct. 19	Oct. 26	Nov. 2	Nov. 9	Nov. 16	Nov. 23p	Nov. 30p
SUPPLYING RESERVE FUNDS										
1 **Reserve Bank credit outstanding**	**112,171**	**113,279**	**110,707**	**112,319**	**112,779**	**112,993**	**109,497**	**110,374**	**111,133**	**111,475**
2 *U.S. Govt. securities*[1]	*97,618*	*98,037*	*95,421*	*96,402*	*98,047*	*96,725*	*95,196*	*94,919*	*95,565*	*95,825*
3 Bought outright	96,427	97,395	95,170	96,402	97,862	95,861	95,196	94,919	95,414	95,382
4 Held under repurchase agreement	1,191	642	251	....	185	864	....	....	151	443
5 *Federal agency securities*	*7,419*	*7,389*	*7,355*	*7,329*	*7,358*	*7,394*	*7,329*	*7,329*	*7,351*	*7,370*
6 Bought outright	7,338	7,329	7,329	7,329	7,329	7,329	7,329	7,329	7,329	7,329
7 Held under repurchase agreement	81	60	26	....	29	65	....	....	22	41
8 Acceptances	109	91	42	4	34	154	....	....	26	61
9 Loans	634	1,319	839	1,861	1,444	1,113	887	534	881	1,073
10 Float	3,634	3,972	4,718	4,397	3,480	5,115	3,617	5,085	5,300	4,909
11 Other Federal Reserve assets	2,757	2,471	2,332	2,327	2,416	2,492	2,466	2,507	2,009	2,237
12 Gold stock	11,595	11,595	11,595	11,595	11,595	11,595	11,595	11,595	11,595	11,595
13 Special Drawing Rights certificate account	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
14 Treasury currency outstanding	11,228	11,272	11,313	11,271	11,284	11,289	11,301	11,307	11,322	11,327
ABSORBING RESERVE FUNDS										
15 Currency in circulation	98,180	98,868	100,741	99,194	98,856	99,006	99,886	100,883	101,034	101,492
16 Treasury cash holdings	436	429	415	432	426	419	418	418	410	450
Deposits, other than member bank reserves with F.R. Banks:										
17 Treasury	6,956	6,618	2,399	4,704	5,985	6,176	2,929	1,790	1,757	2,112
18 Foreign	368	298	301	327	287	282	289	329	286	313
19 Other[2]	668	699	597	617	656	626	571	575	518	713
20 Other F.R. liabilities and capital	3,434	3,501	3,522	3,426	3,623	3,639	3,201	3,517	3,658	3,721
21 Member bank reserves with F.R. Banks	26,152	26,933	26,840	27,686	27,026	26,929	26,301	26,963	27,588	26,797

	End-of-month figures			Wednesday figures						
	1977			1977						
	Sept.	Oct.	Nov.p	Oct. 19	Oct. 26	Nov. 2	Nov. 9	Nov. 16	Nov. 23p	Nov. 30p
SUPPLYING RESERVE FUNDS										
22 **Reserve Bank credit outstanding**	**118,845**	**109,358**	**111,889**	**112,005**	**114,562**	**111,722**	**107,477**	**107,548**	**115,317**	**111,889**
23 *U.S. Govt. securities*[1]	*104,715*	*94,597*	*96,477*	*94,278*	*99,362*	*96,006*	*91,671*	*89,945*	*97,687*	*96,477*
24 Bought outright	102,405	94,597	94,438	94,278	98,068	94,337	91,671	89,945	96,627	94,438
25 Held under repurchase agreement	2,310	....	2,039	....	1,294	1,669	....	....	1,060	2,039
26 *Federal agency securities*	*7,639*	*7,329*	*7,460*	*7,329*	*7,529*	*7,508*	*7,329*	*7,329*	*7,484*	*7,460*
27 Bought outright	7,329	7,329	7,329	7,329	7,329	7,329	7,329	7,329	7,329	7,329
28 Held under repurchase agreement	310	....	131	....	200	179	....	....	155	131
29 Acceptances	482	....	248	4	222	340	....	....	182	248
30 Loans	1,069	923	925	3,550	1,183	704	585	369	2,966	925
31 Float	2,067	3,945	4,660	4,539	3,717	4,679	5,378	7,856	4,933	4,660
32 Other Federal Reserve assets	2,873	2,564	2,119	2,305	2,549	2,485	2,514	2,049	2,065	2,119
33 Gold stock	11,595	11,595	11,595	11,595	11,595	11,595	11,595	11,595	11,595	11,595
34 Special Drawing Rights certificate account	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
35 Treasury currency outstanding	11,206	11,244	11,327	11,273	11,288	11,291	11,305	11,319	11,327	11,327
ABSORBING RESERVE FUNDS										
36 Currency in circulation	97,823	98,900	101,817	99,259	99,133	99,548	100,795	101,170	101,489	101,817
37 Treasury cash holdings	434	413	450	430	425	420	421	416	409	450
Deposits, other than member bank reserves with F.R. Banks:										
38 Treasury	15,740	6,398	2,562	5,215	6,375	5,690	2,132	1,199	2,018	2,562
39 Foreign	382	425	416	243	344	280	314	268	269	416
40 Other[2]	853	715	719	562	708	583	714	494	599	719
41 Other F.R. liabilities and capital	3,659	3,704	3,675	3,466	3,637	3,227	3,422	3,776	3,794	3,675
42 Member bank reserves with F.R. Banks	23,953	22,841	26,372	26,898	28,023	26,060	23,780	24,339	30,861	26,372

1 *Includes* securities loaned—fully guaranteed by U.S. Govt. securities pledged with F.R. Banks—and *excludes* (if any) securities sold and scheduled to be bought back under matched sale-purchase transactions.

2 Includes certain deposits of foreign-owned banking institutions voluntarily held with member banks and redeposited in full with Federal Reserve Banks.

NOTE.—For amounts of currency and coin held as reserves, see Table 1.12.

1.12 RESERVES AND BORROWINGS Member Banks

Millions of dollars

	Reserve classification	Monthly averages of daily figures									
		1976	1977								
		Dec.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.[p]
	All member banks										
	Reserves:										
1	At F.R. Banks	26,430	25,849	26,096	25,970	25,646	26,663	26,373	26,152	26,933	26,860
2	Currency and coin	8,548	8,134	8,368	8,610	8,609	8,622	8,712	8,887	8,820	8,935
3	*Total held*[1]	*35,136*	*34,135*	*34,613*	*34,732*	*34,406*	*35,391*	*35,186*	*35,156*	*35,860*	*35,839*
4	Required	34,964	33,870	34,602	34,460	34,293	35,043	34,987	34,965	35,521	35,646
5	Excess[1]	172	265	11	272	113	348	199	191	339	193
	Borrowings at F.R. Banks:[2]										
6	Total	62	110	73	200	262	336	1,071	634	1,319	839
7	Seasonal	12	13	14	31	55	60	101	112	114	82
	Large banks in New York City										
8	*Reserves held*	*6,520*	*6,331*	*6,264*	*6,310*	*6,241*	*6,359*	*6,272*	*6,025*	*6,175*	*6,046*
9	Required	6,602	6,259	6,351	6,279	6,188	6,342	6,247	6,022	6,120	6,171
10	Excess	−82	72	−87	31	53	17	25	3	55	−125
11	Borrowings[2]	15	44	16	18	36	74	157	75	133	131
	Large banks in Chicago										
12	*Reserves held*	*1,632*	*1,610*	*1,629*	*1,637*	*1,662*	*1,573*	*1,653*	*1,655*	*1,666*	*1,554*
13	Required	1,641	1,611	1,634	1,634	1,627	1,606	1,622	1,634	1,656	1,609
14	Excess	−9	−1	−5	3	35	−33	31	21	10	−55
15	Borrowings[2]	4	3	*	4	15	6	5	12	24	23
	Other large banks										
16	*Reserves held*	*13,117*	*12,779*	*13,090*	*13,067*	*12,869*	*13,438*	*13,290*	*13,362*	*13,711*	*13,428*
17	Required	13,053	12,705	13,110	12,996	12,943	13,286	13,270	13,355	13,598	13,603
18	Excess	64	74	−20	71	−74	152	20	7	113	−175
19	Borrowings[2]	14	29	23	62	80	79	530	183	681	356
	All other banks										
20	*Reserves held*	*13,867*	*13,415*	*13,630*	*13,718*	*13,634*	*14,021*	*13,971*	*14,114*	*14,308*	*14,356*
21	Required	13,668	13,295	13,507	13,551	13,535	13,809	13,848	13,954	14,147	14,263
22	Excess	199	120	123	167	99	212	123	160	161	93
23	Borrowings[2]	29	34	34	116	131	177	379	364	481	329

	Reserve classification	Weekly averages of daily figures for weeks ending—									
		1977									
		Sept. 28	Oct. 5	Oct. 12	Oct. 19	Oct. 26	Nov. 2	Nov. 9	Nov. 16	Nov. 23[p]	Nov. 30[p]
	All member banks										
	Reserves:										
24	At F.R. Banks	26,349	27,002	25,471	27,686	27,026	26,929	26,301	26,963	27,588	26,797
25	Currency and coin	9,120	8,990	9,201	8,615	8,406	8,983	9,182	9,191	8,259	9,093
26	*Total held*[1]	*35,614*	*36,218*	*34,798*	*36,369*	*35,502*	*35,981*	*35,551*	*36,221*	*35,909*	*35,952*
27	Required	35,382	35,817	34,629	36,285	35,300	35,716	35,396	35,804	35,858	35,495
28	Excess[1]	232	401	169	84	202	265	155	417	51	457
	Borrowings at F.R. Banks:[2]										
29	Total	718	883	1,051	1,861	1,444	1,113	887	534	881	1,073
30	Seasonal	115	117	113	114	116	103	87	83	84	74
	Large banks in New York City										
31	*Reserves held*	*6,096*	*6,325*	*5,768*	*6,652*	*5,757*	*6,220*	*6,260*	*6,335*	*6,071*	*5,941*
32	Required	6,028	6,280	5,839	6,592	5,777	6,175	6,214	6,314	6,323	5,834
33	Excess	68	45	−71	60	−20	45	46	21	−252	107
34	Borrowings[2]	....	159	....	285	200	....	....	60	252	252
	Large banks in Chicago										
35	*Reserves held*	*1,594*	*1,663*	*1,651*	*1,727*	*1,657*	*1,669*	*1,611*	*1,675*	*1,408*	*1,571*
36	Required	1,597	1,642	1,597	1,745	1,643	1,648	1,624	1,638	1,594	1,570
37	Excess	−3	21	54	−18	14	21	−13	37	−186	1
38	Borrowings[2]	15	15	13	56	15	17	14	13	34	31
	Other large banks										
39	*Reserves held*	*13,571*	*13,832*	*13,265*	*13,814*	*13,670*	*13,668*	*13,459*	*13,823*	*13,306*	*13,828*
40	Required	13,532	13,676	13,288	13,866	13,582	13,601	13,478	13,689	13,603	13,638
41	Excess	39	156	−23	−52	88	67	−19	134	−297	190
42	Borrowings[2]	293	307	661	1,039	586	631	560	168	304	385
	All other banks										
43	*Reserves held*	*14,353*	*14,398*	*14,114*	*14,176*	*14,418*	*14,424*	*14,221*	*14,388*	*14,391*	*14,553*
44	Required	14,225	14,219	13,905	14,082	14,298	14,292	14,080	14,163	14,338	14,453
45	Excess	128	179	209	94	120	132	141	225	53	100
46	Borrowings[2]	410	402	377	481	643	465	313	293	291	405

1 Adjusted to include waivers of penalties for reserve deficiencies in accordance with Board policy, effective Nov. 19, 1975, of permitting transitional relief on a graduated basis over a 24-month period when a nonmember bank merges into an existing member bank, or when a nonmember bank joins the Federal Reserve System. For weeks for which figures are preliminary, figures by class of bank do not add to total because adjusted data by class are not available.

2 Based on closing figures.

1.13 FEDERAL FUNDS TRANSACTIONS of Money Market Banks

Millions of dollars, except as noted

	Type	Oct. 5	Oct. 12	Oct. 19	Oct. 26	Nov. 2	Nov. 9	Nov. 16	Nov. 23	Nov. 30
		1977, week ending Wednesday—								
		Total, 46 banks								
	Basic reserve position									
1	Excess reserves[1]	191	111	−16	38	133	64	131	−14	209
	LESS:									
2	Borrowings at F.R. Banks	202	138	795	345	281	363	48	415	422
3	Net interbank Federal funds transactions	15,361	20,620	18,666	16,378	16,416	20,929	20,061	17,766	16,212
	EQUALS: Net surplus, or deficit (−):									
4	Amount	−15,373	−20,647	−19,477	−16,684	−16,564	−21,228	−19,978	−18,195	−16,425
5	*Per cent of average required reserves*	*100.6*	*141.5*	*122.9*	*113.2*	*109.1*	*140.2*	*129.8*	*119.6*	*110.9*
	Interbank Federal funds transactions									
	Gross transactions:									
6	Purchases	23,847	27,466	24,945	22,681	22,719	28,083	27,820	25,552	24,445
7	Sales	8,486	r6,846	6,279	6,304	6,304	7,155	7,760	7,786	8,233
8	Two-way transactions[2]	5,159	4,820	4,937	5,373	5,376	6,006	6,422	5,358	5,836
	Net transactions:									
9	Purchases of net buying banks	18,688	22,646	20,008	17,309	17,344	22,077	21,398	20,194	18,609
10	Sales of net selling banks	3,327	2,026	1,342	931	928	1,149	1,337	2,428	2,397
	Related transactions with U.S. Govt. securities dealers									
11	Loans to dealers[3]	3,409	5,475	4,498	3,049	3,355	4,248	4,431	3,795	4,019
12	Borrowing from dealers[4]	2,503	2,384	2,133	1,762	2,359	1,648	1,519	1,864	1,758
13	Net loans	906	3,091	2,365	1,287	996	2,601	2,912	1,931	2,261
		8 banks in New York City								
	Basic reserve position									
14	Excess reserves[1]	68	−32	42	4	50	72	60	−9	91
	LESS:									
15	Borrowings at F.R. Banks	159	....	285	200	....	....	10	252	252
16	Net interbank Federal funds transactions	6,608	8,494	6,173	5,195	5,061	7,566	7,391	7,185	6,004
	EQUALS: Net surplus, or deficit (−):									
17	Amount	−6,699	−8,525	−6,416	−5,391	−5,011	−7,494	−7,340	−7,447	−6,165
18	*Per cent of average required reserves*	*117.4*	*160.5*	*106.6*	*103.4*	*89.3*	*132.2*	*127.5*	*130.3*	*115.5*
	Interbank Federal funds transactions									
	Gross transactions:									
19	Purchases	7,187	8,984	7,203	6,271	5,645	8,536	8,235	7,874	6,806
20	Sales	579	490	1,030	1,076	584	970	844	689	803
21	Two-way transactions[2]	579	490	991	1,076	584	970	844	689	803
	Net transactions:									
22	Purchases of net buying banks	6,608	8,494	6,212	5,195	5,061	7,566	7,391	7,185	6,004
23	Sales of net selling banks	....	....	39	....	....	....	....	....	....
	Related transactions with U.S. Govt. securities dealers									
24	Loans to dealers[3]	1,842	3,357	2,595	1,819	1,718	2,558	2,734	2,167	1,978
25	Borrowing from dealers[4]	1,298	1,246	1,181	1,004	1,016	1,173	1,103	1,087	1,076
26	Net loans	545	2,111	1,413	815	702	1,385	1,631	1,080	902
		38 banks outside New York City								
	Basic reserve position									
27	Excess reserves[1]	122	143	−58	34	83	−8	71	−5	119
	LESS:									
28	Borrowings at F.R. Banks	44	138	510	145	281	363	38	162	169
29	Net interbank Federal funds transactions	8,753	12,126	12,493	11,182	11,355	13,363	12,670	10,581	10,209
	EQUALS: Net surplus, or deficit (−):									
30	Amount	−8,675	−12,122	−13,061	−11,294	−11,554	−13,734	−12,638	−10,748	−10,259
31	*Per cent of average required reserves*	*90.6*	*130.6*	*132.9*	*118.6*	*120.7*	*145.0*	*131.2*	*113.2*	*108.2*
	Interbank Federal funds transactions									
	Gross transactions:									
32	Purchases	16,660	18,483	17,742	16,410	17,075	19,548	19,586	17,678	17,639
33	Sales	7,907	6,356	5,249	5,228	5,720	6,185	6,916	7,097	7,431
34	Two-way transactions[2]	4,580	4,330	3,946	4,297	4,792	5,036	5,578	4,669	5,033
	Net transactions:									
35	Purchases of net buying banks	12,080	14,152	13,796	12,113	12,283	14,511	14,008	13,009	12,606
36	Sales of net selling banks	3,327	2,026	1,303	931	928	1,149	1,337	2,428	2,397
	Related transactions with U.S. Govt. securities dealers									
37	Loans to dealers[3]	1,567	2,118	1,903	1,230	1,637	1,690	1,697	1,628	2,041
38	Borrowing from dealers[4]	1,206	1,137	952	758	1,343	474	416	776	682
39	Net loans	361	981	952	472	294	1,216	1,282	852	1,359

For notes see end of table.

1.13 Continued

	Type	Oct. 5	Oct. 12	Oct. 19	Oct. 26	Nov. 2	Nov. 9	Nov. 16	Nov. 23	Nov. 30
		1977, week ending Wednesday—								
		5 banks in City of Chicago								
	Basic reserve position									
40	Excess reserves[1]	18	82	−12	16	23	−3	38	−1	16
	Less:									
41	Borrowings at F.R. Banks	....	....	40	....	3	....	....	20	20
42	Net interbank Federal funds transactions	5,288	6,391	6,446	5,524	5,570	6,777	6,159	5,757	5,968
	Equals: Net surplus, or deficit (−):									
43	Amount	−5,270	−6,309	−6,498	−5,508	−5,550	−6,780	−6,120	−5,777	−5,972
44	*Per cent of average required reserves*	*343.6*	*423.6*	*397.5*	*358.6*	*360.2*	*447.2*	*400.4*	*389.0*	*408.7*
	Interbank Federal funds transactions									
	Gross transactions:									
45	Purchases	6,310	7,275	7,229	6,537	6,875	7,756	7,783	7,144	7,381
46	Sales	1,023	884	783	1,014	1,305	979	1,624	1,387	1,413
47	Two-way transactions[2]	1,023	879	770	1,014	1,280	979	1,607	1,349	1,409
	Net transactions:									
48	Purchases of net buying banks	5,287	6,396	r6,459	5,524	5,595	6,777	6,176	5,795	5,972
49	Sales of net selling banks	....	5	12	....	25	....	17	38	3
	Related transactions with U.S. Govt. securities dealers									
50	Loans to dealers[3]	254	491	372	195	378	312	283	268	357
51	Borrowing from dealers[4]	241	269	128	171	288	....	13	104	114
52	Net loans	13	222	243	24	90	312	270	164	243
		33 other banks								
	Basic reserve position									
53	Excess reserves[1]	105	60	−46	18	60	−5	33	−4	103
	Less:									
54	Borrowings at F.R. Banks	44	138	470	145	278	363	38	142	149
55	Net interbank Federal funds transactions	3,466	5,735	6,047	5,659	5,785	6,586	6,512	4,825	4,241
	Equals: Net surplus, or deficit (−):									
56	Amount	−3,405	−5,813	−6,563	−5,786	−6,004	−6,954	−6,517	−4,971	−4,287
57	*Per cent of average required reserves*	*42.3*	*74.6*	*80.1*	*72.5*	*74.8*	*87.4*	*80.4*	*62.1*	*53.5*
	Interbank Federal funds transactions									
	Gross transactions:									
58	Purchases	10,350	11,208	10,513	9,873	10,200	11,791	11,803	10,534	10,258
59	Sales	6,884	5,472	4,466	4,214	4,415	5,206	5,292	5,710	6,018
60	Two-way transactions[2]	3,557	3,452	3,176	3,283	3,512	4,057	3,971	3,320	3,624
	Net transactions:									
61	Purchases of net buying banks	6,793	7,756	7,337	6,590	6,688	7,734	7,832	7,215	6,634
62	Sales of net selling banks	3,327	2,021	1,291	931	903	1,149	1,320	2,390	2,393
	Related transactions with U.S. Govt. securities dealers									
63	Loans to dealers[3]	1,313	1,627	1,532	1,035	1,259	1,378	1,415	1,360	1,684
64	Borrowing from dealers[4]	965	869	823	587	1,055	474	403	672	568
65	Net loans	348	759	709	448	204	904	1,012	688	1,116

1 Based on reserve balances, including adjustments to include waivers of penalties for reserve deficiencies in accordance with changes in policy of the Board of Governors effective Nov. 19, 1975.

2 Derived from averages for individual banks for entire week. Figure for each bank indicates extent to which the bank's average purchases and sales are offsetting.

3 Federal funds loaned, net funds supplied to each dealer by clearing banks, repurchase agreements (purchases from dealers subject to resale), or other lending arrangements.

4 Federal funds borrowed, net funds acquired from each dealer by clearing banks, reverse repurchase agreements (sales of securities to dealers subject to repurchase), resale agreements, and borrowings secured by U.S. Govt. or other securities.

Note.—Weekly averages of daily figures. For description of series, see August 1964 Bulletin, pp. 944–53. Back data for 46 banks appear in the Board's *Annual Statistical Digest, 1971–1975*, Table 3.

1.14 FEDERAL RESERVE BANK INTEREST RATES

Per cent per annum

Current and previous levels

Federal Reserve Bank	Loans to member banks—									Loans to all others under Sec. 13, last par.[4]		
	Under Secs. 13 and 13a[1]			Under Sec. 10(b)[2]								
				Regular rate			Special rate[3]					
	Rate on 11/30/77	Effective date	Previous rate	Rate on 11/30/77	Effective date	Previous rate	Rate on 11/30/77	Effective date	Previous rate	Rate on 11/30/77	Effective date	Previous rate
Boston	6	10/26/77	5¾	6½	10/26/77	6¼	7	10/26/77	6¾	9	10/26/77	8¾
New York	6	10/26/77	5¾	6½	10/26/77	6¼	7	10/26/77	6¾	9	10/26/77	8¾
Philadelphia	6	10/26/77	5¾	6½	10/26/77	6¼	7	10/26/77	6¾	9	10/26/77	8¾
Cleveland	6	10/26/77	5¾	6½	10/26/77	6¼	7	10/26/77	6¾	9	10/26/77	8¾
Richmond	6	10/26/77	5¾	6½	10/26/77	6¼	7	10/26/77	6¾	9	10/26/77	8¾
Atlanta	6	10/26/77	5¾	6½	10/26/77	6¼	7	10/26/77	6¾	9	10/26/77	8¾
Chicago	6	10/26/77	5¾	6½	10/26/77	6¼	7	10/26/77	6¾	9	10/26/77	8¾
St. Louis	6	10/26/77	5¾	6½	10/26/77	6¼	7	10/26/77	6¾	9	10/26/77	8¾
Minneapolis	6	10/26/77	5¾	6½	10/26/77	6¼	7	10/26/77	6¾	9	10/26/77	8¾
Kansas City	6	10/26/77	5¾	6½	10/26/77	6¼	7	10/26/77	6¾	9	10/26/77	8¾
Dallas	6	10/26/77	5¾	6½	10/26/77	6¼	7	10/26/77	6¾	9	10/26/77	8¾
San Francisco	6	10/26/77	5¾	6½	10/26/77	6¼	7	10/26/77	6¾	9	10/26/77	8¾

Range of rates in recent years[5]

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1970	5½	5½
1971—Jan. 8	5¼-5½	5¼
15	5¼	5¼
19	5 -5¼	5¼
22	5 -5¼	5
29	5	5
Feb. 13	4¾-5	5
19	4¾	4¾
July 16	4¾-5	5
23	5	5
Nov. 11	4¾-5	5
19	4¾	4¾
Dec. 13	4½-4¾	4¾
17	4½-4¾	4½
24	4½	4½

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1973—Jan. 15	5	5
Feb. 26	5-5½	5½
Mar. 2	5½	5½
Apr. 23	5½-5¾	5½
May 4	5¾	5¾
11	5¾-6	6
18	6	6
June 11	6-6½	6½
15	6½	6½
July 2	7	7
Aug. 14	7-7½	7½
23	7½	7½
1974—Apr. 25	7½-8	8
30	8	8
Dec. 9	7¾-8	7¾
16	7¾	7¾

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1975—Jan. 6	7¼-7¾	7¾
10	7¼-7¾	7¼
24	7¼	7¼
Feb. 5	6¾-7¼	6¾
7	6¾	6¾
Mar. 10	6¼-6¾	6¼
14	6¼	6¼
May 16	6-6¼	6
23	6	6
1976—Jan. 19	5½-6	5½
23	5½	5½
Nov. 22	5¼-5½	5¼
26	5¼	5¼
1977—Aug. 30	5¼-5¾	5¼
31	5¼-5¾	5¾
Sept. 2	5¾	5¾
Oct. 26	6	6
In effect Nov. 30, 1977	6	6

1 Discounts of eligible paper and advances secured by such paper or by U.S. Govt. obligations or any other obligations eligible for F.R. Bank purchase.

2 Advances secured to the satisfaction of the F.R. Bank. Advances secured by mortgages on 1- to 4-family residential property are made at the Section 13 rate.

3 Applicable to special advances described in Section 201.2(e)(2) of Regulation A.

4 Advances to individuals, partnerships, or corporations other than member banks secured by direct obligations of, or obligations fully guaranteed as to principal and interest by, the U.S. Govt. or any agency thereof.

5 Rates under Secs. 13 and 13a (as described above). For description and earlier data, see the following publications of the Board of Governors: *Banking and Monetary Statistics, 1914–1941*, *Banking and Monetary Statistics, 1941–1970*, and *Annual Statistical Digest, 1971–75*.

1.15 MEMBER BANK RESERVE REQUIREMENTS[1]

Per cent of deposits

Type of deposit, and deposit interval in millions of dollars	Requirements in effect Nov. 30, 1977		Previous requirements	
	Per cent	Effective date	Per cent	Effective date
Net demand:[2]				
0–2	7	12/30/76	7½	2/13/75
2–10	9½	12/30/76	10	2/13/75
10–100	11¾	12/30/76	12	2/13/75
100–400	12¾	12/30/76	13	2/13/75
Over 400	16¼	12/30/76	16½	2/13/75
Time:[2,3]				
Savings	3	3/16/67	3½	3/2/67
Other time:				
0–5, maturing in—				
30–179 days	3	3/16/67	3½	3/2/67
180 days to 4 years	[4] 2½	1/8/76	3	3/16/67
4 years or more	[4] 1	10/30/75	3	3/16/67
Over 5, maturing in—				
30–179 days	6	12/12/74	5	10/1/70
180 days to 4 years	[4] 2½	1/8/76	3	12/12/74
4 years or more	[4] 1	10/30/75	3	12/12/74

	Legal limits, Nov. 30, 1977	
	Minimum	Maximum
Net demand:		
Reserve city banks	10	22
Other banks	7	14
Time	3	10

1 For changes in reserve requirements beginning 1963, see Board's *Annual Statistical Digest, 1971–1975* and for prior changes, see Board's *Annual Report* for 1976, Table 13.

2 (a) Requirement schedules are graduated, and each deposit interval applies to that part of the deposits of each bank. Demand deposits subject to reserve requirements are gross demand deposits minus cash items in process of collection and demand balances due from domestic banks.

(b) The Federal Reserve Act specifies different ranges of requirements for reserve city banks and for other banks. Reserve cities are designated under a criterion adopted effective Nov. 9, 1972, by which a bank having net demand deposits of more than $400 million is considered to have the character of business of a reserve city bank. The presence of the head office of such a bank constitutes designation of that place as a reserve city. Cities in which there are F.R. Banks or branches are also reserve cities. Any banks having net demand deposits of $400 million or less are considered to have the character of business of banks outside of reserve cities and are permitted to maintain reserves at ratios set for banks not in reserve cities. For details, see the Board's Regulation D.

(c) The Board's Regulation M requires a 4 per cent reserve against net balances due from domestic banks to their foreign branches and to foreign banks abroad. Effective Dec. 1, 1977, a 1 per cent reserve is required against deposits that foreign branches of U.S. banks use for lending to U.S. residents. Loans aggregating $100,000 or less to any U.S. resident are excluded from computations, as are total loans of a bank to U.S. residents if not exceeding $1 million. Regulation D imposes a similar reserve requirement on borrowings from foreign banks by domestic offices of a member bank.

3 Negotiable orders of withdrawal (NOW) accounts and time deposits such as Christmas and vacation club accounts are subject to the same requirements as savings deposits.

4 The average of reserves on savings and other time deposits must be at least 3 per cent, the minimum specified by law.

NOTE.—Required reserves must be held in the form of deposits with F.R. Banks or vault cash.

1.16 MAXIMUM INTEREST RATES PAYABLE on Time and Savings Deposits at Federally Insured Institutions

Per cent per annum

Type and maturity of deposit	Commercial banks				Savings and loan associations and mutual savings banks			
	In effect Sept. 30, 1977		Previous maximum		In effect Sept. 30, 1977		Previous maximum	
	Per cent	Effective date	Per cent	Effective date	Per cent	Effective date	Per cent	Effective date
1 Savings	5	7/1/73	4½	1/21/70	5¼	(6)	5	(7)
2 Negotiable order of withdrawal (NOW) accounts[1]	5	1/1/74	....	....	5	1/1/74	....	....
Time (multiple- and single-maturity unless otherwise indicated):[2]								
30–89 days:								
3 Multiple-maturity	5	7/1/73	4½	1/21/70	(8)	....	(8)	....
4 Single-maturity			5	9/26/66				
90 days to 1 year:								
5 Multiple-maturity	5½	7/1/73	5	7/20/66	[3] 5¾	(6)	5¼	1/21/70
6 Single-maturity				9/26/66				
7 1 to 2 years[3]	6	7/1/73	5½	1/21/70	6½	(6)	5¾	1/21/70
8 2 to 2½ years[3]			5¾	1/21/70			6	1/21/70
9 2½ to 4 years[3]	6½	7/1/73	5¾	1/21/70	6¾	(6)	6	1/21/70
10 4 to 6 years[4]	7¼	11/1/73	(9)	....	7½	11/1/73	(9)	....
11 6 years or more[4]	7½	12/23/74	7¼	11/1/73	7¾	12/23/74	7½	11/1/73
12 Governmental units (all maturities)	7¾	12/23/74	7½	11/27/74	7¾	12/23/74	7½	11/27/74
13 Individual retirement accounts and Keogh (H.R. 10) plans[5]	7¾	7/6/77	(8)	....	7¾	7/6/77	(8)	....

1 For authorized States only. Federally insured commercial banks, savings and loan associations, cooperative banks, and mutual savings banks were first permitted to offer NOW accounts on Jan. 1, 1974. Authorization to issue NOW accounts was extended to similar institutions throughout New England on Feb. 27, 1976.

2 For exceptions with respect to certain foreign time deposits see the Federal Reserve BULLETIN for October 1962 (p. 1279), August 1965 (p. 1094), and February 1968 (p. 167).

3 A minimum of $1,000 is required for savings and loan associations, except in areas where mutual savings banks permit lower minimum denominations. This restriction was removed for deposits maturing in less than 1 year, effective Nov. 1, 1973.

4 $1,000 minimum except for deposits representing funds contributed to an Individual Retirement Account (IRA) or a Keogh (H.R. 10) Plan established pursuant to the Internal Revenue Code. The $1,000 minimum requirement was removed for such accounts in December 1975 and November 1976, respectively.

5 3-year minimum maturity.

6 July 1, 1973, for mutual savings banks; July 6, 1973, for savings and loan associations.

7 Oct. 1, 1966, for mutual savings banks; Jan. 21, 1970, for savings and loan associations.

8 No separate account category.

9 Between July 1, 1973, and Oct. 31, 1973, there was no ceiling for certificates maturing in 4 years or more with minimum denominations of $1,000; however, the amount of such certificates that an institution could issue was limited to 5 per cent of its total time and savings deposits. Sales in excess of that amount, as well as certificates of less than $1,000, were limited to the 6½ per cent ceiling on time deposits maturing in 2½ years or more.

Effective Nov. 1, 1973, the present ceilings were imposed on certificates maturing in 4 years or more with minimum denominations of $1,000. There is no limitation on the amount of these certificates that banks can issue.

NOTE—Maximum rates that can be paid by Federally insured commercial banks, mutual savings banks, and savings and loan associations are established by the Board of Governors of the Federal Reserve System, the Board of Directors of the Federal Deposit Insurance Corporation, and the Federal Home Loan Bank Board under the provisions of 12 CFR 217, 329, and 526, respectively. The maximum rates on time deposits in denominations of $100,000 or more were suspended in mid-1973. For information regarding previous interest rate ceilings on all types of accounts, see earlier issues of the Federal Reserve BULLETIN, the Federal Home Loan Bank Board *Journal*, and the *Annual Report* of the Federal Deposit Insurance Corporation.

1.161 MARGIN REQUIREMENTS

Per cent of market value; effective dates shown.

Type of security on sale	Mar. 11, 1968	June 8, 1968	May 6, 1970	Dec. 6, 1971	Nov. 24, 1972	Jan. 3, 1974
1 Margin stocks	70	80	65	55	65	50
2 Convertible bonds	50	60	50	50	50	50
3 Short sales	70	80	65	55	65	50

NOTE.—Regulations G, T, and U of the Federal Reserve Board of Governors, prescribed in accordance with the Securities Exchange Act of 1934, limit the amount of credit to purchase and carry margin stocks that may be extended on securities as collateral by prescribing a maximum loan value, which is a specified percentage of the market value of the collateral at the time the credit is extended. Margin requirements are the difference between the market value (100 per cent) and the maximum loan value. The term "margin stocks" is defined in the corresponding regulation.

Regulation G and special margin requirements for bonds convertible into stocks were adopted by the Board of Governors effective Mar. 11, 1968.

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS

Millions of dollars

	Type of transaction	1974	1975	1976	1977 Apr.	May	June	July	Aug.	Sept.	Oct.
	U.S. GOVT. SECURITIES										
	Outright transactions (excl. matched sale-purchase transactions)										
	Treasury bills:										
1	Gross purchases	11,660	11,562	14,343	1,671	681	2,696	118	812	2,005	....
2	Gross sales	5,830	5,599	8,462	260	489	1,154	753	176	303	1,877
3	Redemptions	4,550	[2]6,431	[2]5,017	19	400	600	500	....	317	....
	Others within 1 year:[1]										
4	Gross purchases	450	3,886	472	20	....	89	....	....	2,616	....
5	Gross sales	....	....	....	....	....	....	....	....	....	....
6	Exchange, or maturity shift	−1,183	−4	792	374	−1,209	478	238	2,321	320	−45
7	Redemptions	131	3,549	....	....	....	....	....	....	....	2,500
	1 to 5 years:										
8	Gross purchases	797	[2]3,284	[2]3,202	327	....	200	....	....	681	....
9	Gross sales	....	....	177	....	....	....	....	....	....	....
10	Exchange, or maturity shift	−697	3,854	−2,588	−374	−865	−478	−238	−1,664	−320	45
	5 to 10 years:										
11	Gross purchases	434	1,510	1,048	104	....	68	....	....	96	....
12	Gross sales	....	....	....	....	....	....	....	....	....	....
13	Exchange, or maturity shift	1,675	−4,697	1,572	....	1,174	....	....	−782	....	....
	Over 10 years:										
14	Gross purchases	196	1,070	642	38	....	114	....	....	128	....
15	Gross sales	....	....	....	....	....	....	....	....	....	....
16	Exchange, or maturity shift	205	848	225	....	900	....	....	125	....	....
	All maturities:[1]										
17	Gross purchases	13,537	[2]21,313	[2]19,707	2,160	681	3,167	118	812	5,526	....
18	Gross sales	5,830	5,599	8,639	260	489	1,154	753	176	303	1,877
19	Redemptions	4,682	[2]9,980	[2]5,017	19	400	600	500	....	317	2,500
	Matched sale-purchase transactions										
20	Gross sales	64,229	151,205	196,078	32,287	28,532	36,258	27,947	45,831	39,552	48,204
21	Gross purchases	62,801	152,132	196,579	32,852	27,306	36,449	27,301	46,170	39,694	44,772
	Repurchase agreements										
22	Gross purchases	71,333	140,311	232,891	13,397	29,308	14,748	13,973	4,397	16,700	9,578
23	Gross sales	70,947	139,538	230,355	11,862	30,448	11,506	15,719	5,648	15,469	11,889
24	Net change in U.S. Govt. securities	1,984	7,434	9,087	3,980	−2,573	4,845	−3,528	−276	6,279	−10,118
	FEDERAL AGENCY OBLIGATIONS										
	Outright transactions:										
25	Gross purchases	3,087	1,616	891	346	....	380	....	....	....	....
26	Gross sales	....	....	....	....	....	....	....	....	....	....
27	Redemptions	322	246	169	....	*	33	....	−69	25	....
	Repurchase agreements:										
28	Gross purchases	23,204	15,179	10,520	709	2,164	1,656	1,672	265	1,136	741
29	Gross sales	22,735	15,566	10,360	639	2,278	1,056	1,938	459	978	1,051
	BANKERS ACCEPTANCES										
30	Outright transactions, net	511	163	−545	−51	−45	−15	−24	−15	*	−4
31	Repurchase agreements, net	420	−35	410	653	−729	528	−204	−247	351	−478
32	**Net change in total System Account**	**6,149**	**8,539**	**9,833**	**4,998**	**−3,461**	**6,305**	**−4,020**	**−801**	**6,764**	**−10,910**

1 Both gross purchases and redemptions include special certificates created when the Treasury borrows directly from the Federal Reserve, as follows (millions of dollars): 1974, 131; 1975, 3,549; 1976, none; Sept. 1977, 2,500.

2 In 1975, the System obtained $421 million of 2-year Treasury notes in exchange for maturing bills. In 1976 there was a similar transaction amounting to $189 million. Acquisition of these notes is treated as a purchase; the run-off of bills, as a redemption.

NOTE.—Sales, redemptions, and negative figures reduce holdings of the System Open Market Account; all other figures increase such holdings. Details may not add to totals because of rounding.

1.18 FEDERAL RESERVE BANKS Condition and F.R. Note Statements

Millions of dollars

	Account	Wednesday					End of month		
		1977					1977		
		Nov. 2	Nov. 9	Nov. 16	Nov. 23p	Nov. 30p	Sept.	Oct.	Nov.p
		Consolidated condition statement							
	ASSETS								
1	Gold certificate account	11,595	11,595	11,595	11,595	11,595	11,595	11,595	11,595
2	Special Drawing Rights certificate account	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
3	Coin[1]	300	294	295	296	289	308	310	289
	Loans:								
4	Member bank borrowings	704	585	369	2,966	925	1,069	923	925
5	Other	...	...	...	...	...	...	...	...
	Acceptances:								
6	Bought outright	...	...	...	...	...	4	...	...
7	Held under repurchase agreements	340	...	...	182	248	478	...	248
	Federal agency obligations:								
8	Bought outright	7,329	7,329	7,329	7,329	7,329	7,329	7,329	7,329
9	Held under repurchase agreements	179	...	...	155	131	310	...	131
	U.S. Govt. securities								
	Bought outright:								
10	Bills	35,980	33,314	31,588	38,270	36,081	41,548	36,240	36,081
11	Certificates—Special	...	...	...	...	...	2,500	...	...
12	Other	...	...	...	...	...	...	...	...
13	Notes	49,856	49,856	49,616	49,616	49,616	49,856	49,856	49,616
14	Bonds	8,501	8,501	8,741	8,741	8,741	8,501	8,501	8,741
15	Total[2]	94,337	91,671	89,945	96,627	94,438	102,405	94,597	94,438
16	Held under repurchase agreements	1,669	...	...	1,060	2,039	2,310	...	2,039
17	**Total U.S. Govt. securities**	**96,006**	**91,671**	**89,945**	**97,687**	**96,477**	**104,715**	**94,597**	**96,477**
18	**Total loans and securities**	**104,558**	**99,585**	**97,643**	**108,319**	**105,110**	**113,905**	**102,849**	**105,110**
19	Cash items in process of collection	11,404	11,042	16,316	11,468	11,151	7,607	8,513	11,151
20	Bank premises	381	381	381	382	383	379	381	383
	Other assets:								
21	Denominated in foreign currencies	18	21	20	21	16	65	18	16
22	All other	2,086	2,112	1,648	1,662	1,720	2,429	2,165	1,720
23	**Total assets**	**131,542**	**126,230**	**129,098**	**134,943**	**131,464**	**137,488**	**127,031**	**131,464**
	LIABILITIES								
24	F.R. notes	88,977	90,204	90,562	90,867	91,229	87,361	88,380	91,229
	Deposits:								
25	Member bank reserves	26,060	23,780	24,339	30,861	26,372	23,953	22,841	26,372
26	U.S. Treasury—General account	5,690	2,132	1,199	2,018	2,562	15,740	6,398	2,562
27	Foreign	280	314	268	269	416	382	425	416
28	Other[3]	583	714	494	599	719	853	715	719
29	**Total deposits**	**32,613**	**26,940**	**26,300**	**33,747**	**30,069**	**40,928**	**30,379**	**30,069**
30	Deferred availability cash items	6,725	5,664	8,460	6,535	6,491	5,540	4,568	6,491
31	Other liabilities and accrued dividends	1,154	1,226	1,471	1,371	1,130	1,165	1,127	1,130
32	**Total liabilities**	**129,469**	**124,034**	**126,793**	**132,520**	**128,919**	**134,994**	**124,454**	**128,919**
	CAPITAL ACCOUNTS								
33	Capital paid in	1,021	1,023	1,023	1,024	1,025	1,016	1,022	1,025
34	Surplus	983	983	983	983	983	983	983	983
35	Other capital accounts	69	190	299	416	537	495	572	537
36	**Total liabilities and capital accounts**	**131,542**	**126,230**	**129,098**	**134,943**	**131,464**	**137,488**	**127,031**	**131,464**
37	MEMO: Marketable U.S. Govt. securities held in custody for foreign and intl. account	69,449	69,443	71,382	72,819	74,208	63,781	68,768	74,208
		Federal Reserve note statement							
38	F.R. notes outstanding (issued to Bank)	94,375	95,910	95,502	96,109	96,398	93,762	94,288	96,398
	Collateral held against notes outstanding:								
39	Gold certificate account	11,591	11,591	11,591	11,591	11,591	11,591	11,590	11,591
40	Special Drawing Rights certificate account	855	855	855	855	855	855	855	855
41	Acceptances	...	...	...	...	...	...	...	...
42	U.S. Govt. securities	83,185	83,715	84,193	84,795	84,795	82,885	83,185	84,795
43	**Total collateral**	**95,631**	**96,161**	**96,639**	**97,241**	**97,241**	**95,331**	**95,630**	**97,241**

1 Effective Jan. 1, 1977, Federal Reserve notes of other Federal Reserve Banks were merged into the liability account for Federal Reserve notes.

2 *Includes* securities loaned—fully guaranteed by U.S. Govt. securities pledged with F.R. Banks—and *excludes* (if any) securities sold and scheduled to be bought back under matched sale-purchase transactions.

3 Includes certain deposits of domestic nonmember banks and foreign-owned banking institutions voluntarily held with member banks and redeposited in full with F.R. Banks.

NOTE.—Beginning Jan. 1, 1977, "Operating equipment" was transferred to "Other assets."

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holdings

Millions of dollars

Type and maturity	Wednesday					End of month		
	1977					1977		
	Nov. 2	Nov. 9	Nov. 16	Nov. 23	Nov. 30	Sept. 30	Oct. 31	Nov. 30
1 **Loans**	**703**	**586**	**371**	**2,966**	**925**	**1,069**	**922**	**925**
2 Within 15 days	660	541	346	2,954	895	1,032	883	895
3 16 days to 90 days	43	45	25	12	30	37	39	30
4 91 days to 1 year	....	....	....	....	....	....	....	....
5 **Acceptances**	**340**	....	....	**182**	**248**	**482**	....	**248**
6 Within 15 days	340	....	....	182	248	478	....	248
7 16 days to 90 days	....	....	....	....	....	4	....	....
8 91 days to 1 year	....	....	....	....	....	....	....	....
9 **U.S. Govt. securities**	**96,006**	**91,671**	**89,945**	**97,687**	**96,477**	**104,715**	**94,597**	**96,477**
10 Within 15 days[1]	6,233	3,993	2,040	4,218	3,950	6,709	4,197	3,950
11 16 days to 90 days	13,866	12,728	10,880	19,181	18,203	20,858	14,222	18,203
12 91 days to 1 year	30,486	29,529	32,834	30,097	30,255	31,772	30,757	30,255
13 Over 1 year to 5 years	28,155	28,155	27,010	27,010	26,888	28,110	28,155	26,888
14 Over 5 years to 10 years	10,547	10,547	10,222	10,222	10,222	10,547	10,547	10,222
15 Over 10 years	6,719	6,719	6,959	6,959	6,959	6,719	6,719	6,959
16 **Federal agency obligations**	**7,508**	**7,329**	**7,329**	**7,484**	**7,460**	**7,639**	**7,329**	**7,460**
17 Within 15 days[1]	179	....	131	286	292	335	42	292
18 16 days to 90 days	379	443	312	312	291	355	379	291
19 91 days to 1 year	883	819	819	819	836	884	841	836
20 Over 1 year to 5 years	3,752	3,752	3,752	3,752	3,726	3,679	3,752	3,726
21 Over 5 years to 10 years	1,492	1,492	1,492	1,492	1,492	1,563	1,492	1,492
22 Over 10 years	823	823	823	823	823	823	823	823

1 Holdings under repurchase agreements are classified as maturing within 15 days in accordance with maximum maturity of the agreements.

1.20 BANK DEBITS AND DEPOSIT TURNOVER

Debits are shown in billions of dollars. Monthly data are at annual rates

Bank group, or type of customer	1974	1975	1976	1977				
				June	July	Aug.	Sept.	Oct.
	Debits to demand deposits 2 (seasonally adjusted)							
1 All commercial banks	22,937.8	25,028.5	29,180.4	34,805.2	34,098.5	35,644.8	36,083.9	36,763.1
2 Major New York City banks	8,434.8	9,670.7	11,467.2	14,049.7	13,501.0	14,351.0	14,389.6	14,973.3
3 Other banks	14,503.0	15,357.8	17,713.2	20,755.5	20,597.5	21,293.8	21,694.2	21,789.8
	Debits to savings deposits 3 (not seasonally adjusted)							
4 All customers	....	....	....	....	359.1	366.2	347.5	362.7
5 Business 1	....	....	....	....	43.6	55.0	50.0	52.5
6 Others	....	....	....	....	315.6	311.2	297.5	310.2
	Demand deposit turnover 2 (seasonally adjusted)							
7 All commercial banks	99.0	105.3	116.8	133.6	127.5	133.8	134.7	134.4
8 Major New York City banks	321.6	356.9	411.6	524.2	479.7	519.3	533.9	534.0
9 Other banks	70.6	72.9	79.8	88.8	86.1	89.2	90.1	88.8
	Savings deposit turnover 3 (not seasonally adjusted)							
10 All customers	....	....	....	....	1.7	1.7	1.6	1.7
11 Business 1	....	....	....	....	4.3	5.2	4.6	4.8
12 Others	....	....	....	....	1.5	1.5	1.5	1.5

1 Represents corporations and other profit-seeking organizations (excluding commercial banks but including savings and loan associations, mutual savings banks, credit unions, the Export-Import Bank, and Federally sponsored lending agencies).

2 Represents accounts of individuals, partnerships, and corporations, and of States and political subdivisions.

3 Excludes negotiable orders of withdrawal (NOW) accounts and special club accounts, such as Christmas and vacation clubs.

NOTE.—Historical data—estimated for the period 1970 through June 1977, partly on the basis of the debits series for 233 SMSA's, which were available through June 1977 are available from Publications Services, Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. Debits and turnover data for savings deposits are not available prior to July 1977.

1.21 MONEY STOCK MEASURES AND COMPONENTS

Billions of dollars, averages of daily figures

Item	1973 Dec.	1974 Dec.	1975 Dec.	1976 Dec.	1977 May	1977 June	1977 July	1977 Aug.	1977 Sept.	1977 Oct.
	Seasonally adjusted									
MEASURES[1]										
1 *M*-1	270.5	283.1	294.8	312.4	320.7	321.9	326.8	328.4	330.4	333.7
2 *M*-2	571.4	612.4	664.3	740.3	767.6	772.8	783.5	787.7	792.9	799.6
3 *M*-3	919.6	981.5	1,092.6	1,237.1	1,289.0	1,299.5	1,316.9	r1,329.5	r1,343.1	1,357.0
4 *M*-4	634.4	701.4	746.5	803.5	829.9	836.8	846.3	850.9	856.2	865.9
5 *M*-5	982.5	1,070.5	1,174.7	1,300.3	1,351.3	1,363.5	1,379.8	r1,392.7	r1,406.3	1,423.3
COMPONENTS										
6 Currency	61.5	67.8	73.7	80.5	83.6	84.0	85.1	85.5	86.4	87.1
Commercial bank deposits:										
7 Demand	209.0	215.3	221.0	231.9	237.1	238.0	r241.7	r242.9	244.0	246.6
8 *Time and savings*	*363.9*	*418.3*	*451.7*	*491.1*	*509.2*	*514.8*	*519.5*	*522.5*	*525.8*	*532.2*
9 Negotiable CD's[2]	63.0	89.0	82.1	63.3	62.3	63.9	62.8	63.2	63.2	66.4
10 Other	300.9	329.3	369.6	427.9	446.9	450.9	456.7	r459.3	462.6	465.9
11 Nonbank thrift institutions[3]	348.1	369.1	428.3	496.8	521.4	526.7	533.5	541.7	r550.2	557.4
	Not seasonally adjusted									
MEASURES[1]										
12 *M*-1	278.3	291.3	303.2	321.3	315.5	321.4	327.2	r325.2	328.2	332.5
13 *M*-2	576.5	617.5	669.3	745.3	766.2	774.5	784.0	r784.4	788.9	796.4
14 *M*-3	921.8	983.8	1,094.3	1,237.9	1,290.3	1,305.7	1,322.1	1,326.6	r1,337.1	1,350.6
15 *M*-4	640.5	708.0	752.8	809.5	827.4	837.5	846.8	848.8	854.3	864.7
16 *M*-5	985.8	1,074.3	1,177.7	1,302.1	1,351.4	1,368.7	1,384.9	r1,391.1	r1,402.6	1,419.0
COMPONENTS										
17 Currency	62.7	69.0	75.1	82.0	83.4	84.2	85.7	85.8	86.1	86.9
Commercial bank deposits:										
18 *Demand*	*215.7*	*222.2*	*228.1*	*239.3*	*232.1*	*237.1*	*241.4*	*239.3*	*242.1*	*245.6*
19 Member	156.5	159.7	162.1	168.5	161.8	165.1	167.7	r166.3	167.5	170.0
20 Domestic nonmember	56.3	58.5	62.6	67.3	66.6	68.3	69.5	69.1	70.4	71.3
21 *Time and savings*	*362.2*	*416.7*	*449.6*	*488.2*	*511.8*	*516.1*	*519.6*	*523.7*	*526.1*	*532.2*
22 Negotiable CD's[2]	64.0	90.5	83.5	64.3	61.2	63.0	62.8	r64.5	65.4	68.3
23 Other	298.2	326.3	366.2	423.9	450.7	453.2	456.9	459.2	460.7	463.8
24 Nonbank thrift institutions[3]	345.3	366.3	424.9	492.6	524.1	531.1	538.1	542.3	r548.2	554.3
25 U.S. Govt. deposits (all commercial banks)	6.3	4.9	4.1	4.7	3.8	5.2	3.9	3.7	5.4	4.1

1 Composition of the money stock measures is as follows:

M-1: Averages of daily figures for (1) demand deposits at commercial banks other than domestic interbank and U.S. Govt., less cash items in process of collection and F.R. float; (2) foreign demand balances at F.R. Banks; and (3) currency outside the Treasury, F.R. Banks, and vaults of commercial banks.

M-2: *M*-1 plus savings deposits, time deposits open account, and time certificates of deposit (CD's) other than negotiable CD's of $100,000 or more of large weekly reporting banks.

M-3: *M*-2 plus the average of the beginning- and end-of-month deposits of mutual savings banks, savings and loan shares, and credit union shares (nonbank thrift).

M-4: *M*-2 plus large negotiable CD's.

M-5: *M*-3 plus large negotiable CD's.

For a description of the latest revisions in the money stock measures see "Money Stock Measures: Revision" in the March 1977 BULLETIN, pp. 305 and 306.

Latest monthly and weekly figures are available from the Board's H.6 release. Back data are available from the Banking Section, Division of Research and Statistics.

2 Negotiable time CD's issued in denominations of $100,000 or more by large weekly reporting commercial banks.

3 Average of the beginning- and end-of-month figures for deposits of mutual savings banks, for savings capital at savings and loan associations, and for credit union shares.

NOTES TO TABLE 1.23:

1 Adjusted to exclude domestic commercial interbank loans.

2 Loans sold are those sold outright to banks' own foreign branches, nonconsolidated nonbank affiliates of the bank, the banks' holding company (if not a bank), and nonconsolidated nonbank subsidiaries of the holding company. Prior to Aug. 28, 1974, the institutions included had been defined somewhat differently, and the reporting panel of banks was also different. On the new basis, both "Total loans" and "Commercial and industrial loans" were reduced by about $100 million.

3 Reclassification of loans reduced these loans by about $1.2 billion as of Mar. 31, 1976.

4 Data beginning June 30, 1974, include one large mutual savings bank that merged with a nonmember commercial bank. As of that date there were increases of about $500 million in loans, $100 million in "Other" securities, and $600 million in "Total loans and investments."

As of Oct. 31, 1974, "Total loans and investments" of all commercial banks were reduced by $1.5 billion in connection with the liquidation of one large bank. Reductions in other items were: "Total loans," $1.0 billion (of which $0.6 billion was in "Commercial and industrial loans"), and "Other securities," $0.5 billion. In late November "Commercial and industrial loans" were increased by $0.1 billion as a result of loan reclassifications at another large bank.

NOTE.—Data are for last Wednesday of month except for June 30 and Dec. 31; data are partly or wholly estimated except when June 30 and Dec. 31 are call dates.

1.22 AGGREGATE RESERVES AND DEPOSITS Member Banks

Billions of dollars, averages of daily figures

Item	1973 Dec.	1974 Dec.	1975 Dec.	1976 Dec.	1977 Apr.	1977 May	1977 June	1977 July	1977 Aug.	1977 Sept.	1977 Oct.
	Seasonally adjusted										
1 Reserves [1]	34.94	36.60	34.73	34.95	34.68	34.72	34.86	35.35	35.64	35.63	35.90
2 Nonborrowed	33.64	35.87	34.60	34.90	34.61	34.52	34.60	35.03	34.58	35.00	34.59
3 Required	34.64	36.34	34.47	34.68	34.49	34.51	34.71	35.08	35.44	35.42	35.69
4 Deposits subject to reserve requirements [2]	442.3	486.2	505.4	529.6	538.4	537.6	544.5	547.7	551.4	552.9	559.4
5 Time and savings	279.2	322.1	337.9	355.0	361.4	363.1	367.0	369.2	370.8	372.4	377.1
Demand:											
6 Private	158.1	160.6	164.5	171.4	173.4	172.3	173.8	175.8	177.0	176.9	179.0
7 U.S. Govt	5.0	3.5	3.0	3.2	3.6	2.1	3.7	2.8	3.6	3.7	3.3
	Not seasonally adjusted										
8 Deposits subject to reserve requirements [2]	447.5	491.8	510.9	534.8	541.3	535.8	544.5	547.6	548.3	552.1	558.2
9 Time and savings	278.5	321.7	337.2	353.6	362.3	364.7	367.8	369.5	371.7	373.0	377.5
Demand:											
10 Private	164.0	166.6	170.7	177.9	175.0	168.5	173.0	175.6	174.1	175.2	178.0
11 U.S. Govt	5.0	3.4	3.1	3.3	4.0	2.5	3.7	2.6	2.5	3.8	2.7

1 Series reflects actual reserve requirement percentages with no adjustment to eliminate the effect of changes in Regulations D and M. There are breaks in series because of changes in reserve requirements effective Dec. 12, 1974; Feb. 13, May 22, and Oct. 30, 1975; Jan. 8, and Dec. 30, 1976. In addition, effective Jan. 1, 1976, statewide branching in New York was instituted. The subsequent merger of a number of banks raised required reserves because of higher reserve requirements on aggregate deposits at these banks.

2 Includes total time and savings deposits and net demand deposits as defined by Regulation D. Private demand deposits include all demand deposits except those due to the U.S. Govt., less cash items in process of collection and demand balances due from domestic commercial banks.

NOTE.—Back data and estimates of the impact on required reserves and changes in reserve requirements are shown in Table 14 of the Board's *Annual Statistical Digest, 1971–1975.*

1.23 LOANS AND INVESTMENTS All Commercial Banks

Billions of dollars; last Wednesday of month except for June 30 and Dec. 31

Category	1973 Dec. 31	1974 [4] Dec. 31	1975 Dec. 31	1976 Dec. 31	1977 June 30	1977 July 27 p	1977 Aug. 31 p	1977 Sept. 28 p	1977 Oct. 26 p	1977 Nov. 30 p
	Seasonally adjusted									
1 Loans and investments [1]	633.4	690.4	721.1	784.4	830.5	837.0	845.6	848.4	857.9	866.1
2 Including loans sold outright [2]	637.7	695.2	725.5	788.2	834.5	841.1	849.7	852.4	862.0	870.5
Loans:										
3 Total	449.0	500.2	496.9	538.9	572.4	579.0	587.0	592.2	602.5	611.2
4 Including loans sold outright [2]	453.3	505.0	501.3	542.7	576.4	583.1	591.1	596.2	606.6	615.6
5 Commercial and industrial [3]	156.4	183.3	176.0	179.5	190.2	192.4	194.6	195.1	199.3	201.6
6 Including loans sold outright [2,3]	159.0	186.0	178.5	181.9	193.0	195.2	197.4	197.9	202.2	204.7
Investments:										
7 U.S. Treasury	54.5	50.4	79.4	97.3	105.2	103.6	103.1	100.1	97.8	95.0
8 Other	129.9	139.8	144.8	148.2	152.9	154.4	155.5	156.1	157.6	159.9
	Not seasonally adjusted									
9 Loans and investments [1]	647.3	705.6	737.0	801.6	835.5	834.2	842.8	848.4	856.1	866.4
10 Including loans sold outright	651.6	710.4	741.4	805.4	839.5	838.3	846.9	852.4	860.2	870.8
Loans:										
11 Total [1]	458.5	510.7	507.4	550.2	579.8	579.9	588.2	594.0	601.3	610.1
12 Including loans sold outright [2]	462.8	515.5	511.8	554.0	583.9	584.0	592.3	598.0	605.4	614.6
13 Commercial and industrial [3]	159.4	186.8	179.3	182.9	192.7	192.4	193.6	195.5	198.6	200.8
14 Including loans sold outright [2,3]	162.0	189.5	181.8	185.3	195.6	195.2	196.4	198.3	201.5	203.9
Investments:										
15 U.S. Treasury	58.3	54.5	84.1	102.5	101.6	100.0	99.4	98.5	97.7	97.9
16 Other	130.6	140.5	145.5	148.9	154.1	154.3	155.2	155.9	157.1	158.4

For notes see bottom of opposite page.

1.24 COMMERCIAL BANK ASSETS AND LIABILITIES Last-Wednesday-of-Month Series

Billions of dollars except for number of banks

	Account	1975 Dec. 31	1976 Dec.	1977[3] Mar.	Apr.	May	June	July[p]	Aug.[p]	Sept.[p]	Oct.[p]	Nov.[p]
							All commercial					
1	**Loans and investments**	775.8	846.4	844.6	852.2	860.4	877.5	875.0	886.8	891.4	897.7	915.0
2	Loans, gross	546.2	594.9	590.9	595.8	604.6	621.9	620.7	632.2	637.1	642.9	658.7
	Investments:											
3	U.S. Treasury securities	84.1	102.5	105.0	103.4	102.4	101.6	100.0	99.4	98.5	97.7	97.8
4	Other	145.5	148.9	148.7	153.0	153.4	154.1	154.3	155.2	155.9	157.1	158.4
5	**Cash assets**	133.6	136.1	123.6	123.6	120.6	139.1	126.9	135.5	128.7	129.4	138.9
6	Currency and coin	12.3	12.1	13.0	13.4	13.1	12.7	13.5	13.7	13.9	13.9	14.7
7	Reserves with F.R. Banks	26.8	26.1	26.9	28.2	24.0	25.5	27.2	28.2	30.0	28.3	26.3
8	Balances with banks	47.3	49.6	42.6	41.0	42.4	47.4	42.4	45.3	42.7	44.4	46.8
9	Cash items in process of collection	47.3	48.4	41.1	41.0	41.0	53.4	43.9	48.3	42.1	42.8	51.0
10	**Total assets/total liabilities and capital**[1]	964.9	1,030.7	1,023.7	1,032.3	1,036.2	1,074.2	1,059.3	1,079.7	1,076.7	1,083.9	1,117.5
11	**Deposits**	786.3	838.2	820.5	823.7	824.4	861.9	843.2	857.6	852.1	858.8	883.5
	Demand:											
12	Interbank	41.8	45.4	38.0	34.2	35.7	46.5	38.2	39.6	37.1	37.5	41.8
13	U.S. Govt.	3.1	3.0	3.1	7.4	3.6	2.8	3.8	2.5	8.0	3.6	4.7
14	Other	278.7	288.4	264.0	269.1	264.3	288.1	273.9	285.1	272.5	279.4	293.2
	Time:											
15	Interbank	12.0	9.2	8.9	8.6	8.5	8.9	8.3	8.0	8.3	8.5	9.0
16	Other	450.6	492.2	506.6	504.4	512.3	515.6	519.0	522.6	526.1	529.9	534.8
17	Borrowings	60.2	80.2	85.4	89.4	89.0	88.2	92.2	94.8	96.5	96.8	101.0
18	**Total capital accounts**[2]	69.1	78.1	77.3	77.7	78.2	81.8	79.2	79.6	80.1	80.5	81.4
19	MEMO: Number of banks	14,633	14,671	14,685	14,690	14,695	14,718	14,709	14,713	14,724	14,718	14,718
							Member					
20	**Loans and investments**	578.6	620.5	611.7	614.7	620.1	632.8	628.9	637.9	640.8	645.2	658.6
21	Loans, gross	416.4	442.9	434.5	435.9	441.5	453.4	451.3	459.9	463.0	467.1	479.0
	Investments:											
22	U.S. Treasury securities	61.5	74.6	74.9	73.0	72.6	72.6	70.8	70.5	69.6	68.9	69.2
23	Other	100.7	103.1	102.2	105.8	106.0	106.7	106.8	107.5	108.3	109.3	110.3
24	**Cash assets, total**	108.5	108.9	100.0	99.4	95.7	110.6	101.2	108.6	103.1	102.3	110.6
25	Currency and coin	9.2	9.1	9.6	9.9	9.7	9.3	9.9	10.0	10.2	10.2	10.8
26	Reserves with F.R. Banks	26.8	26.0	26.9	28.2	24.0	25.6	27.2	28.2	30.0	28.3	26.3
27	Balances with banks	26.9	27.4	24.0	21.9	22.6	24.4	22.0	24.0	22.5	22.8	24.7
28	Cash items in process of collection	45.5	46.5	39.5	39.4	39.3	51.3	42.1	46.4	40.4	41.0	48.9
29	**Total assets/total liabilities and capital**[1]	733.6	772.9	759.7	762.7	763.9	795.2	780.1	796.3	793.2	796.5	823.9
30	**Deposits**	590.8	618.7	598.0	597.7	597.4	628.7	611.0	622.2	617.0	620.9	641.8
	Demand:											
31	Interbank	38.6	42.4	35.3	31.6	32.9	43.4	35.3	36.6	34.3	34.6	38.7
32	U.S. Govt.	c2.3	2.1	2.1	5.9	2.7	2.0	2.8	1.7	6.4	2.6	3.6
33	Other	210.8	215.5	195.8	198.9	195.1	213.9	202.2	211.0	200.3	205.3	216.4
	Time:											
34	Interbank	10.0	7.2	6.9	6.6	6.5	6.9	6.3	6.0	6.3	6.5	6.8
35	Other	329.1	351.5	357.8	354.7	360.3	362.5	364.4	366.9	369.6	372.0	376.2
36	Borrowings	53.6	71.7	75.3	78.1	77.5	77.0	80.4	82.5	84.0	83.8	87.8
37	**Total capital accounts**[2]	52.1	58.6	58.1	58.3	58.7	60.8	59.4	59.9	60.2	60.6	61.2
38	MEMO: Number of banks	5,788	5,759	5,739	5,726	5,708	5,721	5,701	5,676	5,692	5,686	5,686

1 Includes items not shown separately.
Effective Mar. 31, 1976, some of the item "reserve for loan losses" and all of the item "unearned income on loans" are no longer reported as liabilities. As of that date the "valuation" portion of "reserve for loan losses" and the "unearned income on loans" have been netted against "other assets," and against "total assets" as well.
Total liabilities continue to include the deferred income tax portion of "reserve for loan losses."

2 Effective Mar. 31, 1976, includes "reserves for securities" and the contingency portion (which is small) of "reserve for loan losses."

3 Figures partly estimated except on call dates.

NOTE.—Figures include all bank-premises subsidiaries and other significant majority-owned domestic subsidiaries.

Commercial banks: All such banks in the United States, including member and nonmember banks, stock savings banks, nondeposit trust companies, and U.S. branches of foreign banks, but excluding one national bank in Puerto Rico and one in the Virgin Islands.

Member banks: The following numbers of noninsured trust companies that are members of the Federal Reserve System are excluded from member banks in Tables 1.24 and 1.25 and are included with noninsured banks in Table 1.25: 1974—June, 2; December, 3; 1975—June and December, 4; 1976 (beginning month shown)—July, 5, December, 7; 1977–January, 8.

1.25 COMMERCIAL BANK ASSETS AND LIABILITIES Call-Date Series

Millions of dollars except for number of banks

	Account	1975	1976		1977	1975	1976		1977
		Dec. 31	June 30	Dec. 31	June 30	Dec. 31	June 30	Dec. 31	June 30
		Total insured				National (all insured)			
1	**Loans and investments, gross**	**762,400**	**773,701**	**827,692**	**854,736**	**441,135**	**443,959**	**476,602**	**488,240**
	Loans:								
2	Gross	535,170	539,021	578,710	601,141	315,738	315,628	340,679	351,311
3	Net	(2)	520,976	560,062	581,163	(2)	305,280	329,968	339,955
	Investments:								
4	U.S. Treasury securities	83,629	90,947	101,463	100,566	46,799	49,688	55,729	53,346
5	Other	143,602	143,731	147,517	153,029	78,598	78,642	80,193	83,582
6	Cash assets	128,256	124,072	129,581	130,724	78,026	75,488	76,074	74,641
7	**Total assets/total liabilities**[1]	**944,654**	**942,519**	**1,004,001**	**1,040,952**	**553,285**	**548,702**	**583,315**	**599,743**
8	**Deposits**	**775,209**	**776,957**	**825,010**	**847,373**	**447,590**	**444,251**	**469,378**	**476,381**
	Demand:								
9	U.S. Govt	3,108	4,622	3,020	2,817	1,788	2,858	1,674	1,632
10	Interbank	40,259	37,502	44,068	44,965	22,305	20,329	23,148	22,876
11	Other	276,384	265,671	285,201	284,544	159,840	152,383	163,347	161,358
	Time:								
12	Interbank	10,733	9,406	8,249	7,721	7,302	5,532	4,909	4,599
13	Other	444,725	459,753	484,470	507,323	256,355	263,147	276,298	285,915
14	Borrowings	56,775	63,828	75,302	81,157	40,875	45,187	54,420	57,283
15	**Total capital accounts**	**68,474**	**68,988**	**72,065**	**75,503**	**38,969**	**39,501**	**41,323**	**43,142**
16	MEMO: Number of banks	14,372	14,373	14,397	14,425	4,741	4,747	4,735	4,701
		State member (all insured)				Insured nonmember			
17	**Loans and investments, gross**	**137,620**	**136,915**	**144,000**	**144,597**	**183,645**	**192,825**	**207,089**	**221,898**
	Loans:								
18	Gross	100,823	98,889	102,277	102,144	118,609	124,503	135,753	147,685
19	Net	(2)	96,037	99,474	99,200	(2)	119,658	130,618	142,008
	Investments:								
20	U.S. Treasury securities	14,720	16,323	18,849	19,296	22,109	24,934	26,884	27,923
21	Other	22,077	21,702	22,873	23,157	42,927	43,387	44,450	46,288
22	Cash assets	30,451	30,422	32,859	35,918	19,778	18,161	20,647	20,164
23	**Total assets/total liabilities**	**180,495**	**179,649**	**189,578**	**195,455**	**210,874**	**214,167**	**231,106**	**245,753**
24	**Deposits**	**143,409**	**142,061**	**149,491**	**152,471**	**184,210**	**190,644**	**206,140**	**218,519**
	Demand:								
25	U.S. Govt	467	869	429	371	853	894	917	813
26	Interbank	16,265	15,833	19,295	20,568	1,689	1,339	1,624	1,520
27	Other	50,984	49,659	52,204	52,571	65,560	63,629	69,649	70,615
	Time:								
28	Interbank	2,712	3,074	2,384	2,134	719	799	956	988
29	Other	72,981	72,624	75,178	76,826	115,389	123,980	132,993	144,581
30	Borrowings	12,771	15,300	17,310	19,718	3,128	3,339	3,571	4,155
31	**Total capital accounts**	**13,105**	**12,791**	**13,199**	**13,441**	**16,400**	**16,696**	**17,543**	**18,919**
32	MEMO: Number of banks	1,046	1,029	1,023	1,019	8,585	8,597	8,639	8,705
		Noninsured nonmember				Total nonmember			
33	**Loans and investments, gross**	**13,674**	**15,905**	**18,819**	**22,940**	**197,319**	**208,730**	**225,909**	**244,839**
	Loans:								
34	Gross	11,283	13,209	16,336	20,865	129,892	137,712	152,090	168,551
35	Net	(2)	13,092	16,209	20,679	(2)	132,751	146,828	162,687
	Investments:								
36	U.S. Treasury securities	490	472	1,054	993	22,599	25,407	27,939	28,917
37	Other	1,902	2,223	1,428	1,081	44,829	45,610	45,879	47,370
38	Cash assets	5,359	4,362	6,496	8,330	25,137	22,524	27,144	28,494
39	**Total assets/total liabilities**	**20,544**	**21,271**	**26,790**	**33,390**	**231,418**	**235,439**	**257,897**	**279,143**
40	**Deposits**	**11,323**	**11,735**	**13,325**	**14,658**	**195,533**	**202,380**	**219,466**	**233,177**
	Demand:								
41	U.S. Govt	6	4	4	8	859	899	921	822
42	Interbank	1,552	1,006	1,277	1,504	3,241	2,346	2,901	3,025
43	Other	2,308	2,555	3,236	3,588	67,868	66,184	72,885	74,203
	Time:								
44	Interbank	1,291	1,292	1,041	1,164	2,010	2,092	1,997	2,152
45	Other	6,167	6,876	7,766	8,392	121,556	130,857	140,760	152,974
46	Borrowings	3,449	3,372	4,842	7,056	6,577	6,711	8,413	11,212
47	**Total capital accounts**	**651**	**663**	**818**	**893**	**17,051**	**17,359**	**18,361**	**19,813**
48	MEMO: Number of banks	261	270	275	293	8,846	8,867	8,914	8,998

1 Includes items not shown separately.
2 Not available.

For Note see Table 1.24.

1.26 COMMERCIAL BANK ASSETS AND LIABILITIES Detailed Balance Sheet, June 30, 1977

Asset and liability items are shown in millions of dollars.

Asset account	All commercial banks	Insured commercial banks	Member banks[1] Total	Member banks[1] Large banks New York City	Member banks[1] Large banks City of Chicago	Member banks[1] Large banks Other large	Member banks[1] All other[2]	Non-member banks[1]
1 **Cash bank balances, items in process**	**139,055**	130,725	**110,560**	**32,752**	**4,674**	**39,078**	**34,056**	**28,495**
2 Currency and coin	12,729	12,718	9,347	895	171	3,073	5,209	3,381
3 Reserves with F.R. Banks	25,536	25,536	25,536	4,452	1,997	9,261	9,826	1
4 Demand balances with banks in United States	36,269	30,589	18,153	6,669	179	3,341	7,964	18,116
5 Other balances with banks in United States	6,128	4,840	2,813	27	17	1,028	1,740	3,315
6 Balances with banks in foreign countries	5,018	3,800	3,393	335	157	1,875	1,026	1,625
7 Cash items in process of collection	53,375	53,242	51,318	20,374	2,153	20,500	8,291	2,057
8 **Total securities held—Book value**	**254,052**	**252,016**	**178,050**	**22,989**	**8,520**	**56,518**	**90,023**	**76,002**
9 U.S. Treasury	101,560	100,566	72,642	12,098	3,898	23,810	32,837	28,917
10 Other U.S. Govt. agencies	35,827	35,250	21,846	1,406	477	5,676	14,287	13,980
11 States and political subdivisions	110,106	109,875	79,216	9,032	3,943	25,822	40,419	30,890
12 All other securities	6,452	6,224	4,273	454	202	1,186	2,432	2,180
13 Unclassified total	108	101	73	....	....	25	48	35
14 *Trading-account securities*	*7,055*	*7,049*	*6,916*	*3,572*	*617*	*2,465*	*262*	*139*
15 U.S. Treasury	3,797	3,797	3,725	2,347	412	877	90	72
16 Other U.S. Govt. agencies	953	953	952	479	38	410	25	....
17 States and political subdivisions	1,764	1,764	1,733	561	123	951	98	32
18 All other trading acct. securities	433	433	432	185	44	202	2	1
19 Unclassified	108	101	73	....	....	25	48	35
20 *Bank investment portfolios*	*246,998*	*244,967*	*171,135*	*19,417*	*7,903*	*54,053*	*89,761*	*75,863*
21 U.S. Treasury	97,762	96,769	68,917	9,751	3,486	22,933	32,747	28,845
22 Other U.S. Govt. agencies	34,874	34,297	20,894	927	439	5,266	14,263	13,980
23 States and political subdivisions	108,342	108,110	77,483	8,471	3,821	24,870	40,321	30,859
24 All other portfolio securities	6,020	5,791	3,841	269	158	984	2,430	2,179
25 F.R. stock and corporate stock	1,618	1,580	1,332	287	100	499	446	286
26 **Federal funds sold and securities resale agreement**	**44,318**	**40,759**	**32,986**	**2,962**	**1,431**	**18,636**	**9,958**	**11,332**
27 Commercial banks	37,469	34,098	26,504	1,509	1,255	14,502	9,239	10,965
28 Brokers and dealers	4,342	4,304	4,219	735	137	2,728	618	123
29 Others	2,507	2,358	2,264	718	40	1,406	101	244
30 **Other loans, gross**	**577,689**	**560,382**	**420,469**	**71,053**	**21,812**	**156,134**	**171,469**	**157,219**
31 LESS: Unearned income on loans	13,610	13,558	9,182	579	85	2,980	5,538	4,429
32 Reserves for loan loss	6,553	6,420	5,119	1,213	324	1,866	1,716	1,435
33 Other loans, net	557,525	540,405	406,169	69,261	21,403	151,289	164,216	151,356
Other loans, gross, by category								
34 *Real estate loans*	*161,276*	*161,047*	*111,520*	*9,218*	*2,017*	*40,619*	*59,666*	*49,756*
35 Construction and land development	18,405	18,392	14,135	2,412	437	6,761	4,525	4,271
36 Secured by farmland	7,358	7,341	3,129	18	9	302	2,800	4,228
37 Secured by residential	91,349	91,214	64,398	4,466	1,016	23,733	35,182	26,951
38 *1- to 4-family residences*	*86,839*	*86,709*	*61,150*	*4,045*	*920*	*22,541*	*33,644*	*25,688*
39 FHA-insured or VA-guaranteed	7,786	7,738	6,710	582	46	3,557	2,526	1,076
40 Conventional	79,053	78,971	54,440	3,463	874	18,984	31,118	24,613
41 *Multifamily residences*	*4,511*	*4,505*	*3,248*	*422*	*96*	*1,192*	*1,539*	*1,263*
42 FHA-insured	353	352	281	108	16	81	76	72
43 Conventional	4,158	4,153	2,967	314	80	1,110	1,463	1,191
44 Secured by other properties	44,164	44,100	29,858	2,322	555	9,823	17,158	14,306
45 *Loans to financial institutions*	*40,151*	*33,371*	*31,419*	*10,625*	*4,179*	*13,592*	*3,024*	*8,732*
46 To REIT's and mortgage companies	9,247	9,234	8,879	2,870	1,128	4,196	684	368
47 To domestic commercial banks	4,573	2,470	1,911	497	116	1,008	290	2,663
48 To banks in foreign countries	10,383	6,165	6,014	2,624	284	2,501	605	4,369
49 To other depository institutions	1,257	1,241	1,126	73	27	822	204	132
50 To other financial institutions	14,691	14,261	13,490	4,561	2,624	5,065	1,240	1,201
51 Loans to security brokers and dealers	10,436	10,180	9,943	5,664	1,303	2,734	241	494
52 Other loans to purch./carry securities	4,142	4,135	3,425	374	353	1,760	939	717
53 Loans to farmers—except real estate	25,642	25,620	14,157	153	126	3,385	10,493	11,486
54 Commercial and industrial loans	192,715	183,767	149,361	36,383	10,819	57,632	44,527	43,354
55 Loans to individuals	127,701	127,590	88,149	6,083	1,860	30,887	49,319	39,552
56 *Instalment loans*	*101,424*	*101,355*	*69,803*	*4,481*	*1,110*	*24,797*	*39,415*	*31,621*
57 Passenger automobiles	44,707	44,694	28,632	845	142	8,342	19,303	16,075
58 Residential-repair/modernize	6,640	6,639	4,447	291	55	1,586	2,516	2,193
59 Credit cards and related plans	14,936	14,929	13,098	1,769	731	7,156	3,441	1,838
60 Charge-account credit cards	11,576	11,576	10,330	1,186	695	5,810	2,639	1,246
61 Check and revolving credit plans	3,360	3,353	2,768	584	36	1,346	803	592
62 Other retail consumer goods	16,601	16,598	11,307	354	64	4,040	6,849	5,295
63 Mobile homes	8,836	8,836	6,224	184	26	2,233	3,781	2,612
64 Other	7,765	7,762	5,082	170	38	1,807	3,068	2,683
65 Other instalment loans	18,539	18,496	12,319	1,221	118	3,674	7,306	6,220
66 Single-payment loans to individuals	26,277	26,235	18,346	1,603	750	6,090	9,904	7,931
67 All other loans	15,624	14,672	12,495	2,553	1,156	5,526	3,260	3,129
68 **Total loans and securities, net**	**857,514**	**834,759**	**618,538**	**95,499**	**31,455**	**226,941**	**264,642**	**238,976**
69 Direct lease financing	5,169	5,168	4,845	879	131	3,003	832	324
70 Fixed assets—Buildings, furniture, real estate	20,360	20,258	15,100	2,071	689	5,867	6,473	5,260
71 Investment in unconsolidated subsidiaries	2,634	2,591	2,555	1,193	212	1,062	88	79
72 Customer acceptances outstanding	12,749	11,882	11,457	5,692	749	4,710	306	1,291
73 Other assets	36,862	35,568	32,144	13,709	1,362	12,718	4,355	4,718
74 **Total assets**	**1,074,343**	**1,040,952**	**795,199**	**151,796**	**39,272**	**293,378**	**310,752**	**279,144**

For notes see opposite page.

1.26 Continued

	Liability or capital account	All commercial banks	Insured commercial banks	Member banks[1]					Nonmember banks[1]
				Total	Large banks			All other[2]	
					New York City	City of Chicago	Other large		
75	**Demand deposits**	**337,428**	**332,327**	**259,378**	**64,350**	**10,338**	**90,634**	**94,056**	**78,051**
76	Mutual savings banks	1,621	1,443	1,257	684	2	270	301	364
77	Other individuals, partnerships, and corporations	252,889	251,580	189,126	32,633	7,349	71,011	78,134	63,763
78	U.S. Govt	2,826	2,817	2,004	136	31	710	1,126	822
79	States and political subdivisions	17,825	17,752	12,328	636	173	3,794	7,725	5,497
80	Foreign governments, central banks, etc	1,908	1,454	1,382	1,115	17	225	25	527
81	Commercial banks in United States	37,537	36,909	35,716	19,236	2,289	10,522	3,670	1,821
82	Banks in foreign countries	7,311	6,613	6,471	5,157	159	1,021	134	840
83	Certified and officers' checks, etc	15,511	13,759	11,094	4,754	318	3,081	2,941	4,417
84	**Time deposits**	**308,831**	**299,840**	**217,098**	**32,405**	**12,921**	**74,985**	**96,787**	**91,733**
85	Accumulated for personal loan payments	134	134	108	....	....	10	98	26
86	Mutual savings banks	363	346	332	136	67	100	30	30
87	Other individuals, partnerships, and corporations	242,952	237,078	170,322	24,043	9,454	57,628	79,197	72,630
88	U.S. Govt	752	752	602	68	46	272	216	150
89	States and political subdivisions	46,541	46,212	31,715	1,372	981	13,134	16,230	14,826
90	Foreign governments, central banks, etc	9,590	7,967	7,635	4,254	1,520	1,797	65	1,955
91	Commercial banks in United States	6,358	5,770	4,934	1,694	736	1,774	730	1,423
92	Banks in foreign countries	2,142	1,582	1,449	838	118	270	223	693
93	**Savings deposits**	**215,772**	**215,206**	**152,378**	**11,746**	**3,145**	**56,133**	**81,353**	**63,394**
94	Individuals and nonprofit organizations	200,240	199,697	141,252	10,714	2,880	52,234	75,425	58,988
95	Corporations and other profit organizations	10,072	10,056	7,289	603	219	3,076	3,391	2,783
96	U.S. Government	61	61	52	4	....	25	24	9
97	States and political subdivisions	5,331	5,325	3,725	394	46	782	2,504	1,606
98	All other	67	67	60	32	1	17	9	7
99	**Total deposits**	**862,031**	**847,373**	**628,853**	**108,501**	**26,405**	**221,751**	**272,196**	**233,178**
100	**Federal funds purchased and securities sold under agreements to repurchase**	**79,167**	**75,397**	**71,547**	**17,045**	**8,277**	**36,363**	**9,862**	**7,620**
101	Commercial banks	42,487	39,624	37,861	7,203	5,437	20,513	4,707	4,626
102	Brokers and dealers	9,397	9,374	8,979	1,639	1,454	4,973	914	418
103	Others	27,283	26,399	24,707	8,203	1,386	10,877	4,241	2,576
104	Other liabilities for borrowed money	9,047	5,761	5,455	1,914	45	3,030	467	3,592
105	Mortgage indebtedness	807	804	572	57	16	297	201	235
106	Bank acceptances outstanding	13,407	12,536	12,111	6,337	750	4,717	307	1,296
107	Other liabilities	28,093	18,248	15,854	5,256	1,000	6,256	3,342	12,239
108	**Total liabilities**	**992,552**	**960,118**	**734,392**	**139,110**	**36,493**	**272,415**	**286,374**	**258,160**
109	Subordinated notes and debentures	5,393	5,330	4,223	1,118	82	1,881	1,142	1,170
110	**Equity capital**	**76,397**	**75,503**	**56,584**	**11,568**	**2,698**	**19,082**	**23,236**	**19,813**
111	Preferred stock	77	71	28	....	....	2	26	48
112	Common stock	16,719	16,623	12,084	2,496	570	3,850	5,167	4,635
113	Surplus	30,211	29,728	21,794	4,290	1,298	7,839	8,367	8,418
114	Undivided profits	27,608	27,365	21,492	4,744	776	6,994	8,978	6,116
115	Other capital reserves	1,782	1,717	1,187	38	53	396	699	595
116	**Total liabilities and equity capital**	**1,074,343**	**1,040,952**	**795,199**	**151,796**	**39,272**	**293,378**	**310,752**	**279,144**
	MEMO ITEMS:								
117	Demand deposits adjusted[3]	243,690	239,359	170,340	24,604	5,866	58,901	80,969	73,350
	Average for last 15 or 30 days:								
118	Cash and due from bank	132,469	126,370	107,671	29,887	4,764	40,094	32,927	24,798
119	Federal funds sold and securities purchased under agreements to resell	47,876	42,907	33,605	3,667	1,449	16,759	11,730	14,271
120	Total loans	559,178	542,036	407,556	69,936	21,456	151,616	164,548	151,621
121	Time deposits of $100,000 or more	139,145	132,096	107,972	26,712	10,328	43,044	27,888	31,174
122	Total deposits	845,218	830,008	612,859	98,375	25,769	217,875	270,841	232,359
123	Federal funds purchased and securities sold under agreements to repurchase	84,385	80,374	76,761	20,960	9,219	36,604	9,977	7,624
124	Other liabilities for borrowed money	9,553	5,961	5,666	2,172	79	2,980	436	3,887
125	Standby letters of credit outstanding	14,499	13,705	12,902	7,705	1,037	3,302	858	1,598
126	Time deposits of $100,000 or more	140,410	133,981	109,615	26,547	10,360	44,386	28,322	30,795
127	Certificates of deposit	115,589	111,351	90,425	22,011	8,703	35,781	23,930	25,164
128	Other time deposits	24,820	22,630	19,190	4,536	1,657	8,605	4,392	5,630
129	Number of banks	14,718	14,425	5,720	12	9	154	5,545	8,998

1 Member banks exclude and nonmember banks include 10 noninsured trust companies that are members of the Federal Reserve System, and member banks exclude 2 national banks outside the continental United States.

2 Figures for one large national bank have been estimated due to a merger.

3 Demand deposits adjusted are demand deposits other than domestic commercial interbank and U.S. Govt., less cash items reported as in process of collection.

NOTE.—Data include consolidated reports, including figures for all bank-premises subsidiaries and other significant majority-owned domestic subsidiaries. Securities are reported on a gross basis before deductions of valuation reserves. Holdings by type of security will be reported as soon as they become available.

Back data in lesser detail were shown in previous BULLETINS. Details may not add to totals because of rounding.

1.27 ALL LARGE WEEKLY REPORTING COMMERCIAL BANKS Assets and Liabilities

Millions of dollars, Wednesday figures

Account	1977							
	Oct. 12	Oct. 19	Oct. 26	Nov. 2	Nov. 9	Nov. 16	Nov. 23	Nov. 30p
1 **Total loans and investments**	**435,931**	**435,931**	**433,032**	**438,706**	**447,608**	**446,312**	**437,552**	**442,829**
Loans:								
2 *Federal funds sold*[1]	*25,822*	*23,339*	*21,662*	*24,841*	*32,396*	*29,011*	*23,006*	*26,101*
3 To commercial banks	19,467	16,117	16,658	18,041	23,143	19,937	17,926	19,099
To brokers and dealers involving—								
4 U.S. Treasury securities	3,121	4,434	2,570	3,643	5,116	5,991	2,629	3,983
5 Other securities	663	514	522	589	717	549	487	533
6 To others	2,571	2,274	1,912	2,568	3,420	2,534	1,964	2,486
7 *Other, gross*	*308,989*	*310,413*	*309,390*	*312,266*	*313,018*	*314,132*	*311,361*	*313,514*
8 Commercial and industrial	121,295	121,680	122,383	123,508	123,560	123,111	123,049	123,514
9 Agricultural	4,771	4,786	4,785	4,785	4,771	4,750	4,732	4,700
For purchasing or carrying securities:								
To brokers and dealers:								
10 U.S. Treasury securities	1,792	2,266	967	1,455	2,340	2,547	1,088	1,486
11 Other securities	8,960	9,501	8,755	8,752	8,779	9,125	8,467	8,989
To others:								
12 U.S. Treasury securities	72	72	97	83	82	88	87	95
13 Other securities	2,614	2,612	2,637	2,615	2,631	2,603	2,612	2,613
To nonbank financial institutions:								
14 Personal and sales finance cos., etc.	7,682	7,614	7,659	7,640	7,662	7,523	7,549	7,793
15 Other	15,371	15,058	15,228	15,548	15,398	15,398	15,261	15,358
16 Real estate	71,745	72,019	72,267	72,490	72,779	73,104	73,287	73,356
To commercial banks:								
17 Domestic	1,995	2,151	1,975	2,158	2,188	2,466	2,122	2,160
18 Foreign	6,337	6,353	6,425	6,410	6,344	6,467	5,988	6,014
19 Consumer instalment	43,999	44,118	44,385	44,523	44,579	44,708	44,935	45,085
20 Foreign governments, official institutions, etc.	1,647	1,646	1,517	1,528	1,426	1,405	1,426	1,433
21 All other loans	20,709	20,537	20,310	20,771	20,479	20,837	20,758	20,918
22 LESS: Loan loss reserve and unearned income on loans	9,285	9,346	9,372	9,390	9,435	9,462	9,505	9,444
23 *Other loans, net*	*299,704*	*301,067*	*300,018*	*302,876*	*303,583*	*304,670*	*301,856*	*304,070*
Investments:								
24 *U.S. Treasury securities*	*44,405*	*45,571*	*45,153*	*44,816*	*44,859*	*45,927*	*45,522*	*45,597*
25 Bills	7,311	7,979	7,703	7,604	8,003	8,617	8,414	8,116
Notes and bonds, by maturity:								
26 Within 1 year	8,760	8,916	8,923	8,465	8,312	8,240	8,358	8,372
27 1 to 5 years	24,524	23,936	23,807	24,131	24,047	24,677	24,540	24,943
28 After 5 years	3,810	4,740	4,720	4,616	4,497	4,393	4,210	4,166
29 *Other securities*	*66,000*	*65,954*	*66,199*	*66,173*	*66,770*	*66,704*	*67,168*	*67,061*
Obligations of States and political subdivisions:								
30 Tax warrants, short-term notes, and bills	9,550	9,058	9,115	9,139	9,438	9,145	8,961	8,849
31 All other	42,490	42,572	42,613	42,640	42,773	42,876	42,896	42,896
Other bonds, corporate stocks, and securities:								
32 Certificates of participation[2]	2,128	1,908	2,090	2,082	2,090	2,083	2,167	2,214
33 All other, including corporate stocks	11,832	12,416	12,381	12,312	12,469	12,600	13,144	13,102
34 Cash items in process of collection	44,133	38,619	37,053	40,865	40,629	45,147	41,741	44,205
35 Reserves with F.R. Banks	22,169	20,195	21,197	19,339	17,049	17,541	23,649	19,238
36 Currency and coin	6,042	6,065	6,252	5,870	5,929	6,192	5,881	6,597
37 Balances with domestic banks	14,013	14,646	13,079	15,273	15,387	14,115	13,782	14,354
38 Investments in subsidiaries not consolidated	2,837	2,813	2,918	2,921	2,881	2,901	2,869	2,874
39 Other assets	55,035	53,373	53,637	55,151	59,723	56,100	57,032	58,472
40 **Total assets/total liabilities**	**580,160**	**571,642**	**567,168**	**578,125**	**589,206**	**588,308**	**582,506**	**588,569**
Deposits:								
41 *Demand deposits*	*185,404*	*178,991*	*176,075*	*182,852*	*190,196*	*189,124*	*178,276*	*188,800*
42 Individuals, partnerships, and corporations	135,194	129,106	128,563	131,535	130,289	136,527	129,971	135,420
43 States and political subdivisions	5,967	5,883	5,662	6,630	5,926	6,575	6,221	6,109
44 U.S. Govt.	1,301	2,467	1,726	1,196	962	1,867	1,207	2,582
Domestic interbank:								
45 Commercial	27,194	26,679	25,241	27,714	36,977	27,685	25,710	29,303
46 Mutual savings	1,027	917	783	1,036	972	945	881	816
Foreign:								
47 Governments, official institutions, etc.	1,110	1,136	1,154	1,115	1,139	1,094	1,300	1,253
48 Commercial banks	6,447	6,055	6,156	6,034	6,228	6,854	6,051	6,017
49 Certified and officers' checks	7,164	6,748	6,790	7,592	7,703	7,577	6,935	7,300
50 *Time and savings deposits*[3]	*241,890*	*242,526*	*242,947*	*243,106*	*244,027*	*244,956*	*246,720*	*246,848*
51 Savings[4]	93,608	93,357	93,034	92,845	92,952	92,650	92,550	92,354
52 Time:	148,282	149,169	149,913	150,261	151,075	152,306	154,170	154,494
53 Individuals, partnerships, and corporations	113,504	113,803	114,408	114,683	115,340	116,122	117,406	117,708
54 States and political subdivisions	21,795	22,055	22,076	21,902	21,929	22,071	22,446	22,353
55 Domestic interbank	4,496	4,551	4,670	4,645	4,766	4,787	4,993	5,129
56 Foreign govts., official institutions, etc.	6,892	7,191	7,184	7,447	7,461	7,783	7,751	7,750
57 Federal funds purchased, etc.[5]	77,093	70,758	71,791	75,690	78,839	78,065	78,536	76,161
Borrowings from:								
58 F.R. Banks	481	3,233	698	424	376	172	2,669	626
59 Others	4,797	4,993	5,375	5,159	5,192	5,190	5,372	5,165
60 Other liabilities, etc.[6]	26,523	27,232	26,254	26,732	26,343	26,630	26,770	26,589
61 Total equity capital and subordinated notes/debentures[7]	43,972	43,909	44,028	44,162	44,233	44,171	44,163	44,380

1 Includes securities purchased under agreements to resell.
2 Federal agencies only.
3 Includes time deposits of U.S. Govt. and of foreign banks, which are not shown separately.
4 For amounts of these deposits by ownership categories, see Table 1.30.
5 Includes securities sold under agreements to repurchase.
6 Includes minority interest in consolidated subsidiaries and deferred tax portion of reserves for loans.
7 Includes reserves for securities and contingency portion of reserves for loans.

1.28 LARGE WEEKLY REPORTING COMMERCIAL BANKS IN NEW YORK CITY Assets and Liabilities

Millions of dollars, Wednesday figures

	Account	1977							
		Oct. 12	Oct. 19	Oct. 26	Nov. 2	Nov. 9	Nov. 16	Nov. 23	Nov. 30p
1	**Total loans and investments**	**94,035**	**95,936**	**94,662**	**94,207**	**96,632**	**95,969**	**93,469**	**95,760**
	Loans:								
2	*Federal funds sold* [1]	*4,939*	*4,282*	*4,721*	*3,840*	*5,997*	*3,380*	*3,436*	*4,473*
3	To commercial banks	2,573	2,482	3,053	2,200	3,189	1,881	1,895	2,522
	To brokers and dealers involving—								
4	U.S. Treasury securities	1,067	1,084	941	896	1,336	931	688	743
5	Other securities	...	...	...	...	54	...	...	...
6	To others	1,299	716	727	744	1,418	568	853	1,208
7	*Other, gross*	*69,650*	*71,392*	*69,605*	*70,445*	*70,846*	*71,985*	*69,389*	*70,635*
8	Commercial and industrial	34,312	34,797	35,183	35,311	35,171	35,036	34,873	35,165
9	Agricultural	156	162	160	164	174	176	180	177
	For purchasing or carrying securities:								
	To brokers and dealers:								
10	U.S. Treasury securities	1,615	2,070	833	1,146	2,036	2,406	945	1,324
11	Other securities	4,628	5,140	4,589	4,518	4,507	4,836	4,389	4,737
	To others:								
12	U.S. Treasury securities	23	23	38	23	23	22	22	22
13	Other securities	376	362	364	361	358	358	373	372
	To nonbank financial institutions:								
14	Personal and sales finance cos., etc.	2,695	2,708	2,687	2,603	2,612	2,523	2,636	2,871
15	Other	4,743	4,689	4,731	4,840	4,873	4,895	4,926	4,901
16	Real estate	8,828	8,841	8,876	8,901	8,918	8,940	8,970	8,971
	To commercial banks:								
17	Domestic	673	877	629	809	748	1,034	757	662
18	Foreign	3,101	3,156	3,088	3,124	3,075	3,196	2,706	2,759
19	Consumer instalment	4,243	4,261	4,282	4,288	4,289	4,299	4,318	4,319
20	Foreign governments, official institutions, etc.	453	457	347	379	293	302	300	297
21	All other loans	3,804	3,849	3,798	3,978	3,769	3,962	3,994	4,058
22	LESS: Loan loss reserve and unearned income on loans	1,664	1,695	1,699	1,706	1,708	1,713	1,716	1,701
23	*Other loans, net*	*67,986*	*69,697*	*67,906*	*68,739*	*69,138*	*70,272*	*67,673*	*68,934*
	Investments:								
24	*U.S. Treasury securities*	*10,495*	*11,132*	*11,283*	*10,934*	*10,697*	*11,442*	*11,149*	*11,288*
25	Bills	2,651	2,939	3,049	2,620	2,566	2,957	2,916	2,573
	Notes and bonds, by maturity:								
26	Within 1 year	1,568	1,541	1,582	1,648	1,541	1,542	1,429	1,610
27	1 to 5 years	5,450	5,306	5,325	5,433	5,439	5,901	5,877	6,178
28	After 5 years	826	1,346	1,327	1,233	1,151	1,042	927	927
29	*Other securities*	*10,615*	*10,825*	*10,752*	*10,694*	*10,800*	*10,875*	*11,211*	*11,065*
	Obligations of States and political subdivisions:								
30	Tax warrants, short-term notes, and bills	2,426	2,312	2,342	2,353	2,378	2,263	2,220	2,220
31	All other	6,452	6,623	6,481	6,515	6,546	6,647	6,547	6,502
	Other bonds, corporate stocks, and securities:								
32	Certificates of participation [2]	193	192	192	192	192	192	192	189
33	All other, including corporate stocks	1,544	1,698	1,737	1,634	1,684	1,773	2,252	2,154
34	Cash items in process of collection	13,445	12,452	11,867	12,823	16,000	14,486	13,533	15,754
35	Reserves with F.R. Banks	5,023	5,787	4,971	5,880	6,424	6,229	6,034	3,507
36	Currency and coin	900	879	910	883	903	937	877	962
37	Balances with domestic banks	5,749	7,022	5,744	7,381	8,017	5,749	6,656	6,740
38	Investments in subsidiaries not consolidated	1,386	1,372	1,381	1,388	1,408	1,413	1,411	1,416
39	Other assets	20,229	17,932	18,955	20,112	23,215	21,233	21,670	21,706
40	**Total assets/total liabilities**	**140,767**	**141,380**	**138,490**	**142,674**	**152,599**	**146,016**	**143,650**	**145,845**
	Deposits:								
41	*Demand deposits*	*49,634*	*49,973*	*48,583*	*50,876*	*60,300*	*51,774*	*48,173*	*53,834*
42	Individuals, partnerships, and corporations	27,517	26,613	26,775	27,623	27,751	28,641	26,481	28,423
43	States and political subdivisions	419	528	440	592	476	572	598	471
44	U.S. Govt.	142	386	324	94	114	232	129	409
	Domestic interbank:								
45	Commercial	12,060	13,580	11,999	13,310	22,107	12,307	11,996	15,352
46	Mutual savings	557	483	376	520	519	481	490	407
	Foreign:								
47	Governments, official institutions, etc.	887	892	918	900	944	875	1,082	999
48	Commercial banks	4,920	4,421	4,645	4,546	4,761	5,332	4,543	4,527
49	Certified and officers' checks	3,132	3,070	3,106	3,291	3,628	3,334	2,854	3,246
50	*Time and savings deposits* [3]	*42,541*	*43,023*	*43,358*	*43,310*	*43,324*	*43,575*	*43,985*	*44,052*
51	Savings [4]	10,320	10,236	10,185	10,123	10,115	10,065	10,026	9,953
52	Time:	32,221	32,787	33,173	33,187	33,209	33,510	33,959	34,099
53	Individuals, partnerships, and corporations	24,161	24,402	24,528	24,462	24,541	24,789	25,322	25,447
54	States and political subdivisions	1,484	1,612	1,649	1,702	1,704	1,705	1,681	1,682
55	Domestic interbank	1,689	1,654	1,813	1,711	1,707	1,621	1,595	1,631
56	Foreign govts., official institutions, etc.	4,107	4,358	4,429	4,553	4,511	4,656	4,629	4,617
57	Federal funds purchased, etc. [5]	22,291	20,061	19,904	21,738	22,205	23,830	23,289	21,291
	Borrowings from:								
58	F.R. Banks	...	1,123	...	...	...	...	1,766	...
59	Others	1,969	2,130	2,346	2,097	2,178	2,310	2,274	2,299
60	Other liabilities, etc. [6]	11,720	12,467	11,702	11,978	11,898	11,822	11,466	11,613
61	Total equity capital and subordinated notes/debentures [7]	12,612	12,603	12,597	12,675	12,694	12,705	12,697	12,756

1 Includes securities purchased under agreements to resell.
2 Federal agencies only.
3 Includes time deposits of U.S. Govt. and of foreign banks, which are not shown separately.
4 For amounts of these deposits by ownership categories, see Table 1.30.
5 Includes securities sold under agreements to repurchase.
6 Includes minority interest in consolidated subsidiaries and deferred tax portion of reserves for loans.
7 Includes reserves for securities and contingency portion of reserves for loans.

1.29 LARGE WEEKLY REPORTING COMMERCIAL BANKS OUTSIDE NEW YORK CITY
Assets and Liabilities

Millions of dollars, Wednesday figures

	Account	1977							
		Oct. 12	Oct. 19	Oct. 26	Nov. 2	Nov. 9	Nov. 16	Nov. 23	Nov. 30p
1	**Total loans and investments**	**341,896**	**339,995**	**338,370**	**344,499**	**350,976**	**350,343**	**344,083**	**347,069**
	Loans:								
2	*Federal funds sold*[1]	*20,883*	*19,057*	*16,941*	*21,001*	*26,399*	*25,631*	*19,570*	*21,628*
3	To commercial banks	16,894	13,635	13,605	15,841	19,954	18,056	16,031	16,577
	To brokers and dealers involving—								
4	U.S. Treasury securities	2,054	3,350	1,629	2,747	3,780	5,060	1,941	3,240
5	Other securities	663	514	522	589	663	549	487	533
6	To others	1,272	1,558	1,185	1,824	2,002	1,966	1,111	1,278
7	*Other, gross*	*239,339*	*239,021*	*239,785*	*241,821*	*242,172*	*242,147*	*241,972*	*242,879*
8	Commercial and industrial	86,983	86,883	87,200	88,197	88,389	88,075	88,176	88,349
9	Agricultural	4,615	4,624	4,625	4,621	4,597	4,574	4,552	4,523
	For purchasing or carrying securities:								
	To brokers and dealers:								
10	U.S. Treasury securities	177	196	134	309	304	141	143	162
11	Other securities	4,332	4,361	4,166	4,234	4,272	4,289	4,078	4,252
	To others:								
12	U.S. Treasury securities	49	49	59	60	59	66	65	73
13	Other securities	2,238	2,250	2,273	2,254	2,273	2,245	2,239	2,241
	To nonbank financial institutions:								
14	Personal and sales finance cos., etc	4,987	4,906	4,972	5,037	5,050	5,000	4,913	4,922
15	Other	10,628	10,369	10,497	10,708	10,525	10,503	10,335	10,457
16	Real estate	62,917	63,178	63,391	63,589	63,861	64,164	64,317	64,385
	To commercial banks:								
17	Domestic	1,322	1,774	1,346	1,349	1,440	1,432	1,365	1,498
18	Foreign	3,236	3,197	3,337	3,286	3,269	3,271	3,282	3,255
19	Consumer instalment	39,756	39,857	40,103	40,235	40,290	40,409	40,617	40,766
20	Foreign governments, official institutions, etc.	1,194	1,189	1,170	1,149	1,133	1,103	1,126	1,136
21	All other loans	16,905	16,688	16,512	16,793	16,710	16,875	16,764	16,860
22	LESS: Loan reserve and unearned income on loans	7,621	7,651	7,673	7,684	7,727	7,749	7,789	7,743
23	*Other loans, net*	*231,718*	*231,370*	*232,112*	*234,137*	*234,445*	*234,398*	*234,183*	*235,136*
	Investments:								
24	*U.S. Treasury securities*	*33,910*	*34,439*	*33,870*	*33,882*	*34,162*	*34,485*	*34,373*	*34,309*
25	Bills	4,660	5,040	4,654	4,984	5,437	5,660	5,498	5,543
	Notes and bonds, by maturity:								
26	Within 1 year	7,192	7,375	7,341	6,817	6,771	6,698	6,929	6,762
27	1 to 5 years	19,074	18,630	18,482	18,698	18,608	18,776	18,663	18,765
28	After 5 years	2,984	3,394	3,393	3,383	3,346	3,351	3,283	3,239
29	*Other securities*	*55,385*	*55,129*	*55,447*	*55,479*	*55,970*	*55,829*	*55,957*	*55,996*
	Obligations of States and political subdivisions:								
30	Tax warrants, short-term notes, and bills	7,124	6,746	6,773	6,786	7,060	6,882	6,741	6,629
31	All other	36,038	35,949	36,132	36,125	36,227	36,229	36,349	36,394
	Other bonds, corporate stocks, and securities:								
32	Certificates of participation[2]	1,935	1,716	1,898	1,890	1,898	1,891	1,975	2,025
33	All other, including corporate stocks	10,288	10,718	10,644	10,678	10,785	10,827	10,892	10,948
34	Cash items in process of collection	30,688	26,167	25,186	28,042	24,629	30,661	28,208	28,451
35	Reserves with F. R. Banks	17,146	14,408	16,226	13,459	10,625	11,312	17,615	15,731
36	Currency and coin	5,142	5,186	5,342	4,987	5,026	5,255	5,004	5,635
37	Balances with domestic banks	8,264	7,624	7,335	7,892	7,370	8,366	7,126	7,614
38	Investments in subsidiaries not consolidated	1,451	1,441	1,537	1,533	1,473	1,488	1,458	1,458
39	Other assets	34,806	35,441	34,682	35,039	36,508	34,867	35,362	36,766
40	**Total assets/total liabilities**	**439,393**	**430,262**	**428,678**	**435,451**	**436,607**	**442,292**	**438,856**	**442,724**
	Deposits:								
41	*Demand deposits*	*135,770*	*129,018*	*127,492*	*131,976*	*129,896*	*137,350*	*130,103*	*134,966*
42	Individuals, partnerships, and corporations	107,677	102,493	101,788	103,912	102,538	107,886	103,490	106,997
43	States and political subdivisions	5,548	5,355	5,222	6,038	5,450	6,003	5,623	5,638
44	U.S. Govt	1,159	2,081	1,402	1,102	848	1,635	1,078	2,173
	Domestic interbank:								
45	Commercial	15,134	13,099	13,242	14,404	14,870	15,378	13,714	13,951
46	Mutual savings	470	434	407	516	453	464	391	409
	Foreign:								
47	Governments, official institutions, etc	223	244	236	215	195	219	218	254
48	Commercial banks	1,527	1,634	1,511	1,488	1,467	1,522	1,508	1,490
49	Certified and officers' checks	4,032	3,678	3,684	4,301	4,075	4,243	4,081	4,054
50	*Time and savings deposits*[3]	*199,349*	*199,503*	*199,589*	*199,796*	*200,703*	*201,381*	*202,735*	*202,796*
51	Savings[4]	83,288	83,121	82,849	82,722	82,837	82,585	82,524	82,401
52	Time:	116,061	116,382	116,740	117,074	117,866	118,796	120,211	120,395
53	Individuals, partnerships, and corporations	89,343	89,401	89,880	90,221	90,799	91,333	92,084	92,261
54	States and political subdivisions	20,311	20,443	20,427	20,200	20,225	20,366	20,765	20,671
55	Domestic interbank	2,807	2,897	2,857	2,934	3,059	3,166	3,398	3,498
56	Foreign govts., official institutions, etc	2,785	2,833	2,755	2,894	2,950	3,127	3,122	3,133
57	Federal funds purchased, etc.[5]	54,802	50,697	51,887	53,952	56,634	54,235	55,247	54,870
	Borrowings from:								
58	F. R. Banks	481	2,110	698	424	376	172	903	626
59	Others	2,828	2,863	3,029	3,062	3,014	2,880	3,098	2,866
60	Other liabilities, etc.[6]	14,803	14,765	14,552	14,754	14,445	14,808	15,304	14,976
61	Total equity capital and subordinated notes/debentures[7]	31,360	31,306	31,431	31,487	31,539	31,466	31,466	31,624

1 Includes securities purchased under agreements to resell.

2 Federal agencies only.

3 Includes time deposits of U.S. Govt. and of foreign banks, which are not shown separately.

4 For amounts of these deposits by ownership categories, see Table 1.30.

5 Includes securities sold under agreements to repurchase.

6 Includes minority interest in consolidated subsidiaries and deferred tax portion of reserves for loans.

7 Includes reserves for securities and contingency portion of reserves for loans.

1.30 LARGE WEEKLY REPORTING COMMERCIAL BANKS Balance Sheet Memoranda

Millions of dollars, Wednesday figures

	Account and bank group	1977							
		Oct. 12	Oct. 19	Oct. 26	Nov. 2	Nov. 9	Nov. 16	Nov. 23	Nov. 30^{p}
	Total loans (gross) and investments, adjusted[1]								
1	*Large banks*	423,754	427,009	423,771	427,897	431,712	433,371	427,009	431,014
2	New York City banks	92,453	94,272	92,679	92,904	94,403	94,767	92,533	94,277
3	Banks outside New York City	331,301	332,737	331,092	334,993	337,309	338,604	334,476	336,737
	Total loans (gross), adjusted								
4	*Large banks*	313,349	315,484	312,419	316,908	320,083	320,740	314,319	318,356
5	New York City banks	71,343	72,315	70,644	71,276	72,906	72,450	70,173	71,924
6	Banks outside New York City	242,006	243,169	241,775	245,632	247,177	248,290	244,146	246,432
	Demand deposits, adjusted[2]								
7	*Large banks*	112,776	111,226	112,055	113,077	111,628	114,425	109,618	112,710
8	New York City banks	23,987	23,555	24,393	24,649	22,079	24,749	22,515	22,319
9	Banks outside New York City	88,789	87,671	87,662	88,428	89,549	89,676	87,103	90,391
	Large negotiable time CD's included in time and savings deposits[3]								
	Total:								
10	**Large banks**	67,750	68,483	69,332	69,724	70,481	71,693	73,253	73,416
11	New York City	21,374	21,944	22,391	22,359	22,386	22,663	23,215	23,173
12	Banks outside New York City	46,376	46,539	46,941	47,365	48,095	49,030	50,038	50,243
	Issued to IPC's:								
13	*Large banks*	45,594	45,823	46,628	46,885	47,485	48,361	49,470	49,599
14	New York City Banks	14,730	15,018	15,232	15,129	15,237	15,490	16,084	16,040
15	Banks outside New York City	30,864	30,805	31,396	31,756	32,248	32,871	33,386	33,559
	Issued to others:								
16	*Large banks*	22,156	22,660	22,704	22,839	22,996	23,332	23,783	23,817
17	New York City banks	6,644	6,926	7,159	7,230	7,149	7,173	7,131	7,133
18	Banks outside New York City	15,512	15,734	15,545	15,609	15,847	16,159	16,652	16,684
	All other large time deposits[4]								
	Total:								
19	**Large banks**	27,788	28,151	28,241	28,504	28,617	28,719	29,112	29,002
20	New York City banks	5,775	5,892	5,927	6,073	6,035	6,049	5,987	5,982
21	Banks outside New York City	22,013	22,259	22,314	22,431	22,582	22,670	23,125	23,020
	Issued to IPC's:								
22	*Large banks*	15,913	16,204	16,201	16,505	16,642	16,663	16,856	16,799
23	New York City banks	4,447	4,548	4,570	4,709	4,658	4,646	4,625	4,605
24	Banks outside New York City	11,466	11,656	11,631	11,796	11,984	12,017	12,231	12,194
	Issued to others:								
25	*Large banks*	11,875	11,947	12,040	11,999	11,975	12,056	12,256	12,203
26	New York City banks	1,328	1,344	1,357	1,364	1,377	1,403	1,362	1,377
27	Banks outside New York City	10,547	10,603	10,683	10,635	10,598	10,653	10,894	10,826
	Savings deposits, by ownership category								
	Individuals and nonprofit organizations:								
28	*Large banks*	86,813	86,645	86,377	86,284	86,325	86,054	85,950	85,791
29	New York City banks	9,477	9,422	9,390	9,364	9,370	9,333	9,309	9,235
30	Banks outside New York City	77,336	77,223	76,987	76,920	76,955	76,721	76,641	76,556
	Partnerships and corporations for profit:[5]								
31	*Large banks*	5,121	5,104	5,131	5,105	5,175	5,156	5,227	5,246
32	New York City banks	538	528	524	520	515	517	520	522
33	Banks outside New York City	4,583	4,576	4,607	4,585	4,660	4,639	4,707	4,724
	Domestic governmental units:								
34	*Large banks*	1,634	1,577	1,491	1,423	1,416	1,415	1,345	1,287
35	New York City banks	279	264	250	219	212	203	185	182
36	Banks outside New York City	1,355	1,313	1,241	1,204	1,204	1,212	1,160	1,105
	All other:[6]								
37	*Large banks*	40	31	35	33	36	25	28	30
38	New York City banks	26	22	21	20	18	12	12	14
39	Banks outside New York City	14	9	14	13	18	13	16	16
	Gross liabilities of banks to their foreign branches								
40	*Large banks*	5,381	6,665	5,366	4,989	4,955	5,018	4,575	5,306
41	New York City banks	3,015	4,252	2,836	2,747	2,679	3,011	3,304	3,257
42	Banks outside New York City	2,366	2,413	2,530	2,242	2,276	2,007	1,271	2,049
	Loans sold outright to selected institutions by all large banks[7]								
43	Commercial and industrial	2,804	2,762	2,879	2,886	3,115	3,120	3,143	3,069
44	Real estate	216	241	226	220	214	220	220	240
45	All other	1,057	1,053	1,009	984	1,136	1,131	1,127	1,129

1 Exclusive of loans and Federal funds transactions with domestic commercial banks.

2 All demand deposits except U.S. Govt. and domestic commercial banks, less cash items in process of collection.

3 Certificates of deposit (CD's) issued in denominations of $100,000 or more.

4 All other time deposits issued in denominations of $100,000 or more (not included in large negotiable CD's).

5 Other than commercial banks.

6 Domestic and foreign commercial banks, and official international organizations.

7 To bank's own foreign branches, nonconsolidated nonbank affiliates of the bank, the bank's holding company (if not a bank), and nonconsolidated nonbank subsidiaries of the holding company.

1.31 LARGE WEEKLY REPORTING COMMERCIAL BANKS Commercial and Industrial Loans

Millions of dollars

Industry classification	Outstanding					Net change during—				
	1977					1977		1977		
	Nov. 2	Nov. 9	Nov. 16	Nov. 23	Nov. 30p	Q2	Q3	Sept.	Oct.	Nov.p
	Total loans classified[2]									
1 **Total**	**100,599**	**100,463**	**100,040**	**100,040**	**100,434**	**1,530**	**268**	**676**	**2,161**	**668**
Durable goods manufacturing:										
2 Primary metals	2,396	2,397	2,378	2,393	2,358	−161	74	104	−58	−78
3 Machinery	4,682	4,676	4,583	4,499	4,514	39	−233	90	86	−143
4 Transportation equipment	2,331	2,369	2,325	2,346	2,449	94	−15	50	−26	89
5 Other fabricated metal products	1,991	1,997	1,994	1,978	1,958	75	11	106	18	−35
6 Other durable goods	3,671	3,670	3,651	3,636	3,574	322	66	71	−30	−128
Nondurable goods manufacturing:										
7 Food, liquor, and tobacco	3,705	3,812	3,766	3,762	3,749	−21	128	180	141	152
8 Textiles, apparel, and leather	3,842	3,863	3,751	3,700	3,628	470	166	−45	−134	−258
9 Petroleum refining	2,896	2,789	2,839	2,847	2,919	284	91	15	114	92
10 Chemicals and rubber	2,940	2,946	2,949	2,946	2,926	68	124	68	32	13
11 Other nondurable goods	2,177	2,180	2,188	2,141	2,146	−20	149	71	9	−31
12 Mining, including crude petroleum and natural gas	8,378	8,363	8,324	8,330	8,427	728	88	73	146	49
Trade:										
13 Commodity dealers	1,644	1,704	1,678	1,780	1,815	−433	−379	−58	288	203
14 Other wholesale	7,135	7,120	7,056	7,088	7,121	34	103	130	221	40
15 Retail	7,480	7,474	7,475	7,548	7,501	380	311	40	213	88
16 Transportation	4,943	4,971	4,963	4,987	5,010	−126	−68	3	−60	102
17 Communication	1,400	1,381	1,398	1,372	1,395	−152	72	13	56	71
18 Other public utilities	5,183	5,125	5,108	5,048	5,071	12	−512	−89	74	−43
19 Construction	4,480	4,463	4,499	4,538	4,544	289	243	130	−38	78
20 Services	11,047	11,023	11,093	11,074	11,097	329	−270	−112	−22	106
21 All other domestic loans	8,105	8,233	8,083	8,134	8,110	102	197	−17	48	140
22 Bankers acceptances	4,873	4,835	5,004	4,990	5,241	−263	86	−33	924	551
23 Foreign commercial and industrial loans	5,300	5,072	4,935	4,903	4,881	−520	−164	−114	159	−390
MEMO ITEMS:										
24 Commercial paper included in total classified loans[1]	....	....	....	....	138	−34	−85	30	−22	−73
25 Total commercial and industrial loans of all large weekly reporting banks	123,508	123,560	123,111	123,049	123,514	2,741	674	958	2,172	1,131
	1977					1977		1977		
	July 27	Aug. 31	Sept. 28	Oct. 26	Nov. 30	Q2	Q3	Sept.	Oct.	Nov.
	"Term" loans classified[3]									
26 **Total**	**45,901**	**46,076**	**46,274**	**46,631**	**46,664**	**675**	**−242**	**198**	**357**	**33**
Durable goods manufacturing:										
27 Primary metals	1,323	1,394	1,426	1,420	1,405	−133	38	32	−6	−15
28 Machinery	2,414	2,306	2,337	2,384	2,319	−32	−183	31	47	−65
29 Transportation equipment	1,404	1,382	1,429	1,373	1,339	43	47	47	−56	−34
30 Other fabricated metal products	813	785	775	831	838	12	−57	−10	56	7
31 Other durable goods	1,719	1,734	1,774	1,774	1,742	97	52	40	....	−32
Nondurable goods manufacturing:										
32 Food, liquor, and tobacco	1,363	1,368	1,400	1,441	1,442	23	−35	32	41	1
33 Textiles, apparel, and leather	1,204	1,149	1,154	1,173	1,142	79	4	5	19	−31
34 Petroleum refining	1,975	1,988	1,997	2,129	2,167	168	59	9	132	38
35 Chemicals and rubber	1,677	1,705	1,745	1,746	1,770	99	99	40	1	24
36 Other nondurable goods	1,118	1,088	1,094	1,094	1,123	96	−34	6	....	29
37 Mining, including crude petroleum and natural gas	6,250	6,295	6,284	6,328	6,412	519	−91	−11	44	84
Trade:										
38 Commodity dealers	180	209	194	209	234	−28	23	−15	15	25
39 Other wholesale	1,478	1,485	1,540	1,588	1,592	4	57	55	48	4
40 Retail	2,331	2,379	2,400	2,495	2,583	57	75	21	95	88
41 Transportation	3,607	3,624	3,625	3,622	3,651	−124	−24	1	−3	29
42 Communication	764	785	786	812	835	−31	38	1	26	23
43 Other public utilities	3,416	3,358	3,302	3,413	3,294	−136	−469	−56	111	−119
44 Construction	1,873	1,904	2,011	1,956	2,007	172	178	107	−55	51
45 Services	5,247	5,288	5,281	5,185	5,250	190	−20	−7	−96	65
46 All other domestic loans	2,464	2,733	2,542	2,502	2,641	−1	110	−191	−40	139
47 Foreign commercial and industrial loans	3,281	3,117	3,178	3,156	2,878	−399	−109	61	−22	−278

1 Reported for the last Wednesday of each month.
2 Includes "term" loans, shown below.
3 Outstanding loans with an original maturity of more than 1 year and all outstanding loans granted under a formal agreement—revolving credit or standby—on which the original maturity of the commitment was in excess of 1 year.

1.32 GROSS DEMAND DEPOSITS of Individuals, Partnerships, and Corporations

Billions of dollars, estimated daily-average balances

At commercial banks

Type of holder	1972 Dec.	1973 Dec.	1974 Dec.	1975 Dec.	1976 June	1976 Sept.	1976 Dec.	1977 Mar.	1977 June	1977 Sept.p
1 **All holders, IPC**	**208.0**	**220.1**	**225.0**	**236.9**	**234.2**	**236.1**	**250.1**	**242.3**	**253.8**	**252.7**
2 Financial business	18.9	19.1	19.0	20.1	20.3	19.7	22.3	21.6	25.9	23.7
3 Nonfinancial business	109.9	116.2	118.8	125.1	121.2	122.6	130.2	125.1	129.2	128.5
4 Consumer	65.4	70.1	73.3	78.0	78.8	80.0	82.6	81.6	84.1	86.2
5 Foreign	1.5	2.4	2.3	2.4	2.5	2.3	2.7	2.4	2.5	2.5
6 Other	12.3	12.4	11.7	11.3	11.4	11.5	12.4	11.6	12.2	11.8

At weekly reporting banks

Type of holder	1973 Dec.	1974 Dec.	1975 Dec.	1976 Dec.	1977 Apr.	1977 May	1977 June	1977 July	1977 Aug.	1977 Sept.p
7 **All holders, IPC**	**118.1**	**119.7**	**124.4**	**128.5**	**127.5**	**124.4**	**128.7**	**131.0**	**128.0**	**129.2**
8 Financial business	14.9	14.8	15.6	17.5	16.7	17.0	17.8	18.9	18.0	17.4
9 Nonfinancial business	66.2	66.9	69.9	69.7	68.5	67.2	69.5	70.7	68.8	70.0
10 Consumer	28.0	29.0	29.9	31.7	33.5	31.5	32.3	32.6	32.4	32.8
11 Foreign	2.2	2.2	2.3	2.6	2.3	2.4	2.4	2.2	2.5	2.4
12 Other	6.8	6.8	6.6	7.1	6.6	6.4	6.7	6.7	6.4	6.6

NOTE.—Figures include cash items in process of collection. Estimates of gross deposits are based on reports supplied by a sample of commercial banks. Types of depositors in each category are described in the June 1971 BULLETIN, p. 466.

Data for August 1976 have been revised as follows: All holders, IPC, 119.4; financial business, 15.3; nonfinancial business, 65.5; consumer, 30.0; foreign, 2.5; all other, 6.1.

1.33 COMMERCIAL PAPER AND BANKERS ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Instrument	1974 Dec.	1975 Dec.	1976 Dec.	1977 Apr.	1977 May	1977 June	1977 July	1977 Aug.	1977 Sept.	1977 Oct.
	Commercial paper (seasonally adjusted)									
1 **All issuers**	**49,742**	**48,145**	**52,623**	**56,715**	**57,434**	**61,237**	**60,323**	**60,320**	**61,391**	**62,591**
Financial companies:[1]										
Dealer-placed paper:[2]										
2 Total	4,599	6,220	7,271	7,286	7,555	8,196	8,261	8,167	8,493	8,547
3 Bank-related	1,814	1,762	1,900	1,778	1,805	1,894	1,744	1,650	1,846	1,961
Directly-placed paper:[3]										
4 Total	31,801	31,230	32,365	34,753	34,949	37,593	36,773	36,699	37,670	38,979
5 Bank-related	6,518	6,892	5,959	5,703	5,999	6,636	6,344	6,394	7,069	7,008
6 Nonfinancial companies[4]	13,342	10,695	12,987	14,676	14,930	15,538	15,289	15,454	15,228	15,065
	Dollar acceptances (not seasonally adjusted)									
7 **Total**	**18,484**	**18,727**	**22,523**	**22,899**	**23,201**	**23,440**	**23,499**	**23,091**	**23,317**	**23,908**
Held by:										
8 *Accepting banks*	*4,226*	*7,333*	*10,442*	*7,761*	*7,326*	*7,630*	*7,601*	*7,647*	*7,473*	*8,673*
9 Own bills	3,685	5,899	8,769	6,309	6,218	6,356	6,464	6,580	6,566	7,248
10 Bills bought	542	1,435	1,673	1,381	1,108	1,273	1,137	1,067	907	1,424
F.R. Banks:										
11 Own account	999	1,126	991	881	108	621	393	131	482	....
12 Foreign correspondents	1,109	293	375	394	385	360	296	304	287	422
13 Others	12,150	9,975	13,447	13,863	15,382	14,829	15,209	15,009	15,075	14,813
Based on:										
14 Imports into United States	4,023	3,726	4,992	5,114	5,124	5,635	5,570	5,446	5,654	5,886
15 Exports from United States	4,067	4,001	4,818	5,376	5,642	5,729	5,842	5,747	5,544	5,584
16 All other	10,394	11,000	12,713	12,410	12,436	12,076	12,088	11,899	12,119	12,438

1 Institutions engaged primarily in activities such as, but not limited to, commercial, savings, and mortgage banking; sales, personal, and mortgage financing; factoring, finance leasing, and other business lending; insurance underwriting; and other investment activities.

2 Includes all financial company paper sold by dealers in the open market.

3 As reported by financial companies that place their paper directly with investors.

4 Includes public utilities and firms engaged primarily in activities such as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.

1.34 PRIME RATE CHARGED BY BANKS on Short-term Business Loans

Per cent per annum

Effective date	Rate	Effective date	Rate	Month	Average rate	Month	Average rate
1976—June 1	7	1977—May 13	6½	1976—June	7.20	1977—Apr	6.25
7	7¼	31	6¾	July	7.25	May	6.41
Aug. 2	7	Aug. 22	7	Aug	7.01	June	6.75
Oct. 4	6¾	Sept. 16	7¼	Sept	7.00	July	6.75
Nov. 1	6½	Oct. 7	7½	Oct	6.78	Aug	6.83
Dec. 13	6¼	Oct. 24	7¾	Nov	6.50	Sept	7.13
				Dec	6.35	Oct	7.52
				1977—Jan	6.25	Nov	7.75
				Feb	6.25		
				Mar	6.25		

1.35 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, Aug. 1–6, 1977

Item	All sizes	Size of loan (in thousands of dollars) 1–24	25–49	50–99	100–499	500–999	1,000 and over
	Short-term commercial and industrial loans						
1 Amount of loans (thousands of dollars)	8,184,373	895,501	660,159	693,427	2,102,846	626,169	3,206,271
2 Number of loans	174,527	129,887	20,838	10,947	10,734	1,015	1,106
3 Weighted-average maturity (months)	3.0	2.6	3.0	2.5	2.8	2.8	3.5
4 Weighted-average interest rate (per cent per annum)	7.87	9.24	8.56	8.75	7.87	7.59	7.22
5 Interquartile range [1]	6.92–8.66	8.30–10.11	8.00–9.20	7.78–10.00	7.19–8.32	6.94–8.00	6.75–7.45
Percentage of amount of loans:							
6 With floating rate	52.7	26.1	29.3	50.9	53.0	55.2	64.6
7 Made under commitment	40.8	13.9	17.5	20.7	36.8	59.4	56.3
	Long-term commercial and industrial loans						
8 Amount of loans (thousands of dollars)	1,195,225		375,556		206,220	86,110	527,338
9 Number of loans	25,464		24,063		1,121	116	164
10 Weighted-average maturity (months)	63.8		51.7		116.6	46.5	54.7
11 Weighted-average interest rate (per cent per annum)	8.09		9.35		7.03	8.18	7.60
12 Interquartile range [1]	6.95–9.16		8.45–10.00		4.41–9.00	7.50–9.11	6.85–8.77
Percentage of amount of loans:							
13 With floating rate	53.4		23.3		41.2	61.5	78.4
14 Made under commitment	53.6		15.4		64.7	54.1	76.5
	Construction and land development loans						
15 Amount of loans (thousands of dollars)	570,762	163,298	141,147	48,143	109,676	108,497	
16 Number of loans	30,413	25,343	3,751	689	554	c76	
17 Weighted-average maturity (months)	13.1	11.7	10.3	9.9	10.5	23.6	
18 Weighted-average interest rate (per cent per annum)	8.70	9.16	8.84	8.93	8.70	7.73	
19 Interquartile range [1]	8.16–9.28	8.24–9.84	8.27–9.25	8.48–9.43	8.23–9.34	7.76–9.00	
Percentage of amount of loans:							
20 With floating rate	29.0	8.4	9.0	45.8	51.5	55.7	
21 Secured by real estate	73.4	67.6	59.5	87.5	84.0	83.4	
22 Made under commitment	44.2	39.7	29.3	64.4	62.6	42.9	
23 Type of construction: 1- to 4-family	41.4	44.2	54.0	59.9	30.2	23.7	
24 Multifamily	7.3	8.4	1.4	4.0	10.5	11.4	
25 Nonresidential	51.4	47.5	44.6	36.1	59.3	64.8	
	All sizes	1–9	10–24	25–49	50–99	100–249	250 and over
	Loans to farmers						
26 Amount of loans (thousands of dollars)	871,995	162,789	157,705	113,508	118,272	92,800	226,921
27 Number of loans	64,828	47,939	10,788	3,412	1,871	618	199
28 Weighted-average maturity (months)	7.0	6.9	10.1	5.8	8.3	5.6	5.6
29 Weighted-average interest rate (per cent per annum)	8.72	8.98	8.79	8.81	8.82	8.90	8.33
30 Interquartile range [1]	8.25–9.24	8.50–9.27	8.59–9.27	8.59–9.20	8.16–9.31	8.59–9.31	7.51–9.04
31 By purpose of loan:							
32 Feeder livestock	8.40	8.88	8.76	8.80	8.75	8.60	8.03
33 Other livestock	8.60	8.69	8.61	8.46	8.48	8.58	(2)
34 Other current operating expenses	9.00	8.97	9.01	8.87	9.06	9.01	c9.13
35 Farm machinery and equipment	9.02	9.07	9.23	9.12	9.30	(2)	8.57
36 Other	8.60	9.25	7.80	8.81	8.47	8.98	8.61

1 Interest rate range that covers the middle 50 per cent of the total dollar amount of loans made.
2 Fewer than three sample loans.

NOTE.—For more detail, see the Board's G.14 statistical release.

1.36 INTEREST RATES Money and Capital Markets

Averages, per cent per annum

	Instrument	1974	1975	1976	1977 Aug.	1977 Sept.	1977 Oct.	1977 Nov.	1977, week ending— Nov. 5	Nov. 12	Nov. 19	Nov. 26	Dec. 3
	Money market rates												
	Prime commercial paper [1]												
1	90- to 119-day	10.05	6.26	5.24	5.75	6.09	6.51	6.54	6.56	6.57	6.54	6.53	6.53
2	4- to 6-month	9.87	6.33	5.35	5.84	6.17	6.55	6.59	6.61	6.61	6.59	6.56	6.57
3	Finance company paper, directly placed, 3- to 6-month [2]	8.62	6.16	5.22	5.71	6.04	6.41	6.49	6.50	6.50	6.49	6.48	6.50
4	Prime bankers acceptances, 90-day [3]	9.92	6.30	5.19	5.88	6.16	6.57	6.58	6.69	6.66	6.57	6.52	6.46
5	Federal funds [4]	10.51	5.82	5.05	5.90	6.14	6.47	6.51	6.50	6.58	6.42	6.51	6.55
	Large negotiable certificates of deposit												
6	3-month, secondary market [5]	10.27	6.43	5.26	5.91	6.18	6.24	6.68	6.67	6.74	6.68	6.65	6.62
7	3-month, primary market [6]	......	......	5.15	5.82	6.04	6.53	6.56	6.55	6.60	6.55	6.55	6.55
8	Euro-dollar deposits, 3-month [7]	10.96	6.97	5.57	6.30	6.57	7.14	7.09	7.14	7.23	7.09	7.01	6.97
	U.S. Govt. securities												
	Bills:[8]												
	Market yields:												
9	3-month	7.84	5.80	4.98	5.49	5.81	6.16	6.10	6.20	6.15	6.07	6.06	6.04
10	6-month	7.95	6.11	5.26	5.83	6.04	6.43	6.41	6.49	6.44	6.38	6.37	6.37
11	1-year	7.71	6.30	5.52	5.97	6.13	6.52	6.52	6.60	6.55	6.49	6.48	6.49
	Rates on new issue:												
12	3-month	7.886	5.838	4.989	5.500	5.770	6.188	6.160	6.278	6.187	6.092	6.084	6.057
13	6-month	7.926	6.122	5.266	5.810	5.991	6.410	6.433	6.508	6.464	6.373	6.385	6.371
	Notes and bonds maturing in												
14	9 to 12 months[9]	8.25	6.70	5.84	6.35	6.53	6.96	6.92	7.03	7.00	6.88	6.85	6.85
	Constant maturities:[10]												
15	1-year	8.18	6.76	5.88	6.37	6.53	6.97	6.95	7.05	6.99	6.92	6.91	6.91
	Capital market rates												
	Government notes and bonds												
	U.S. Treasury:												
	Constant maturities:[10]												
16	2-year	......	......	6.31	6.61	6.71	7.11	7.14	7.22	7.16	7.11	7.12	7.12
17	3-year	7.82	7.49	6.77	6.79	6.84	7.19	7.22	7.32	7.24	7.17	7.19	7.22
18	5-year	7.80	7.77	7.18	7.03	7.04	7.32	7.34	7.45	7.36	7.27	7.30	7.35
19	7-year	7.71	7.90	7.42	7.24	7.21	7.44	7.46	7.56	7.47	7.41	7.42	7.45
20	10-year	7.56	7.99	7.61	7.40	7.34	7.52	7.58	7.65	7.60	7.55	7.54	7.56
21	20-year	8.05	8.19	7.86	7.64	7.57	7.71	7.76	7.81	7.80	7.74	7.73	7.75
22	30-year	......	......	......	7.68	7.64	7.77	7.85	7.88	7.87	7.83	7.82	7.84
	Notes and bonds maturing in[9]—												
23	3 to 5 years	7.81	7.55	6.94	6.90	6.92	7.23	7.28	7.36	7.30	7.24	7.25	7.29
24	Over 10 years (long-term)	6.99	6.98	6.78	7.00	6.94	7.08	7.14	7.16	7.15	7.14	7.13	7.14
	State and local:												
	Moody's series:[11]												
25	Aaa	5.89	6.42	5.66	5.28	5.27	5.31	5.15	5.20	5.20	5.15	5.05	5.05
26	Baa	6.53	7.62	7.49	5.95	5.83	5.94	5.94	6.05	6.00	5.90	5.80	5.90
27	*Bond Buyer* series [12]	6.17	7.05	6.64	5.62	5.51	5.64	5.49	5.55	5.51	5.45	5.45	5.47
	Corporate bonds												
	Seasoned issues [13]												
28	All industries	9.03	9.57	9.01	8.34	8.31	8.42	8.48	8.48	8.49	8.49	8.48	8.47
	By rating groups:												
29	Aaa	8.57	8.83	8.43	7.98	7.92	8.04	8.08	8.08	8.10	8.08	8.07	8.08
30	Aa	8.84	9.17	8.75	8.17	8.15	8.26	8.34	8.33	8.35	8.36	8.34	8.31
31	A	9.20	9.65	9.09	8.40	8.37	8.48	8.56	8.54	8.56	8.58	8.56	8.54
32	Baa	9.50	10.61	9.75	8.82	8.80	8.89	8.95	8.96	8.95	8.96	8.95	8.94
	Aaa utility bonds:[14]												
33	New issue	9.33	9.40	8.48	8.04	8.07	8.23	8.27	8.35	8.29	8.24	8.23	8.26
34	Recently offered issues	9.34	9.41	8.49	8.05	8.07	8.22	8.24	8.32	8.26	8.24	8.19	8.23
	Dividend/price ratio												
35	Preferred stocks	8.23	8.38	7.97	7.55	7.58	7.60	7.67	7.56	7.63	7.66	7.73	7.79
36	Common stocks	4.47	4.31	3.77	4.72	4.82	4.97	5.02	5.14	5.07	4.95	4.92	5.01

1 Averages of the most representative daily offering rates quoted by dealers.

2 Averages of the most representative daily offering rates published by finance companies for varying maturities in this range.

3 Beginning Aug. 15, 1974, the rate is the average of the midpoint of the range of daily dealer closing rates offered for domestic issues; prior data are averages of the most representative daily offering rate quoted by dealers.

4 Weekly figures are 7-day averages of daily effective rates for the week ending Wednesday; the daily effective rate is an average of the rates on a given day weighted by the volume of transactions at these rates.

5 Weekly figures are 7-day averages of the daily midpoints as determined from the range of offering rates; monthly figures are averages of total days in the month.

6 Posted rates, which are the annual interest rates most often quoted on new offerings of negotiable CD's in denominations of $100,000 or more. Rates prior to 1976 not available. Weekly figures are for Wednesday dates.

7 Averages of daily quotations for the week ending Wednesday.

8 Except for new bill issues, yields are computed from daily closing bid prices. Yields for all bills are quoted on a bank-discount basis.

9 Unweighted averages for all outstanding notes and bonds in maturity ranges shown, based on daily closing bid prices. "Long-term" includes all bonds neither due nor callable in less than 10 years.

10 Yields on the more actively traded issues adjusted to constant maturities by the U.S. Treasury, based on daily closing bid prices.

11 General obligations only, based on figures for Thursday, from Moody's Investors Service.

12 Twenty issues of mixed quality.

13 Averages of daily figures from Moody's Investors Service.

14 Compilation of the Board of Governors of the Federal Reserve System.

Issues included are long-term (20 years or more). New-issue yields are based on quotations on date of offering; those on recently offered issues (included only for first 4 weeks after termination of underwriter price restrictions), on Friday close-of-business quotations.

1.37 STOCK MARKET Selected Statistics

	Indicator	1974	1975	1976	1977 May	June	July	Aug.	Sept.	Oct.	Nov.
		Prices and trading (averages of daily figures)									
	Common stock prices										
1	New York Stock Exchange (Dec. 31, 1965 = 50)	43.84	45.73	54.45	53.96	54.31	54.94	53.51	52.66	51.37	51.87
2	Industrial	48.08	51.88	60.44	58.13	58.44	58.90	57.30	56.41	54.99	55.62
3	Transportation	31.89	30.73	39.57	43.25	43.29	43.52	41.04	39.99	38.33	39.30
4	Utility	29.82	31.45	36.97	41.14	41.59	42.44	41.50	40.93	40.38	40.33
5	Finance	49.67	46.62	52.94	54.80	55.15	57.29	56.52	55.33	53.24	54.04
6	Standard & Poor's Corporation (1941–43 = 10)[1]	82.85	85.17	102.01	98.76	99.29	100.19	97.75	96.23	93.78	94.28
7	American Stock Exchange (Aug. 31, 1973 = 100)	79.97	83.15	101.63	113.72	116.28	122.03	119.33	118.08	115.41	117.80
	Volume of trading (thousands of shares)[2]										
8	New York Stock Exchange	13,883	18,568	21,189	20,277	22,007	23,656	18,831	18,270	19,689	23,557
9	American Stock Exchange	1,908	2,150	2,565	2,440	2,720	2,880	2,140	2,080	2,080	2,061
		Customer financing (end-of-period balances, in millions of dollars)									
10	Regulated margin credit at brokers/dealers and banks[3]	4,836	6,500	9,011	10,068	10,255	10,490	10,592	10,617	10,583	....
11	*Brokers, total*	*3,980*	*5,540*	*8,166*	*9,267*	*9,432*	*9,667*	*9,763*	*9,793*	*9,756*	....
12	Margin stock[4]	3,840	5,390	7,960	9,070	9,230	9,460	9,560	c9,590	9,560	....
13	Convertible bonds	137	147	204	196	198	204	196	c196	192	....
14	Subscription issues	3	3	2	1	4	3	7	c7	4	....
15	*Banks, total*	*856*	*960*	*845*	*801*	*823*	*823*	*829*	*c824*	*827*	....
16	Margin stocks	815	909	800	761	779	780	787	c783	783	....
17	Convertible bonds	30	36	30	25	25	24	23	c24	27	....
18	Subscription issues	11	15	15	15	19	19	19	c17	17	....
19	Unregulated nonmargin stock credit at banks[5]	2,064	2,281	2,817	2,345	2,403	2,419	2,438	2,434	2,431	....
	MEMO: Free credit balances at brokers[6]										
20	Margin-account	410	475	585	625	595	600	605	600	615	....
21	Cash-account	1,425	1,525	1,855	1,710	1,805	1,860	1,745	1,745	1,850	....
		Margin-account debt at brokers (percentage distribution, end of period)									
22	Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	....
	By equity class (in per cent):[7]										
23	Under 40	45.4	24.0	12.0	17.8	12.9	16.2	17.4	18.0	27.0	....
24	40–49	23.0	28.8	23.0	35.6	27.0	32.9	32.0	36.0	35.0	....
25	50–59	13.9	22.3	35.0	23.0	33.0	26.4	27.0	23.0	18.0	....
26	60–69	8.8	11.6	15.0	11.0	13.3	12.0	12.0	11.0	9.8	....
27	70–79	4.6	6.9	8.7	7.0	8.0	7.0	7.0	6.0	6.0	....
28	80 or more	4.3	5.3	6.0	5.0	5.8	5.5	5.0	5.0	5.0	....
		Special miscellaneous-account balances at brokers (end of period)									
29	Total balances (millions of dollars)[8]	7,010	7,290	8,776	9,360	9,470	9,730	9,660	9,640	9,640	....
	Distribution by equity status (per cent)										
30	Net credit status	41.1	43.8	41.3	41.0	41.0	40.9	41.1	41.7	42.8	....
	Debit status, equity of—										
31	60 per cent or more	32.4	40.8	47.8	46.3	47.8	47.1	46.2	45.9	43.8	....
32	Less than 60 per cent	26.5	15.4	10.9	12.6	11.2	12.0	12.4	12.4	13.4	....

1 Effective July 1976, includes a new financial group, banks and insurance companies. With this change the index includes 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.

2 Based on trading for a 5½-hour day.

3 Margin credit includes all credit extended to purchase or carry stocks or related equity instruments and secured at least in part by stock. Credit extended by brokers is end-of-month data for member firms of the New York Stock Exchange; June data for banks are universe totals; all other data for banks are estimates for all commercial banks based on data from a sample of reporting banks.

In addition to assigning a current loan value to margin stock generally, Regulations T and U permit special loan values for convertible bonds and stock acquired through exercise of subscription rights.

4 A distribution of this total by equity class is shown below.

5 Nonmargin stocks are those not listed on a national securities exchange and not included on the Federal Reserve System's list of over-the-counter margin stocks. At banks, loans to purchase or carry nonmargin stocks are unregulated; at brokers, such stocks have no loan value.

6 Free credit balances are in accounts with no unfulfilled commitments to the brokers and are subject to withdrawal by customers on demand.

7 Each customer's equity in his collateral (market value of collateral less net debit balance) is expressed as a percentage of current collateral values.

8 Balances that may be used by customers as the margin deposit required for additional purchases. Balances may arise as transfers based on loan values of other collateral in the customer's margin account or deposits of cash (usually sales proceeds) occur.

NOTE.—For table on "Margin Requirements" see p. A-10, Table 1.161.

1.38 SAVINGS INSTITUTIONS Selected Assets and Liabilities

Millions of dollars, end of period

Account	1974	1975	1976	1977 Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.r	Oct.
	Savings and loan associations											
1 **Assets**	**295,545**	**338,233**	**391,999**	**403,591**	**409,357**	**414,436**	**421,865**	**427,041**	**433,828**	**440,202**	**444,484**	**450,595**
2 Mortgages	249,301	278,590	323,130	329,086	333,703	338,984	344,631	350,765	355,991	361,719	366,978	371,834
3 Cash and investment securities[1]	23,251	30,853	35,660	39,505	39,656	39,061	40,461	39,626	40,990	41,002	39,639	40,456
4 Other	22,993	28,790	33,209	35,000	35,998	36,391	36,773	36,650	36,847	37,481	37,867	38,305
5 **Liabilities and net worth**	**295,545**	**338,233**	**391,999**	**403,591**	**409,357**	**414,436**	**421,865**	**427,041**	**433,828**	**440,202**	**444,484**	**450,595**
6 Savings capital	242,974	285,743	336,030	344,616	352,194	354,318	357,965	364,349	368,513	371,376	377,338	379,718
7 *Borrowed money*	*24,780*	*20,634*	*19,087*	*18,256*	*18,283*	*18,880*	*19,804*	*20,558*	*20,964*	*22,031*	*22,925*	*23,993*
8 FHLBB	21,508	17,524	15,708	14,661	14,325	14,809	15,000	15,595	15,724	16,255	16,908	17,526
9 Other	3,272	3,110	3,379	3,595	3,958	4,071	4,804	4,963	5,240	5,776	6,017	6,467
10 Loans in process	3,244	5,128	6,836	6,783	7,351	7,899	8,505	9,123	9,332	9,657	9,735	9,848
11 Other	6,105	6,949	8,015	11,418	8,833	10,360	12,287	9,515	11,220	12,990	10,113	12,334
12 Net worth[2]	18,442	19,779	22,031	22,518	22,696	22,979	23,304	23,496	23,799	24,148	24,373	24,702
13 MEMO: Mortgage loan commitments outstanding[3]	7,454	10,673	14,828	16,796	19,304	21,242	22,274	22,037	21,911	21,905	21,635	21,528
	Mutual savings banks											
14 **Assets**	**109,550**	**121,056**	**134,812**	**137,307**	**138,901**	**139,496**	**140,593**	**141,778**	**143,036**	**143,815**	**144,666**	....
Loans:												
15 Mortgage	74,891	77,221	81,630	81,982	82,273	82,687	83,075	84,051	84,700	85,419	86,079	....
16 Other	3,812	4,023	5,183	6,254	6,389	6,050	6,650	6,887	7,176	7,119	6,878	....
Securities:												
17 U.S. Govt	2,555	4,740	5,840	6,096	6,360	6,323	6,248	6,604	6,101	6,019	6,192	....
18 State and local government	930	1,545	2,417	2,366	2,431	2,504	2,539	2,544	2,594	2,762	2,777	....
19 Corporate and other[4]	22,550	27,992	33,793	35,088	35,928	36,322	36,455	36,349	36,674	36,878	36,927	....
20 Cash	2,167	2,330	2,355	1,835	1,823	1,900	1,922	2,071	2,001	6,857	1,992	....
21 Other assets	2,645	3,205	3,593	3,686	3,668	3,709	3,703	3,771	3,789	3,760	3,821	....
22 **Liabilities**	**109,550**	**121,056**	**134,812**	**137,307**	**138,901**	**139,496**	**140,593**	**141,778**	**143,036**	**143,815**	**144,666**	....
23 *Deposits*	*98,701*	*109,873*	*122,877*	*124,728*	*126,687*	*126,938*	*127,791*	*129,332*	*130,111*	*130,381*	*131,688*	....
24 Regular:[5]	98,221	109,291	121,961	123,721	125,624	125,731	126,587	128,071	128,748	129,030	130,230	....
25 Ordinary savings	64,286	69,653	74,535	75,038	76,260	76,336	76,384	77,033	77,069	77,163	77,640	....
26 Time and other	33,935	39,639	47,426	48,683	49,364	49,395	50,203	51,038	51,679	51,867	52,590	....
27 Other	480	582	916	1,007	1,063	1,207	1,204	1,261	1,363	1,351	1,458	....
28 Other liabilities	2,888	2,755	2,884	3,368	2,939	3,230	3,381	2,939	3,379	3,779	3,254	....
29 General reserve accounts	7,961	8,428	9,052	9,211	9,275	9,329	9,422	9,506	9,546	9,654	9,723	....
30 MEMO: Mortgage loan commitments outstanding[6]	2,040	1,803	2,439	2,840	3,161	3,287	3,521	4,079	4,049	4,198	4,254	....
	Life insurance companies											
31 **Assets**	**263,349**	**289,304**	**321,552**	**325,094**	**326,753**	**328,786**	**331,028**	**334,386**	**336,651**	**338,964**	**341,382**	....
Securities:												
32 *Government*	*10,900*	*13,758*	*17,942*	*18,443*	*18,470*	*18,500*	*18,475*	*18,579*	*18,916*	*19,174*	*19,515*	....
33 United States[7]	3,372	4,736	5,368	5,592	5,546	5,544	5,396	5,400	5,628	5,831	5,883	....
34 State and local	3,667	4,508	5,594	5,709	5,732	5,758	5,797	5,813	5,847	5,881	5,994	....
35 Foreign[8]	3,861	4,514	6,980	7,142	7,192	7,198	7,282	7,366	7,441	7,462	7,638	....
36 *Business*	*119,637*	*135,317*	*157,246*	*160,463*	*161,214*	*162,816*	*164,126*	*166,859*	*168,498*	*169,747*	*170,606*	....
37 Bonds	97,717	107,256	122,984	127,603	128,596	130,057	131,568	133,497	135,262	136,752	138,046	....
38 Stocks	21,920	28,061	34,262	32,860	32,618	32,759	32,558	33,362	33,236	32,995	32,560	....
39 Mortgages	86,234	89,167	91,552	91,585	91,786	92,200	92,358	92,854	93,106	93,326	94,070	....
40 Real estate	8,331	9,621	10,476	10,629	10,738	10,802	10,822	10,897	10,901	10,926	10,930	....
41 Policy loans	22,862	24,467	25,834	26,034	26,207	26,364	26,500	26,657	26,780	26,946	27,087	....
42 Other assets	15,385	16,971	18,502	17,940	18,338	18,104	18,747	18,540	18,450	18,845	19,174	....
	Credit unions r											
43 **Total assets/liabilities and capital**	**31,948**	**38,037**	**45,225**	**46,248**	**47,621**	**47,974**	**48,999**	**50,186**	**50,218**	**50,904**	**52,136**	**52,412**
44 Federal	16,715	20,209	24,396	24,957	25,813	25,980	26,594	27,364	27,290	27,632	28,384	28,463
45 State	15,233	17,828	20,829	21,291	21,808	21,994	22,405	22,822	22,928	23,272	23,752	23,949
46 *Loans outstanding*	*24,432*	*28,169*	*34,384*	*34,580*	*35,471*	*36,102*	*36,987*	*38,201*	*38,657*	*39,711*	*40,573*	*40,865*
47 Federal	12,730	14,869	18,311	18,367	18,869	19,151	19,680	20,420	20,591	21,194	21,692	21,814
48 State	11,702	13,300	16,073	16,213	16,602	16,951	17,307	17,781	18,066	18,517	18,881	19,051
49 *Savings*	*27,518*	*33,013*	*39,173*	*40,267*	*41,483*	*41,760*	*42,504*	*43,552*	*43,658*	*43,982*	*45,103*	*45,441*
50 Federal (shares)	14,370	17,530	21,130	21,775	22,534	22,730	23,169	23,825	23,873	24,080	24,775	24,945
51 State (shares and deposits)	13,148	15,483	18,043	18,492	18,949	19,030	19,335	19,727	19,785	19,902	20,328	20,496

For notes see bottom of page A30.

1.39 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

	Type of account or operation	Fiscal year 1976	Transition quarter (July–Sept. 1976)	Fiscal year 1977	Calendar year					
					1976		1977	1977		
					H1	H2	H1	Aug.	Sept.	Oct.
	U.S. Budget									
1	Receipts [1]	299,197	81,686	356,861	159,742	157,868	189,410	29,676	36,642	24,127
2	Outlays [1,2,3]	365,658	94,659	401,896	180,559	−193,629	199,482	34,720	35,097	38,790
3	*Surplus, or deficit* (−)	*−66,461*	*−12,973*	*−45,035*	*−20,816*	*−35,761*	*−10,072*	*−5,044*	*1,545*	*−14,663*
4	Trust funds	2,409	−1,952	7,833	5,503	−4,621	7,332	2,384	3,900	198
5	Federal funds [4]	−68,870	−11,021	−52,868	−26,320	−31,140	−17,405	−7,429	−2,355	−14,861
	Off-budget entities surplus, or deficit (−)									
6	Federal Financing Bank outlays	−5,915	−2,575	−8,415	−3,222	−5,176	−2,075	−1,241	−892	−1,211
7	Other [2,5]	−1,355	793	−269	−1,119	3,809	−2,086	−290	−786	1,750
	U.S. Budget plus off-budget, including Federal Financing Bank									
8	*Surplus, or deficit* (−)	*−73,731*	*−14,755*	*−53,718*	*−25,158*	*−37,125*	*−14,233*	*−6,575*	*−133*	*−14,124*
	Financed by:									
9	Borrowing from the public [3]	82,922	18,027	53,516	33,561	35,457	16,480	7,780	10,024	1,851
10	Cash and monetary assets (decrease, or increase (−))	−7,796	−2,899	−2,238	−7,909	2,153	−4,666	2,740	−12,093	9,952
11	Other [6]	−1,396	−373	2,440	−495	−485	2,420	−3,944	2,202	2,321
	Memo items:									
12	**Treasury operating balance (level, end of period)**	**14,836**	**17,418**	**19,104**	**14,836**	**11,670**	**77,311**	**7,063**	**19,104**	**7,687**
13	F.R. Banks	11,975	13,299	15,740	11,975	10,393	65,372	6,115	15,740	6,398
14	Tax and loan accounts	2,854	4,119	3,364	2,854	1,277	11,940	948	3,364	1,289
15	Other demand accounts [7]	7	....	....	7	....	....	....	....	....

1 Effective June 1977, earned income credit payments in excess of an individual's tax liability, formerly treated as outlays, are classified as income tax refunds retroactive to January 1976.

2 Outlay totals reflect the reclassification of the Export-Import Bank, and the Housing for the Elderly and Handicapped Fund effective October 1978, from off-budget status to unified budget status.

3 Export-Import Bank certificates of beneficial interest (effective July 1, 1975) and loans to the Private Export Funding Corp. (PEFCO), a wholly owned subsidiary of the Export-Import Bank are treated as debt rather than asset sales.

4 Half years calculated as a residual of total surplus/deficit and trust fund surplus/deficit.

5 Includes Pension Benefit Guaranty Corp., Postal Service Fund, Rural Electrification and Telephone Revolving Fund, Rural Telephone Bank, and Housing for the Elderly or Handicapped Fund until October 1978.

6 Includes: Public debt accrued interest payable to the public; deposit funds; miscellaneous liability (including checks outstanding) and asset accounts; seignorage; increment on gold; net gain/loss for U.S. currency valuation adjustment; net gain/loss for IMF valuation adjustment.

7 Excludes the gold balance but includes deposits in certain commercial depositories that have been converted from a time deposit to a demand deposit basis to permit greater flexibility in Treasury cash management.

Source.—"Monthly Treasury Statement of Receipts and Outlays of the U.S. Government," *Treasury Bulletin*, and *U.S. Budget, Fiscal Year 1978.*

NOTES TO TABLE 1.38

1 Holdings of stock of the Federal home loan banks are included in "other assets."

2 Includes net undistributed income, which is accrued by most, but not all, associations.

3 Excludes figures for loans in process, which are shown as a liability.

4 Includes securities of foreign governments and international organizations and nonguaranteed issues of U.S. Govt. agencies.

5 Excludes checking, club, and school accounts.

6 Commitments outstanding (including loans in process) of banks in New York State as reported to the Savings Banks Assn. of the State of New York.

7 Direct and guaranteed obligations. Excludes Federal agency issues not guaranteed, which are shown in this table under "business" securities.

8 Issues of foreign governments and their subdivisions and bonds of the International Bank for Reconstruction and Development.

Note.—*Savings and loan associations:* Estimates by the FHLBB for all associations in the United States. Data are based on monthly reports of Federally insured associations and annual reports of other associations. Even when revised, data for current and preceding year are subject to further revision.

Mutual savings banks: Estimates of National Association of Mutual Savings Banks for all savings banks in the United States. Data are reported on a gross-of-valuation-reserves basis.

Life insurance companies: Estimates of the Institute of Life Insurance for all life insurance companies in the United States. Annual figures are annual-statement asset values, with bonds carried on an amortized basis and stocks at year-end market value. Adjustments for interest due and accrued and for differences between market and book values are not made on each item separately but are included, in total, in "other assets."

Credit unions: Estimates by the National Credit Union Administration for a group of Federal and State-chartered credit unions that account for about 30 per cent of credit union assets. Figures are preliminary and revised annually to incorporate recent benchmark data.

1.40 U.S. BUDGET RECEIPTS AND OUTLAYS

Millions of dollars

	Source or type	Fiscal year 1976	Transition quarter (July–Sept. 1976)	Fiscal year 1977	Calendar year 1976 H1	Calendar year 1976 H2	Calendar year 1977 H1	Calendar year 1977 Aug.	Calendar year 1977 Sept.	Calendar year 1977 Oct.
	Receipts									
1	**All sources** [1]	**299,197**	**81,686**	**356,861**	**159,742**	**157,868**	**189,410**	**29,676**	**36,642**	**24,127**
2	*Individual income taxes, net*	*130,794*	*39,611*	*156,725*	*64,959*	*75,899*	*77,948*	*12,725*	*17,327*	*13,275*
3	Withheld	123,408	32,949	144,820	63,859	68,023	73,303	12,429	11,776	12,770
4	Presidential Election Campaign Fund	34	1	37	33	1	37	....	....	....
5	Nonwithheld	35,528	6,809	42,062	27,879	8,426	32,959	660	5,903	711
6	Refunds [1]	28,175	1,139	30,194	26,813	1,541	28,350	364	352	206
7	*Corporation income taxes:*									
8	Gross receipts	46,783	9,808	60,057	27,973	20,706	37,133	1,288	8,770	2,159
9	Refunds	5,374	1,348	5,164	2,639	2,886	2,324	479	394	714
10	*Social insurance taxes and contributions, net*	*92,714*	*25,760*	*108,683*	*51,828*	*47,596*	*58,099*	*12,958*	*7,828*	*6,550*
11	Payroll employment taxes and contributions [2]	76,391	21,534	88,196	40,947	40,427	45,242	10,347	6,990	5,542
12	Self-employment taxes and contributions [3]	3,518	269	4,014	3,250	286	3,687	....	309	....
13	Unemployment insurance	8,054	2,698	11,312	5,193	4,379	6,575	2,161	94	541
14	Other net receipts [4]	4,752	1,259	5,162	2,438	2,504	2,595	450	434	466
15	Excise taxes	16,963	4,473	17,548	8,204	8,910	8,432	1,523	1,589	1,529
16	Customs	4,074	1,212	5,150	2,147	2,361	2,519	543	494	406
17	Estate and gift	5,216	1,455	7,327	2,643	2,943	4,332	547	454	410
18	Miscellaneous receipts [5]	8,026	1,612	6,536	4,630	3,236	3,269	572	575	512
	Outlays									
19	**All types** [1, 6]	**365,658**	**94,659**	**401,896**	**180,559**	**193,629**	**199,482**	**34,720**	**35,097**	**38,790**
20	National defense	89,996	22,518	96,721	44,052	45,002	48,721	8,412	8,979	8,087
21	International affairs [6]	5,067	1,997	5,593	2,668	3,028	2,522	497	868	446
22	General science, space, and technology	4,370	1,161	4,677	1,708	2,377	2,108	420	393	378
23	Natural resources, environment, and energy	11,282	3,324	14,335	6,900	7,206	6,855	1,404	1,511	1,259
24	Agriculture	2,502	584	5,330	417	2,019	2,628	740	50	1,103
25	Commerce and transportation	17,248	4,700	14,731	5,766	9,643	5,945	988	1,863	3,586
26	Community and regional development	5,300	1,530	7,394	2,411	3,192	3,149	875	941	628
27	Education, training, employment, and social services	18,167	5,013	19,718	9,116	9,083	9,775	1,970	1,801	1,761
28	Health	33,448	8,720	38,838	17,008	19,329	18,654	3,469	3,316	3,355
29	Income security [1]	126,598	32,710	137,151	64,526	65,367	69,917	11,598	11,643	11,476
30	Veterans benefits and services	18,432	3,962	18,040	9,450	8,542	9,382	1,430	1,325	1,587
31	Law enforcement and justice	3,320	859	3,589	1,784	1,839	1,783	269	267	282
32	General government	2,927	878	3,338	870	1,734	1,587	347	326	182
33	Revenue sharing and general purpose fiscal assistance	7,119	2,024	9,404	3,664	4,729	4,333	44	65	2,274
34	Interest [7]	34,589	7,246	38,092	18,560	18,409	18,927	2,844	2,722	2,908
35	Undistributed offsetting receipts [7, 8]	−14,704	−2,567	−15,053	−8,340	−7,869	−6,803	−587	−973	−524

1 Effective June 1977, earned income credit payments in excess of an individual's tax liability, formerly treated as outlays, are classified as income tax refunds retroactive to January 1976.

2 Old-age, disability and hospital insurance, and Railroad Retirement accounts.

3 Old-age, disability, and hospital insurance.

4 Supplementary medical insurance premiums, Federal employee retirement contributions, and Civil Service retirement and disability fund.

5 Deposits of earnings by F.R. Banks and other miscellaneous receipts.

6 Outlay totals reflect the reclassification of the Export-Import Bank from off-budget status to unified budget status. Export-Import Bank certificates of beneficial interest (effective July 1, 1975) and loans to the Private Export Funding Corp. (PEFCO), a wholly owned subsidiary of the Export-Import Bank, are treated as debt rather than asset sales.

7 Effective September 1976, "Interest" and "Undistributed Offsetting Receipts" reflect the accounting conversion for the interest on special issues for U.S. Govt. accounts from an accrual basis to a cash basis.

8 Consists of interest received by trust funds, rents and royalties on the Outer Continental Shelf, and U.S. Govt. contributions for employee retirement.

1.41 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars

Item	1974 Dec. 31	1975 June 30	1975 Dec. 31	1976 June 30	1976 Sept. 30	1976 Dec. 31	1977 Mar. 31	1977 June 30	1977 Sept. 30
1 **Federal debt outstanding**	**504.0**	**544.1**	**587.6**	**631.9**	**[2]646.4**	**665.5**	**680.1**	**685.2**	**709.1**
2 *Public debt securities*	*492.7*	*533.7*	*576.6*	*620.4*	*634.7*	*653.5*	*669.2*	*674.4*	*698.8*
3 Held by public	351.5	387.9	437.3	470.8	488.6	506.4	524.3	523.2	543.4
4 Held by agencies	141.2	145.3	139.3	149.6	146.1	147.1	144.9	151.2	155.5
5 *Agency securities*	*11.3*	*10.9*	*10.9*	*11.5*	*11.6*	*12.0*	*10.9*	*10.8*	*10.3*
6 Held by public	9.3	9.0	8.9	9.5	[2]9.7	10.0	9.1	9.0	8.5
7 Held by agencies	2.0	1.9	2.0	2.0	1.9	1.9	1.8	1.8	1.8
8 **Debt subject to statutory limit**	**493.0**	**534.2**	**577.8**	**621.6**	**635.8**	**654.7**	**670.3**	**675.6**	**698.5**
9 Public debt securities	490.5	532.6	576.0	619.8	634.1	652.9	668.6	673.8	696.8
10 Other debt[1]	2.4	1.6	1.7	1.7	1.7	1.7	1.7	1.7	1.7
11 MEMO: Statutory debt limit	495.0	577.0	595.0	636.0	636.0	682.0	682.0	700.0	752.0

1 Includes guaranteed debt of Govt. agencies, specified participation certificates, notes to international lending organizations, and District of Columbia stadium bonds.

2 Gross Federal debt and Agency debt held by the public increased $0.5 billion due to a retroactive reclassification of the Export-Import Bank certificates of beneficial interest from loan asset sales to debt, effective July 1, 1975.

NOTE.—Data from *Treasury Bulletin* (U.S. Treasury Dept.).

1.42 GROSS PUBLIC DEBT OF U.S. TREASURY Types and Ownership

Billions of dollars, end of period

Type and holder	1973	1974	1975	1976	1977 July	1977 Aug.	1977 Sept.	1977 Oct.	1977 Nov.
1 **Total gross public debt**[1]	**469.9**	**492.7**	**576.6**	**653.5**	**673.9**	**685.2**	**698.8**	**697.4**	**708.0**
By type:									
2 **Interest-bearing debt**	467.8	491.6	575.7	652.5	671.4	684.1	697.6	696.3	707.0
3 *Marketable*	*270.2*	*282.9*	*363.2*	*421.3*	*430.2*	*438.1*	*443.5*	*447.4*	*454.9*
4 Bills	107.8	119.7	157.5	164.0	154.2	154.3	156.1	156.2	156.7
5 Notes	124.6	129.8	167.1	216.7	231.4	238.1	241.7	245.6	251.1
6 Bonds	37.8	33.4	38.6	40.6	44.7	45.8	45.7	45.7	47.1
7 *Nonmarketable*[2]	*197.6*	*208.7*	*212.5*	*231.2*	*241.1*	*245.9*	*254.1*	*248.9*	*252.1*
8 Convertible bonds[3]	2.3	2.3	2.3	2.3	2.2	2.2	2.2	2.2	2.2
9 Foreign issues[4]	26.0	22.8	21.6	22.3	21.5	21.4	21.8	21.1	21.7
10 Savings bonds and notes	60.8	63.8	67.9	72.3	75.2	75.5	75.8	76.2	76.6
11 Govt. account series[5]	108.0	119.1	119.4	129.7	132.4	136.3	140.1	136.9	138.6
By holder:[6]									
12 U.S. Govt. agencies and trust funds	129.6	141.2	139.3	147.1	148.7	151.9	155.5	....	....
13 F.R. Banks	78.5	80.5	87.9	97.0	98.6	98.4	[9]104.7	....	....
14 **Private investors**	261.7	271.0	349.4	409.5	426.5	434.9	438.6	....	....
15 Commercial banks	60.3	55.6	85.1	103.8	100.1	100.0	101.0	....	....
16 Mutual savings banks	2.9	2.5	4.5	5.7	6.0	6.0	6.1	....	....
17 Insurance companies	6.4	6.1	9.3	12.5	14.1	r14.1	14.5	....	....
18 Other corporations	10.9	11.0	20.2	26.5	23.5	24.5	23.9	....	....
19 State and local governments	29.2	29.2	33.8	41.6	47.8	52.7	53.5	....	....
Individuals:									
20 Savings bonds	60.3	63.4	67.3	72.0	74.9	75.2	75.6	....	....
21 Other securities	16.9	21.5	24.0	28.8	28.4	28.5	28.3	....	....
22 Foreign and international[7]	55.5	58.4	66.5	78.1	90.2	91.9	95.1	....	....
23 Other miscellaneous investors[8]	19.3	23.2	38.6	40.5	41.5	42.1	40.7	....	....

1 Includes $1.0 billion of non-interest-bearing debt (of which $611 million on Nov. 30, 1977, was not subject to statutory debt limitations).

2 Includes (not shown separately): Securities issued to the Rural Electrification Administration and to State and local governments, depositary bonds, retirement plan bonds, and individual retirement bonds.

3 These nonmarketable bonds, also known as Investment Series B Bonds, may be exchanged (or converted) at the owner's option for 1½ per cent, 5-year marketable Treasury notes. Convertible bonds that have been so exchanged are removed from this category and recorded in the notes category above.

4 Nonmarketable foreign government dollar-denominated and foreign currency denominated series.

5 Held only by U.S. Govt. agencies and trust funds.

6 Data for F.R. Banks and U.S. Govt. agencies and trust funds are actual holdings; data for other groups are Treasury estimates.

7 Consists of the investments of foreign balances and international accounts in the United States. Beginning with July 1974, the figures exclude non-interest-bearing notes issued to the International Monetary Fund.

8 Includes savings and loan associations, nonprofit institutions, corporate pension trust funds, dealers and brokers, certain Govt. deposit accounts, and Govt.-sponsored agencies.

9 Includes a nonmarketable Federal Reserve special certificate for $2.5 billion.

NOTE.—Gross public debt excludes guaranteed agency securities and, beginning in July 1974, includes Federal Financing Bank security issues.

Data by type of security from *Monthly Statement of the Public Debt of the United States* (U.S. Treasury Dept.); data by holder from *Treasury Bulletin*.

1.43 U.S. GOVERNMENT MARKETABLE SECURITIES Ownership, by maturity

Par value; millions of dollars, end of period

Type of holder	1975	1976	1977 Sept.	1977 Oct.	1975	1976	1977 Sept.	1977 Oct.
	All maturities				1 to 5 years			
1 **All holders**	**363,191**	**421,276**	**443,508**	**447,435**	**112,270**	**141,132**	**148,428**	**149,820**
2 U.S. Govt. agencies and trust funds	19,397	16,485	14,619	14,548	7,058	6,141	5,931	5,921
3 F. R. Banks	87,934	96,971	102,215	94,597	30,518	31,249	29,178	28,155
4 *Private investors*	*255,860*	*307,820*	*326,674*	*338,290*	*74,694*	*103,742*	*113,319*	*115,744*
5 Commercial banks	64,398	78,262	75,132	73,127	29,629	40,005	39,724	38,493
6 Mutual savings banks	3,300	4,072	4,422	4,393	1,524	2,010	2,144	2,109
7 Insurance companies	7,565	10,284	11,533	11,576	2,359	3,885	4,282	4,285
8 Nonfinancial corporations	9,365	14,193	11,126	10,305	1,967	2,618	2,518	2,821
9 Savings and loan associations	2,793	4,576	5,179	5,138	1,558	2,360	2,758	2,725
10 State and local governments	9,285	12,252	16,960	16,524	1,761	2,543	4,221	3,930
11 All others	159,154	184,182	202,322	217,227	35,894	50,321	57,672	61,381
	Total, within 1 year				5 to 10 years			
12 **All holders**	**199,692**	**211,035**	**217,917**	**217,765**	**26,436**	**43,045**	**45,872**	**48,599**
13 U.S. Govt. agencies and trust funds	2,769	2,012	951	890	3,283	2,879	2,139	2,139
14 F. R. Banks	46,845	51,569	55,637	49,176	6,463	9,148	10,666	10,547
15 *Private investors*	*150,078*	*157,454*	*161,329*	*167,699*	*16,690*	*31,018*	*33,067*	*35,913*
16 Commercial banks	29,875	31,213	28,109	26,572	4,071	6,278	6,504	7,164
17 Mutual savings banks	983	1,214	1,334	1,335	448	567	640	655
18 Insurance companies	2,024	2,191	2,116	2,103	1,592	2,546	3,066	3,135
19 Nonfinancial corporations	7,105	11,009	7,979	6,867	175	370	375	367
20 Savings and loan associations	914	1,984	2,198	2,177	216	155	149	161
21 State and local governments	5,288	6,622	9,111	8,493	782	1,465	1,257	1,325
22 All others	103,889	103,220	110,483	120,153	9,405	19,637	21,076	23,104
	Bills, within 1 year				10 to 20 years			
23 **All holders**	**157,483**	**163,992**	**156,091**	**156,174**	**14,264**	**11,865**	**13,001**	**12,975**
24 U.S. Govt. agencies and trust funds	207	449	182	112	4,233	3,102	3,102	3,102
25 F. R. Banks	38,018	41,279	42,256	36,240	1,507	1,363	1,471	1,467
26 *Private investors*	*119,258*	*122,264*	*113,654*	*119,822*	*8,524*	*7,400*	*8,428*	*8,406*
27 Commercial banks	17,481	17,303	10,556	9,549	552	339	480	490
28 Mutual savings banks	554	454	438	444	232	139	204	152
29 Insurance companies	1,513	1,463	1,128	1,171	1,154	1,114	1,276	1,253
30 Nonfinancial corporations	5,829	9,939	5,875	5,239	61	142	131	136
31 Savings and loan associations	518	1,266	1,041	976	82	64	58	57
32 State and local governments	4,566	5,556	7,481	6,876	896	718	857	918
33 All others	88,797	86,282	87,135	95,566	5,546	4,884	5,431	5,400
	Other, within 1 year				Over 20 years			
34 **All holders**	**42,209**	**47,043**	**61,826**	**61,592**	**10,530**	**14,200**	**18,288**	**18,276**
35 U.S. Govt. agencies and trust funds	2,562	1,563	769	779	2,053	2,350	2,495	2,495
36 F. R. Banks	8,827	10,290	13,381	12,936	2,601	3,642	5,262	5,252
37 *Private investors*	*30,820*	*35,190*	*47,675*	*47,877*	*5,876*	*8,208*	*10,531*	*10,529*
38 Commercial banks	12,394	13,910	17,553	17,023	271	427	315	409
39 Mutual savings banks	429	760	896	890	112	143	110	142
40 Insurance companies	511	728	987	931	436	548	793	800
41 Nonfinancial corporations	1,276	1,070	2,104	1,628	57	55	123	114
42 Savings and loan associations	396	718	1,157	1,201	22	13	16	18
43 State and local governments	722	1,066	1,630	1,617	558	904	1,513	1,858
44 All others	15,092	16,938	23,348	24,587	4,420	6,120	7,660	7,189

NOTE.—Direct public issues only. Based on Treasury Survey of Ownership from *Treasury Bulletin* (U.S. Treasury Dept.).

Data complete for U.S. Govt. agencies and trust funds and F.R. Banks, but data for other groups include only holdings of those institutions that report. The following figures show, for each category, the number and proportion reporting as of Oct. 31, 1977: (1) 5,490 commercial banks, 466 mutual savings banks, and 728 insurance companies, each about 90 per cent; (2) 440 nonfinancial corporations and 486 savings and loan assns., each about 50 per cent; and (3) 496 State and local govts., about 40 per cent.

"All others," a residual, includes holdings of all those not reporting in the Treasury Survey, including investor groups not listed separately.

1.44 U.S. GOVERNMENT SECURITIES DEALERS Transactions

Par value; averages of daily figures, in millions of dollars

Item	1974	1975	1976	1977			1977, week ending Wednesday—					
				Aug.	Sept.	Oct.	Oct. 12	Oct. 19	Oct. 26	Nov. 2	Nov. 9	Nov. 16
1 **U.S. Govt. securities**	**3,579**	**6,027**	**10,449**	**10,288**	**9,987**	**11,231**	**r11,569**	**12,686**	**10,539**	**12,039**	**10,889**	**13,207**
By maturity:												
2 Bills	2,550	3,889	6,676	6,208	6,391	6,916	6,664	8,041	6,862	6,349	5,642	8,205
3 Other within 1 year	250	223	210	339	211	291	234	242	307	382	246	236
4 1–5 years	465	1,414	2,317	2,216	2,267	2,355	2,223	2,569	2,029	3,236	2,095	2,423
5 5–10 years	256	363	1,019	1,079	785	1,320	2,033	1,470	1,011	1,658	1,802	1,588
6 Over 10 years	58	138	229	446	334	348	415	363	330	414	1,104	755
By type of customer:												
7 U.S. Govt. securities dealers	652	885	1,360	1,106	1,190	1,195	1,195	1,267	1,239	973	1,002	1,175
8 U.S. Govt. securities brokers	965	1,750	3,407	3,439	3,516	4,204	4,673	4,770	3,940	4,482	3,947	4,877
9 Commercial banks	998	1,451	2,426	r2,274	2,017	2,126	2,096	2,381	1,853	2,358	1,992	2,588
10 All others[1]	964	1,941	3,257	3,469	3,265	3,705	3,605	4,268	3,507	4,225	3,948	4,567
11 **Federal agency securities**	**965**	**1,043**	**1,548**	**1,863**	**r1,601**	**1,733**	**r2,425**	**r1,700**	**1,608**	**1,524**	**1,300**	**2,390**

1 Includes—among others—all other dealers and brokers in commodities and securities, foreign banking agencies, and the F.R. System.

NOTE.—Averages for transactions are based on number of trading days in the period.

Transactions are market purchases and sales of U.S. Govt. securities dealers reporting to the F.R. Bank of New York. The figures exclude allotments of, and exchanges for, new U.S. Govt. securities, redemptions of called or matured securities, or purchases or sales of securities under repurchase, reverse repurchase (resale), or similar contracts.

1.45 U.S. GOVERNMENT SECURITIES DEALERS Positions and Sources of Financing

Par value; averages of daily figures, in millions of dollars

Item	1974	1975	1976	1977			1977, week ending Wednesday—					
				Aug.	Sept.	Oct.	Sept. 21	Sept. 28	Oct. 5	Oct. 12	Oct. 19	Oct. 26
	Positions[2]											
1 **U.S. Govt. securities**	**2,580**	**5,884**	**7,592**	**2,951**	**5,011**	**3,913**	**5,671**	**4,056**	**3,356**	**3,789**	**3,536**	**4,701**
2 Bills	1,932	4,297	6,290	3,883	5,323	4,283	6,359	4,318	4,132	4,005	4,032	4,847
3 Other within 1 year	−6	265	188	−191	13	11	−49	48	26	68	10	−37
4 1–5 years	265	886	515	−661	−378	−233	−763	−257	−632	−630	−261	226
5 5–10 years	302	300	402	−79	−41	−84	−18	−124	−160	350	−182	−238
6 Over 10 years	88	136	198	−1	93	−64	142	72	−10	−3	−63	−97
7 **Federal agency securities**	**1,212**	**943**	**729**	**522**	**r648**	**637**	**716**	**710**	**542**	**528**	**723**	**699**
	Sources of financing[3]											
8 **All sources**	**3,977**	**6,666**	**8,715**	**8,738**	**10,424**	**8,362**	**11,027**	**9,109**	**8,202**	**8,369**	**8,341**	**8,463**
Commercial banks:												
9 New York City	1,032	1,621	1,896	808	922	876	1,342	452	763	1,473	469	859
10 Outside New York City	1,064	1,466	1,660	1,824	2,365	1,954	2,876	2,180	1,876	2,050	2,243	1,682
11 Corporations[1]	459	842	1,479	2,347	2,663	2,469	2,572	2,036	1,968	2,137	2,560	2,877
12 All others	1,423	2,738	3,681	3,759	4,473	3,063	4,237	r4,441	3,595	2,710	3,069	3,046

1 All business corporations except commercial banks and insurance companies.

2 Net amounts (in terms of par values) of securities owned by nonbank dealer firms and dealer departments of commercial banks on a commitment, that is, trade-date basis, including any such securities that have been sold under agreements to repurchase. The maturities of some repurchase agreements are sufficiently long, however, to suggest that the securities involved are not available for trading purposes. Securities owned, and hence dealer positions, do not include securities purchased under agreements to resell.

3 Total amounts outstanding of funds borrowed by nonbank dealer firms and dealer departments of commercial banks against U.S. Govt. and Federal agency securities (through both collateral loans and sales under agreements to repurchase), plus internal funds used by bank dealer departments to finance positions in such securities. Borrowings against securities held under agreement to resell are excluded where the borrowing contract and the agreement to resell are equal in amount and maturity, that is, a matched agreement.

NOTE.—Averages for positions are based on number of trading days in the period; those for financing, on the number of calendar days in the period.

1.46 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1974	1975	1976	1977 Apr.	1977 May	1977 June	1977 July	1977 Aug.	1977 Sept.
1 **Federal and Federally sponsored agencies**	**89,381**	**97,680**	**103,325**	**105,579**	**105,823**	**107,152**	**108,243**	**107,868**	**108,379**
2 *Federal agencies*	*12,719*	*19,046*	*21,896*	*22,462*	*22,316*	*22,220*	*22,232*	*22,322*	*23,055*
3 Defense Department[1]	1,312	1,220	1,113	1,068	1,059	1,044	1,035	1,024	1,016
4 Export-Import Bank[2,3]	2,893	7,188	7,801	8,610	8,596	8,742	8,742	8,742	9,246
5 Federal Housing Administration[4]	440	564	575	598	594	588	583	579	579
6 Government National Mortgage Association participation certificates[5]	4,280	4,200	4,120	3,803	3,803	3,803	3,768	3,768	3,768
7 Postal Service[6]	721	1,750	2,998	2,998	2,856	2,431	2,431	2,431	2,431
8 Tennessee Valley Authority	3,070	3,915	5,185	5,155	5,175	5,370	5,410	5,490	5,705
9 United States Railway Association[6]	3	209	104	230	233	242	263	288	310
10 *Federally sponsored agencies*	*76,662*	*78,634*	*81,429*	*83,117*	*84,248*	*84,932*	*86,011*	*85,546*	*85,324*
11 Federal home loan banks	21,890	18,900	16,811	16,678	16,851	16,921	17,328	17,196	17,162
12 Federal Home Loan Mortgage Corporation	1,551	1,550	1,690	957	r1,698	1,698	1,698	1,686	1,686
13 Federal National Mortgage Association	28,167	29,963	30,565	30,684	30,843	31,378	31,566	31,301	31,491
14 Federal land banks	12,653	15,000	17,127	18,137	18,137	18,137	18,719	18,719	18,719
15 Federal intermediate credit banks	8,589	9,254	10,494	10,990	11,174	11,418	11,654	11,786	11,693
16 Banks for cooperatives	3,589	3,655	4,330	5,254	5,113	4,948	4,604	4,356	4,061
17 Student Loan Marketing Association[7]	220	310	410	415	430	430	440	500	510
18 Other	3	2	2	2	2	2	2	2	2
MEMO ITEMS:									
19 **Federal Financing Bank debt[6,8]**	**4,474**	**17,154**	**28,711**	**30,823**	**31,007**	**30,820**	**32,443**	**33,800**	**35,418**
Lending to Federal and Federally sponsored agencies:									
20 Export-Import Bank[3]	....	4,595	5,208	5,273	5,273	5,420	5,420	5,420	5,924
21 Postal Service[6]	500	1,500	2,748	2,748	2,606	2,181	2,181	2,181	2,181
22 Student Loan Marketing Association[7]	220	310	410	415	430	430	440	500	510
23 Tennessee Valley Authority	895	1,840	3,110	3,330	3,350	3,545	3,585	3,665	3,880
24 United States Railway Association[6]	3	209	104	230	233	242	263	288	310
Other lending:[9]									
25 Farmers Home Administration	2,500	7,000	10,750	11,750	12,250	12,900	13,650	14,465	14,615
26 Rural Electrification Administration	....	566	1,415	1,806	1,864	2,042	2,105	2,184	2,382
27 Other	356	1,134	4,966	5,271	5,001	4,060	4,799	5.097	5,616

1 Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.

2 Includes participation certificates reclassified as debt beginning Oct. 1, 1976.

3 Off-budget Aug. 17, 1974, through Sept. 30, 1976; on-budget thereafter.

4 Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.

5 Certificates of participation issued prior to fiscal 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration; Department of Health, Education, and Welfare; Department of Housing and Urban Development; Small Business Administration; and the Veterans Administration.

6 Off-budget.

7 Unlike other Federally sponsored agencies, the Student Loan Marketing Association may borrow from the Federal Financing Bank (FFB) since its obligations are guaranteed by the Department of Health, Education, and Welfare.

8 The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other Federal agencies. Since FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table in order to avoid double counting.

9 Includes FFB purchases of agency assets and guaranteed loans; the latter contain loans guaranteed by numerous agencies with the guarantees of any particular agency being generally small. The Farmers Home Administration item consists exclusively of agency assets, while the Rural Electrification Administration entry contains both agency assets and guaranteed loans.

1.47 NEW SECURITY ISSUES State and Local Government and Corporate

Millions of dollars

Type of issue or issuer, or use	1974	1975	1976	1977 Mar.	1977 Apr.	1977 May	1977 June	1977 July	1977 Aug.
	State and local government								
1 **All issues, new and refunding** [1]	**24,315**	**30,607**	**35,313**	**4,140**	**3,566**	**4,308**	**5,347**	....	....
By type of issue:									
2 General obligation	13,563	16,020	18,040	1,812	1,701	2,032	2,265	....	....
3 Revenue	10,212	14,511	17,140	2,323	1,862	2,272	3,079	....	....
4 Housing Assistance Administration [2]	461	....	....	....	....	....	....	....	....
5 U.S. Govt. loans	79	76	133	5	3	4	3	....	....
By type of issuer:									
6 State	4,784	7,438	7,054	705	769	875	1,476	....	....
7 Special district and statutory authority	8,638	12,441	15,304	1,818	1,388	1,836	1,873	....	....
8 Municipalities, counties, townships, school districts	10,817	10,660	12,845	1,612	1,407	1,593	1,994	....	....
9 **Issues for new capital, total**	**23,508**	**29,495**	**32,108**	**3,209**	**2,939**	**3,781**	**4,456**	....	....
By use of proceeds:									
10 Education	4,730	4,689	4,900	472	249	497	807	....	....
11 Transportation	1,712	2,208	2,586	180	119	508	218	....	....
12 Utilities and conservation	5,634	7,209	9,594	804	703	1,235	1,202	....	....
13 Social welfare	3,820	4,392	6,566	600	658	438	816	....	....
14 Industrial aid	494	445	483	38	42	130	23	....	....
15 Other purposes	7,118	10,552	7,979	1,115	1,168	973	1,390	....	....
	Corporate								
16 **All issues** [3]	**38,313**	**53,619**	**53,356**	**5,495**	**3,639**	**3,735**	**5,321**	**4,074**	**3,322**
17 **Bonds**	**32,066**	**42,756**	**42,262**	**4,300**	**3,048**	**2,487**	**4,286**	**−3,379**	**2,765**
By type of offering:									
18 Public	25,903	32,583	26,453	2,610	1,961	1,600	2,045	2,360	1,947
19 Private placement	6,160	10,172	15,808	1,690	1,087	887	2,241	1,019	818
By industry group:									
20 Manufacturing	9,867	16,980	13,243	1,049	1,128	644	1,006	1,165	932
21 Commercial and miscellaneous	1,845	2,750	4,361	454	180	112	363	526	380
22 Transportation	1,550	3,439	4,357	243	129	169	25	143	241
23 Public utility	8,873	9,658	8,297	756	602	581	1,237	480	347
24 Communication	3,710	3,464	2,787	808	324	294	371	258	45
25 Real estate and financial	6,218	6,469	9,222	991	684	688	1,284	807	819
26 **Stocks**	**6,247**	**10,863**	**11,094**	**1,195**	**591**	**1,248**	**1,035**	**695**	**557**
By type:									
27 Preferred	2,253	3,458	2,789	520	163	212	332	327	178
28 Common	3,994	7,405	8,305	675	428	1,036	703	368	379
By industry group:									
29 Manufacturing	544	1,670	2,237	76	220	8	176	144	34
30 Commercial and miscellaneous	940	1,470	1,183	114	114	126	437	66	94
31 Transportation	22	1	24	125	....	....	103	100	....
32 Public utility	3,964	6,235	6,101	842	172	1,031	229	363	150
33 Communication	217	1,002	776	....	10	....	45	19	45
34 Real estate and financial	562	488	771	38	75	84	45	3	279

1 Par amounts of long-term issues based on date of sale.

2 Only bonds sold pursuant to the 1949 Housing Act, which are secured by contract requiring the Housing Assistance Administration to make annual contributions to the local authority.

3 Figures, which represent gross proceeds of issues maturing in more than 1 year, sold for cash in the United States, are principal amount or number of units multiplied by offering price. Excludes offerings of less than $100,000, secondary offerings, undefined or exempted issues as defined in the Securities Act of 1933, employee stock plans, investment companies other than closed-end, intracorporate transactions, and sales to foreigners.

SOURCES.—State and local government securities, Securities Industry Association; corporate securities, Securities and Exchange Commission.

1.48 CORPORATE SECURITIES Net Change in Amounts Outstanding

Millions of dollars

	Source of change, or industry	1974	1975	1976	1975 Q2	1975 Q3	1975 Q4	1976 Q1	1976 Q2	1976 Q3	1976 Q4
	All issues[1]										
1	New issues	39,344	53,255	53,123	15,602	9,079	13,363	13,671	14,229	11,385	13,838
2	Retirements	9,935	10,991	12,184	3,211	2,576	3,116	2,315	3,668	2,478	3,723
3	**Net change**	**29,399**	**42,263**	**40,939**	**12,390**	**6,503**	**10,247**	**11,356**	**10,561**	**8,907**	**10,115**
	Bonds and notes										
4	New issues	31,354	40,468	38,994	11,460	6,654	9,595	9,404	10,244	8,701	10,645
5	Retirements	6,255	8,583	9,109	2,336	2,111	2,549	1,403	3,159	1,826	2,721
6	**Net change: Total**	**25,098**	**31,886**	**29,884**	**9,124**	**4,543**	**7,047**	**8,001**	**7,084**	**6,875**	**7,924**
	By industry:										
7	Manufacturing	7,404	13,219	8,978	4,574	1,442	2,069	2,966	1,529	1,551	2,932
8	Commercial and other[2]	1,116	1,605	2,259	483	221	528	203	726	610	720
9	Transportation, including railroad	341	2,165	3,078	429	147	1,588	985	488	1,092	513
10	Public utility	7,308	7,236	6,829	1,977	1,395	1,211	1,820	1,260	2,109	1,640
11	Communication	3,499	2,980	1,687	810	472	429	498	953	335	−99
12	Real estate and financial	5,428	4,682	7,054	852	866	1,222	1,530	2,128	1,178	2,218
	Common and preferred stock										
13	New issues	7,980	12,787	14,129	4,142	2,425	3,768	4,267	3,985	2,684	3,193
14	Retirements	3,678	2,408	3,075	875	465	567	912	509	652	1,002
15	**Net change: Total**	**4,302**	**10,377**	**11,055**	**3,266**	**1,960**	**3,200**	**3,355**	**3,477**	**2,032**	**2,191**
	By industry:										
16	Manufacturing	17	1,607	2,634	500	412	433	838	1,120	744	−68
17	Commercial and other[2]	−135	1,137	762	490	108	462	88	318	117	239
18	Transportation, including railroad	−20	65	96	7	53	4	5	25	17	49
19	Public utility	3,834	6,015	6,171	1,866	1,043	1,537	2,174	1,300	932	1,765
20	Communication	398	1,084	854	359	97	604	47	735	19	53
21	Real estate and financial	207	468	538	43	247	160	203	−21	203	153

1 Excludes issues of investment companies.
2 Extractive and commercial and miscellaneous companies.

NOTE.—Securities and Exchange Commission estimates of cash transactions only, as published in the Commission's *Statistical Bulletin*.

New issues and retirements exclude foreign sales and include sales of securities held by affiliated companies, special offerings to employees, new stock issues, and cash proceeds connected with conversions of bonds into stocks. Retirements, defined in the same way, include securities retired with internal funds or with proceeds of issues for that purpose.

1.49 OPEN-END INVESTMENT COMPANIES Net Sales and Asset Position

Millions of dollars

	Item	1975	1976	1977 Apr.	1977 May	1977 June	1977 July	1977 Aug.	1977 Sept.	1977 Oct.
	INVESTMENT COMPANIES excluding money market funds									
1	Sales of own shares[1]	3,302	4,226	558	421	639	573	501	558	542
2	Redemptions of own shares[2]	3,686	6,802	468	531	510	515	493	469	519
3	Net sales	−384	2,496	63	−110	129	58	8	89	23
4	**Assets**[3]	**42,179**	**47,537**	**44,862**	**44,403**	**46,255**	**45,651**	**45,038**	**45,046**	**43,435**
5	Cash position[4]	3,748	2,747	2,776	2,859	2,901	3,068	3,135	3,403	3,481
6	Other	38,431	44,790	42,086	41,544	43,354	42,583	41,903	41,643	39,954

1 Includes reinvestment of investment income dividends. Excludes reinvestment of capital gains distributions and share issue of conversions from one fund to another in the same group.
2 Excludes share redemption resulting from conversions from one fund to another in the same group.
3 Market value at end of period, less current liabilities.
4 Also includes all U.S. Govt. securities and other short-term debt securities.

NOTE.—Investment Company Institute data based on reports of members, which comprise substantially all open-end investment companies registered with the Securities and Exchange Commission. Data reflect newly formed companies after their initial offering of securities.

1.50 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Account	1974	1975	1976	1976 Q1	1976 Q2	1976 Q3	1976 Q4	1977 Q1	1977 Q2	1977 Q3[p]
1 **Profits before tax**	**126.9**	**123.5**	**156.9**	**153.5**	**159.2**	**159.9**	**154.8**	**161.7**	**174.0**	**171.6**
2 Profits tax liability	52.4	50.2	64.7	63.1	66.1	65.9	63.9	64.4	69.7	67.9
3 Profits after tax	74.5	73.3	92.2	90.4	93.1	94.0	90.9	97.3	104.3	103.7
4 Dividends	31.0	32.4	35.8	33.6	35.0	36.0	38.4	38.5	40.3	42.3
5 Undistributed profits	43.5	40.9	56.4	56.8	58.1	58.0	52.5	58.8	64.0	61.4
6 Capital consumption allowances	81.6	89.5	97.2	94.1	95.9	98.2	100.4	102.0	103.5	105.8
7 Net cash flow	125.1	130.4	153.6	150.9	154.0	156.2	152.9	160.8	167.5	167.2

SOURCE.—*Survey of Current Business* (U.S. Dept. of Commerce).

1.51 NONFINANCIAL CORPORATIONS Current Assets and Liabilities

Billions of dollars, end of period

Account	1972	1973	1974	1975	1976 Q1	1976 Q2	1976 Q3	1976 Q4	1977 Q1	1977 Q2
1 **Current assets**	**574.4**	**643.2**	**712.2**	**731.6**	**753.5**	**775.4**	**791.8**	**816.8**	**845.3**	**874.7**
2 Cash	57.5	61.6	62.7	68.1	68.4	70.8	71.1	77.0	75.0	77.9
3 U.S. Govt. securities	10.2	11.0	11.7	19.4	21.7	23.3	23.9	26.4	27.3	24.1
4 *Notes and accounts receivable*	*243.4*	*269.6*	*293.2*	*298.2*	*310.9*	*321.8*	*328.5*	*328.2*	*346.6*	*361.4*
5 U.S. Govt.[1]	3.4	3.5	3.5	3.6	3.6	3.7	4.3	4.3	4.7	4.8
6 Other	240.0	266.1	289.7	294.6	307.3	318.1	324.2	323.9	342.0	356.6
7 Inventories	215.2	246.7	288.0	285.8	288.8	295.6	302.1	315.4	322.1	332.5
8 Other	48.1	54.4	56.6	60.0	63.6	63.9	66.3	69.8	74.3	78.8
9 **Current liabilities**	**352.2**	**401.0**	**450.6**	**457.5**	**465.9**	**475.9**	**484.1**	**499.9**	**516.6**	**532.0**
10 *Notes and accounts payable*	*234.4*	*265.9*	*292.7*	*288.0*	*286.9*	*293.8*	*291.7*	*302.9*	*309.0*	*318.9*
11 U.S. Govt.[1]	4.0	4.3	5.2	6.4	6.4	6.8	7.0	7.0	6.8	5.7
12 Other	230.4	261.6	287.5	281.6	280.5	287.0	284.7	295.9	302.2	313.2
13 Accrued Federal income taxes	15.1	18.1	23.2	20.7	23.9	22.0	24.9	26.8	28.6	24.5
14 Other	102.6	117.0	134.8	148.8	155.0	160.1	167.5	170.2	179.0	188.6
15 **Net working capital**	**222.2**	**242.3**	**261.5**	**274.1**	**287.6**	**299.5**	**307.7**	**316.9**	**328.7**	**342.8**

1 Receivables from, and payables to, the U.S. Govt. exclude amounts offset against each other on corporations' books.

SOURCE.—Estimates published in *Statistical Bulletin* (Securities and Exchange Commission).

1.52 BUSINESS EXPENDITURES on New Plant and Equipment

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Industry	1976	1975 Q4	1976 Q1	1976 Q2	1976 Q3	1976 Q4	1977 Q1	1977 Q2	1977 Q3[2]	1977 Q4[2]
1 **All industries**	**120.82**	**111.80**	**114.72**	**118.12**	**122.55**	**125.22**	**130.16**	**134.24**	**138.43**	**142.02**
Manufacturing										
2 Durable goods industries	23.50	21.07	21.63	22.54	24.59	25.50	26.30	27.26	27.96	29.74
3 Nondurable goods industries	29.22	25.75	27.58	28.09	30.20	28.93	30.13	32.19	33.40	34.58
Nonmanufacturing										
4 Mining	3.98	3.82	3.83	3.83	4.21	4.13	4.24	4.49	4.52	4.54
Transportation:										
5 Railroad	2.35	2.39	2.08	2.64	2.69	2.63	2.71	2.57	2.74	3.19
6 Air	1.31	1.65	1.18	1.44	1.12	1.41	1.62	1.43	1.84	2.05
7 Other	3.56	3.56	3.29	4.16	3.44	3.49	2.96	2.96	2.18	1.72
Public utilities:										
8 Electric	18.90	17.92	18.56	18.82	18.22	19.49	21.19	21.14	22.24	22.72
9 Gas and other	3.47	3.00	3.36	3.03	3.45	3.96	4.16	4.16	4.47	4.78
10 Communication	12.93	12.22	12.54	12.62	13.64	14.30	14.19	15.32	39.08	38.70
11 Commercial and other[1]	20.87	20.44	20.68	20.94	20.99	21.36	22.67	22.73		

1 Includes trade, service, construction, finance, and insurance.
2 Anticipated by business.

NOTE.—Estimates for corporate and noncorporate business, excluding agriculture; real estate operators; medical, legal, educational, and cultural service; and nonprofit organizations.

SOURCE.—*Survey of Current Business* (U.S. Dept. of Commerce).

1.521 DOMESTIC FINANCE COMPANIES Assets and Liabilities

Billions of dollars, end of period

Account	1972	1973	1974	1975	1976 Q2	1976 Q3	1976 Q4	1977 Q1	1977 Q2	1977 Q3
ASSETS										
Accounts receivable, gross										
1 Consumer	31.9	35.4	36.1	36.0	36.7	37.6	38.6	39.2	40.7	42.3
2 Business	27.4	32.3	37.2	39.3	42.4	42.4	44.7	47.5	50.4	50.6
3 *Total*	*59.3*	*67.7*	*73.3*	*75.3*	*79.2*	*80.0*	*83.4*	*86.7*	*91.2*	*92.9*
4 LESS: Reserves for unearned income and losses	7.4	8.4	9.0	9.4	9.8	10.2	10.5	10.6	11.1	11.7
5 Accounts receivable, net	51.9	59.3	64.2	65.9	69.4	69.9	72.9	76.1	80.1	81.2
6 Cash and bank deposits	2.8	2.6	3.0	2.9	2.7	2.6	2.6	2.7	2.5	2.5
7 Securities	.9	.8	.4	1.0	.8	1.2	1.1	1.0	1.2	1.8
8 All other	10.0	10.6	12.0	11.8	12.4	12.7	12.6	13.0	13.7	14.2
9 **Total assets**	**65.6**	**73.2**	**79.6**	**81.6**	**85.3**	**86.4**	**89.2**	**92.8**	**97.5**	**99.6**
LIABILITIES										
10 Bank loans	5.6	7.2	9.7	8.0	6.9	5.5	6.3	6.1	5.7	5.4
11 Commercial paper	17.3	19.7	20.7	22.2	22.2	21.7	23.7	24.8	27.5	25.7
Debt:										
12 Short-term, n.e.c.	4.3	4.6	4.9	4.5	5.0	5.2	5.4	4.5	5.5	5.4
13 Long-term, n.e.c.	22.7	24.6	26.5	27.6	30.1	31.0	32.3	34.0	35.0	34.8
14 Other	4.8	5.6	5.5	6.8	7.8	9.5	8.1	9.5	9.4	13.7
15 Capital, surplus, and undivided profits	10.9	11.5	12.4	12.5	13.2	13.4	13.4	13.9	14.4	14.6
16 **Total liabilities and capital**	**65.6**	**73.2**	**79.6**	**81.6**	**85.3**	**86.4**	**89.2**	**92.8**	**97.5**	**99.6**

NOTE.—Components may not add to totals due to rounding.

1.522 DOMESTIC FINANCE COMPANIES Business Credit

Millions of dollars, seasonally adjusted except as noted

Type	Accounts receivable outstanding Oct. 31, 1977[1]	Changes in accounts receivable during— 1977 Aug.	Sept.	Oct.	Extensions 1977 Aug.	Sept.	Oct.	Repayments 1977 Aug.	Sept.	Oct.
1 **Total**	**52,757**	**1,968**	**−240**	**1,522**	**13,218**	**11,702**	**12,461**	**11,250**	**11,942**	**10,939**
2 Retail automotive (commercial vehicles)	11,474	269	239	152	1,022	1,004	942	753	765	790
3 Wholesale automotive	10,667	1,187	−960	741	6,321	4,233	5,488	5,134	5,193	4,747
4 Retail paper on business, industrial, and farm equipment	14,113	296	369	415	805	1,097	1,096	509	728	681
5 Loans on commercial accounts receivable	3,933	−2	19	−128	2,270	2,499	2,032	2,272	2,480	2,160
6 Factored commercial accounts receivable	2,329	17	−58	248	1,429	1,477	1,506	1,412	1,535	1,258
7 All other business credit	10,241	201	151	94	1,371	1,392	1,397	1,170	1,241	1,303

1 Not seasonally adjusted.

1.53 MORTGAGE MARKETS

Millions of dollars; exceptions noted.

	Item	1974	1975	1976	1977 May	June	July	Aug.	Sept.	Oct.
		Terms and yields in primary and secondary markets								
	PRIMARY MARKETS									
	Conventional mortgages on new homes									
	Terms:[1]									
1	Purchase price (thous. dollars)	40.1	44.6	48.4	52.8	53.1	53.7	54.9	r56.0	54.9
2	Amount of loan (thous. dollars)	29.8	33.3	35.9	39.9	39.5	40.0	40.8	r41.7	40.3
3	Loan/price ratio (per cent)	74.3	74.7	74.2	77.4	76.0	76.2	76.5	r76.3	76.3
4	Maturity (years)	26.3	26.8	27.2	27.9	27.2	27.9	28.2	28.2	27.7
5	Fees and charges (per cent of loan amount)[2]	1.30	1.54	1.44	1.34	1.25	1.31	1.30	1.34	1.36
6	Contract rate (per cent per annum)	8.71	8.75	8.76	8.74	8.78	8.79	8.81	8.82	8.85
	Yield (per cent per annum):									
7	FHLBB series[3]	8.92	9.01	8.99	8.96	8.98	9.00	9.02	9.04	9.07
8	HUD series[4]	9.22	9.10	8.99	8.95	9.00	9.00	9.00	9.00	9.00
	SECONDARY MARKETS									
	Yields (per cent per annum) on—									
9	FHA mortgages (HUD series)[5]	9.55	9.19	8.82	....	8.74	8.74	8.74	8.72	8.78
10	GNMA securities[6]	8.72	8.52	8.17	8.04	7.95	7.95	8.03	8.03	8.16
	FNMA auctions:[7]									
11	Government-underwritten loans	9.31	9.26	8.99	8.74	8.75	8.72	8.76	8.74	8.82
12	Conventional loans	9.43	9.37	9.11	9.08	9.12	9.07	9.06	9.05	9.10
		Activity in secondary markets								
	FEDERAL NATIONAL MORTGAGE ASSOCIATION									
	Mortgage holdings (end of period)									
13	Total	29,578	31,824	32,904	33,580	33,918	33,954	34,029	34,149	34,123
14	FHA-insured	19,189	19,732	18,916	18,939	18,974	18,887	18,785	18,704	18,602
15	VA-guaranteed	8,310	9,573	9,212	9,399	9,509	9,449	9,388	9,344	9,287
16	Conventional	2,080	2,519	4,776	5,241	5,435	5,618	5,866	6,100	6,234
	Mortgage transactions (during period)									
17	Purchases	6,953	4,263	3,606	947	656	322	405	385	251
18	Sales	4	2	86	7	....	....	....	....	....
	Mortgage commitments:[8]									
19	Contracted (during period)	10,765	6,106	6,247	1,452	999	357	531	364	897
20	Outstanding (end of period)	7,960	4,126	3,398	5,773	5,854	5,062	4,717	3,522	3,702
	Auction of 4-month commitments to buy—									
	Government-underwritten loans:									
21	Offered[9]	5,462.6	7,042.6	4,929.8	1,842.8	278.9	206.4	314.9	112.9	613.2
22	Accepted	2,371.4	3,848.3	2,787.2	1,027.4	127.8	131.4	221.4	75.4	400.5
	Conventional loans:									
23	Offered[9]	1,195.4	1,401.3	2,595.7	1,164.6	371.1	286.8	370.2	246.4	758.1
24	Accepted	656.5	765.0	1,879.2	751.7	263.0	184.4	236.7	184.4	529.0
	FEDERAL HOME LOAN MORTGAGE CORPORATION									
	Mortgage holdings (end of period)[10]									
25	Total	4,586	4,987	4,269	3,285	3,389	3,483	3,424	3,376	3,402
26	FHA/VA	1,904	1,824	1,618	1,523	1,502	1,481	1,463	1,443	1,424
27	Conventional	2,682	3,163	2,651	1,763	1,887	2,001	1,961	1,933	1,978
	Mortgage transactions (during period)									
28	Purchases	2,191	1,716	1,175	310	379	236	r455	479	428
29	Sales	52	1,020	1,396	329	336	79	r479	386	354
	Mortgage commitments:[11]									
30	Contracted (during period)	4,553	982	1,477	525	511	511	567	547	....
31	Outstanding (end of period)	2,390	111	333	1,314	1,293	1,350	1,352	1,353	....

1 Weighted averages based on sample surveys of mortgages originated by major institutional lender groups. Compiled by the Federal Home Loan Bank Board in cooperation with the Federal Deposit Insurance Corporation.

2 Includes all fees, commissions, discounts, and "points" paid (by the borrower or the seller) in order to obtain a loan.

3 Average effective interest rates on loans closed, assuming prepayment at the end of 10 years.

4 Average contract rates on new commitments for conventional first mortgages, rounded to the nearest 5 basis points; from Dept. of Housing and Urban Development.

5 Average gross yields on 30-year, minimum-downpayment, Federal Housing Administration-insured first mortgages for immediate delivery in the private secondary market. Any gaps in data are due to periods of adjustment to changes in maximum permissible contract rates.

6 Average net yields to investors on Government National Mortgage Association-guaranteed, mortgage-backed, *fully-modified* pass-through securities, assuming prepayment in 12 years on pools of 30-year FHA/VA mortgages carrying the prevailing ceiling rate. Monthly figures are unweighted averages of Monday quotations for the month.

7 Average gross yields (before deduction of 38 basis points for mortgage servicing) on accepted bids in Federal National Mortgage Association's auctions of 4-month commitments to purchase home mortgages, assuming prepayment in 12 years for 30-year mortgages. No adjustments are made for FNMA commitment fees or stock related requirements. Monthly figures are unweighted averages for auctions conducted within the month.

8 Includes some multifamily and nonprofit hospital loan commitments in addition to 1- to 4-family loan commitments accepted in FNMA's free market auction system, and through the FNMA-GNMA Tandem plans.

9 Mortgage amounts offered by bidders are total bids received.

10 Includes participations as well as whole loans.

11 Includes conventional and Government-underwritten loans.

1.54 MORTGAGE DEBT OUTSTANDING

Millions of dollars, end of period

	Type of holder, and type of property	1972	1973	1974	1975	1976	1977		
						Q4	Q1	Q2	Q3
1	**All holders**	**603,417**	**682,321**	**742,512**	**801,537**	**r889,062**	**r912,528**	**947,196**	**983,565**
2	1- to 4-family	372,154	416,211	449,371	490,761	r556,344	r572,709	599,219	626,333
3	Multifamily	82,840	93,132	99,976	100,601	r104,269	r105,586	105,902	107,850
4	Commercial	112,665	131,725	146,877	159,298	r171,399	r174,937	180,260	185,526
5	Farm	35,758	41,253	46,288	50,877	r57,050	r59,296	61,815	63,856
6	**Major financial institutions**	**450,000**	**505,400**	**542,560**	**581,193**	**r647,650**	**r662,390**	**688,798**	**715,168**
7	*Commercial banks*[1]	*99,314*	*119,068*	*132,105*	*136,186*	*r151,326*	*r154,628*	*161,128*	*168,528*
8	1- to 4-family	57,004	67,998	74,758	77,018	r86,234	r88,116	91,820	96,039
9	Multifamily	5,778	6,932	7,619	5,915	r8,082	r8,258	8,605	9,000
10	Commercial	31,751	38,696	43,679	46,882	r50,289	r51,388	53,548	56,008
11	Farm	4,781	5,442	6,049	6,371	r6,721	r6,866	7,155	7,481
12	*Mutual savings banks*	*67,556*	*73,230*	*74,920*	*77,249*	*r81,639*	*82,273*	*84,051*	*86,103*
13	1- to 4-family	46,229	48,811	49,213	50,025	r53,089	r53,502	54,658	55,993
14	Multifamily	10,910	12,343	12,923	13,792	r14,177	r14,291	14,600	14,956
15	Commercial	10,355	12,012	12,722	13,373	r14,313	r14,422	14,734	15,094
16	Farm	62	64	62	59	r60	58	59	60
17	*Savings and loan associations*	*206,182*	*231,733*	*249,301*	*278,590*	*323,130*	*333,703*	*350,765*	*366,975*
18	1- to 4-family	166,410	187,078	200,987	223,903	260,895	r269,932	284,541	298,122
19	Multifamily	21,051	22,779	23,808	25,547	28,436	r29,199	30,517	31,863
20	Commercial	18,721	21,876	24,506	29,140	33,799	r34,572	35,707	36,990
21	*Life insurance companies*	*76,948*	*81,369*	*86,234*	*89,168*	*91,555*	*91,786*	*92,854*	*93,562*
22	1- to 4-family	22,315	20,426	19,026	17,590	16,088	15,699	15,418	15,533
23	Multifamily	17,347	18,451	19,625	19,629	19,178	18,921	18,891	19,033
24	Commercial	31,608	36,496	41,256	45,196	48,864	49,526	50,405	50,790
25	Farm	5,678	5,996	6,327	6,753	7,425	7,640	8,140	8,206
26	**Federal and related agencies**	**40,157**	**46,721**	**58,320**	**66,891**	**66,753**	**r67,066**	**68,301**	**69,135**
27	*Government National Mortgage Assn.*	*5,113*	*4,029*	*4,846*	*7,438*	*4,241*	*4,013*	*3,912*	*3,599*
28	1- to 4-family	2,513	1,455	2,248	4,728	1,970	1,670	1,654	1,522
29	Multifamily	2,600	2,574	2,598	2,710	2,271	2,343	2,258	2,077
30	*Farmers Home Admin.*	*1,019*	*1,366*	*1,432*	*1,109*	*1,064*	*500*	*1,043*	*1,342*
31	1- to 4-family	279	743	759	208	454	98	410	528
32	Multifamily	29	29	167	215	218	28	97	125
33	Commercial	320	218	156	190	72	64	126	162
34	Farm	391	376	350	496	320	310	410	527
35	*Federal Housing and Veterans Admin.*	*3,338*	*3,476*	*4,015*	*4,970*	*5,150*	*r5,223*	*5,222*	*5,100*
36	1- to 4-family	2,199	2,013	2,009	1,990	1,676	r1,730	1,701	1,552
37	Multifamily	1,139	1,463	2,006	2,980	3,474	r3,493	3,521	3,548
38	*Federal National Mortgage Assn.*	*19,791*	*24,175*	*29,578*	*31,824*	*32,904*	*r33,831*	*33,918*	*34,148*
39	1- to 4-family	17,697	20,370	23,778	25,813	26,934	26,836	27,933	28,178
40	Multifamily	2,094	3,805	5,800	6,011	5,970	6,995	5,985	5,970
41	*Federal land banks*	*9,107*	*11,071*	*13,863*	*16,563*	*19,125*	*19,942*	*20,818*	*21,523*
42	1- to 4-family	13	123	406	549	601	611	628	649
43	Farm	9,094	10,948	13,457	16,014	18,524	19,331	20,190	20,874
44	*Federal Home Loan Mortgage Corp.*	*1,789*	*2,604*	*4,586*	*4,987*	*4,269*	*3,557*	*3,388*	*3,423*
45	1- to 4-family	1,754	2,446	4,217	4,588	3,889	3,200	2,901	2,931
46	Multifamily	35	158	369	399	380	357	487	492
47	**Mortgage pools or trusts**[2]	**14,404**	**18,040**	**23,799**	**34,138**	**49,801**	**r55,462**	**58,748**	**64,398**
48	*Government National Mortgage Assn.*	*5,504*	*7,890*	*11,769*	*18,257*	*30,572*	*34,260*	*36,573*	*41,089*
49	1- to 4-family	5,353	7,561	11,249	17,538	29,583	33,190	35,467	39,865
50	Multifamily	151	329	520	719	989	1,070	1,106	1,224
51	*Federal Home Loan Mortgage Corp.*	*441*	*766*	*757*	*1,598*	*2,671*	*3,570*	*4,460*	*5,294*
52	1- to 4-family	331	617	608	1,349	2,282	3,112	3,938	4,675
53	Multifamily	110	149	149	249	389	458	522	619
54	*Farmers Home Admin.*	*8,459*	*9,384*	*11,273*	*14,283*	*16,558*	*r17,632*	*17,715*	*18,015*
55	1- to 4-family	5,017	5,458	6,782	9,194	10,219	r10,821	10,814	10,996
56	Multifamily	131	138	116	295	532	r786	777	791
57	Commercial	867	1,124	1,473	1,948	2,440	r2,570	2,680	2,726
58	Farm	2,444	2,664	2,902	2,846	3,367	r3,455	3,444	3,502
59	**Individuals and others**[3]	**98,856**	**112,160**	**117,833**	**119,315**	**124,858**	**127,610**	**131,349**	**134,864**
60	1- to 4-family	45,040	51,112	53,331	56,268	62,430	64,192	67,336	69,750
61	Multifamily	21,465	23,982	24,276	22,140	20,173	19,387	18,536	18,152
62	Commercial	19,043	21,303	23,085	22,569	21,622	22,395	23,060	23,756
63	Farm	13,308	15,763	17,141	18,338	20,633	21,636	22,417	23,206

1 Includes loans held by nondeposit trust companies but not bank trust departments.

2 Outstanding principal balances of mortgages backing securities insured or guaranteed by the agency indicated.

3 Other holders include mortgage companies, real estate investment trusts, State and local credit agencies, State and local retirement funds, noninsured pension funds, credit unions, and U.S. agencies for which amounts are small or separate data are not readily available.

NOTE.—Based on data from various institutional and Govt. sources, with some quarters estimated in part by Federal Reserve in conjunction with the Federal Home Loan Bank Board and the Dept. of Commerce. Separation of nonfarm mortgage debt by type of property, if not reported directly, and interpolations and extrapolations where required, are estimated mainly by Federal Reserve. Multifamily debt refers to loans on structures of 5 or more units.

1.55 CONSUMER INSTALMENT CREDIT Total Outstanding, and Net Change

Millions of dollars

	Holder, and type of credit	1974	1975	1976	1977 Apr.	May	June	July	Aug.	Sept.	Oct.
		Amounts outstanding (end of period)									
1	**Total**	**157,454**	**164,955**	**185,489**	**189,720**	**192,828**	**196,998**	**199,971**	**204,358**	**207,294**	**209,141**
	By holder:										
2	Commercial banks	75,846	78,667	89,511	92,377	93,875	96,149	97,794	100,059	101,564	102,504
3	Finance companies	36,087	35,994	38,639	39,561	40,127	40,712	41,398	41,987	42,333	42,704
4	Credit unions	21,895	25,666	30,546	31,912	32,704	33,750	34,122	35,077	35,779	35,993
5	Retailers[1]	17,933	18,002	19,052	17,734	17,911	18,032	18,137	18,475	18,725	18,961
6	Others[2]	5,693	6,626	7,741	8,136	8,211	8,355	8,520	8,760	8,894	8,978
	By type of credit:										
7	*Automobile*	*52,871*	*55,879*	*66,116*	*69,298*	*70,857*	*72,829*	*74,304*	*76,027*	*77,207*	*77,845*
8	Commercial banks	30,994	31,553	37,984	40,175	41,060	42,307	43,211	44,262	44,933	45,399
9	Indirect	18,687	18,353	21,176	22,189	22,606	23,258	23,735	24,277	24,717	24,972
10	Direct	12,306	13,200	16,808	17,986	18,453	19,050	19,476	19,985	20,216	20,427
11	Finance companies	10,623	11,155	12,489	12,757	13,023	13,219	13,597	13,783	13,930	13,998
12	Credit unions	10,869	12,741	15,163	15,841	16,234	16,754	16,938	17,412	17,761	17,867
13	Others	386	430	480	525	540	549	558	570	584	581
14	*Mobile homes*	*14,618*	*14,423*	*14,572*	*14,521*	*14,540*	*14,627*	*14,713*	*14,812*	*14,880*	*14,929*
15	Commercial banks	8,972	8,649	8,734	8,648	8,680	8,722	8,761	8,794	8,828	8,839
16	Finance companies	3,525	3,451	3,273	3,170	3,149	3,136	3,126	3,114	3,119	3,116
17	*Home improvement*	*8,522*	*9,405*	*10,990*	*11,315*	*11,507*	*11,794*	*12,025*	*12,329*	*12,532*	*12,703*
18	Commercial banks	4,694	4,965	5,554	5,626	5,744	5,889	6,022	6,158	6,265	6,377
	Revolving credit:										
19	Bank credit cards	8,281	9,501	11,351	11,215	11,287	11,563	11,754	12,227	12,651	12,829
20	Bank check credit	2,797	2,810	3,041	3,094	3,148	3,230	3,295	3,409	3,504	3,551
21	*All other*	*70,364*	*72,937*	*79,418*	*80,277*	*81,488*	*82,955*	*83,880*	*85,554*	*86,519*	*87,283*
22	Commercial banks, total	20,108	21,188	22,847	23,619	23,955	24,437	24,752	25,209	25,383	25,510
23	Personal loans	13,771	14,629	15,669	16,263	16,464	16,749	16,922	17,238	17,373	17,452
24	Finance companies, total	21,590	21,238	22,749	23,506	23,827	24,223	24,538	24,951	25,143	25,448
25	Personal loans	16,985	17,263	18,554	18,938	19,214	19,540	19,808	20,118	20,256	20,498
26	Credit unions	9,174	10,754	12,799	13,371	13,703	14,141	14,297	14,697	14,991	15,081
27	Retailers	17,933	18,002	19,052	17,734	17,911	18,032	18,137	18,475	18,725	18,961
28	Others	1,559	1,755	1,971	2,047	2,092	2,121	2,157	2,221	2,277	2,283
		Net change (during period)[3]									
29	**Total**	**9,280**	**7,504**	**20,533**	**2,898**	**2,655**	**2,422**	**2,464**	**2,651**	**2,351**	**2,626**
	By holder:										
30	Commercial banks	3,975	2,821	10,845	1,462	1,235	1,422	1,150	1,448	1,228	1,315
31	Finance companies	731	−90	2,644	391	460	182	524	321	378	487
32	Credit unions	2,262	3,771	4,880	634	665	519	368	472	458	469
33	Retailers[1]	1,538	69	1,050	223	210	144	286	170	144	280
34	Others[2]	774	933	1,115	187	84	154	136	240	143	75
	By type of credit:										
35	*Automobile*	*500*	*3,007*	*10,238*	*1,205*	*1,247*	*963*	*1,069*	*1,054*	*1,105*	*850*
36	Commercial banks	−508	559	6,431	747	620	745	584	725	714	587
37	Indirect	−310	−334	2,823	382	273	365	290	357	466	295
38	Direct	−198	894	3,608	364	347	380	294	368	248	292
39	Finance companies	−116	532	1,334	134	258	−28	275	65	128	52
40	Credit unions	1,123	1,872	2,422	297	352	244	208	237	228	222
41	Other	2	44	50	27	17	2	2	27	34	−11
42	*Mobile homes*	*1,068*	*−195*	*150*	*65*	*−6*	*34*	*57*	*55*	*32*	*44*
43	Commercial banks	632	−323	85	24	12	3	19	3	10	15
44	Finance companies	166	−73	−177	−14	−24	−21	−12	−18	−3	−11
45	*Home improvement*	*1,094*	*881*	*1,585*	*188*	*133*	*181*	*165*	*183*	*143*	*201*
46	Commercial banks	611	271	588	72	66	75	76	62	77	115
	Revolving credit:										
47	Bank credit cards	1,443	1,220	1,850	278	192	238	184	315	279	287
48	Bank check credit	543	14	231	60	103	90	39	60	49	57
49	*All other*	*4,631*	*2,577*	*6,479*	*1,101*	*985*	*916*	*951*	*984*	*743*	*1,188*
50	Commercial banks, total	1,255	1,080	1,659	281	242	271	248	283	99	254
51	Personal loans	898	858	1,040	206	170	180	143	161	56	142
52	Finance companies, total	746	−348	1,509	271	227	226	260	273	251	448
53	Personal loans	486	279	1,290	220	184	185	228	186	223	353
54	Credit unions	948	1,580	2,045	283	258	239	129	200	197	204
55	Retailers	1,538	69	1,050	223	210	144	286	170	144	280
56	Others	145	196	217	43	48	36	28	59	52	2

1 Excludes 30-day charge credit held by retailers, oil and gas companies, and travel and entertainment companies.
2 Mutual savings banks, savings and loan associations, and auto dealers.
3 Net change equals extensions minus liquidations (repayments, charge-offs, and other credits); figures for all months are seasonally adjusted.

NOTE.—Total consumer noninstalment credit outstanding—credit scheduled to be repaid in a lump sum, including single-payment loans, charge accounts, and service credit—amounted to $38.7 billion at the end of 1976, $35.7 billion at the end of 1975, and $33.8 billion at the end of 1974. Comparable data for Dec. 31, 1977, will be published in the February 1978 BULLETIN.

1.56 CONSUMER INSTALMENT CREDIT Extensions and Liquidations

Millions of dollars

	Holder, and type of credit	1974	1975	1976	1977 Apr.	May	June	July	Aug.	Sept.	Oct.
					Extensions[3]						
1	**Total**	**157,200**	**164,169**	**193,328**	**18,784**	**18,503**	**18,810**	**18,631**	**19,204**	**19,164**	**19,787**
	By holder:										
2	Commercial banks	72,605	77,312	94,220	9,182	9,070	9,232	9,143	9,426	9,442	9,802
3	Finance companies	34,061	31,173	36,028	3,444	3,359	3,444	3,335	3,459	3,514	3,653
4	Credit unions	19,596	24,096	28,587	2,861	2,860	2,769	2,663	2,806	2,773	2,858
5	Retailers[1]	27,034	27,049	29,188	2,721	2,728	2,806	2,951	2,840	2,860	2,961
6	Others[2]	3,904	4,539	5,305	576	485	559	540	673	575	512
	By type of credit:										
7	*Automobile*	*45,429*	*51,413*	*62,988*	*6,106*	*6,048*	*6,063*	*5,966*	*6,158*	*6,109*	*6,083*
8	Commercial banks	26,406	28,573	36,585	3,532	3,416	3,527	3,553	3,616	3,640	3,642
9	Indirect	15,576	15,766	19,882	1,888	1,791	1,865	1,905	1,925	2,028	1,976
10	Direct	10,830	12,807	16,704	1,644	1,625	1,661	1,649	1,692	1,612	1,666
11	Finance companies	8,604	9,674	11,209	1,073	1,114	1,099	963	1,036	1,013	989
12	Credit unions	10,015	12,683	14,675	1,431	1,457	1,390	1,402	1,434	1,376	1,414
13	Others	404	483	518	70	60	47	48	72	80	38
14	*Mobile homes*	*5,782*	*4,323*	*4,841*	*479*	*415*	*420*	*455*	*479*	*424*	*457*
15	Commercial banks	3,486	2,622	3,071	285	275	244	267	267	261	270
16	Finance companies	1,376	764	690	58	50	48	55	55	51	61
17	*Home improvement*	*5,211*	*5,556*	*6,736*	*668*	*636*	*686*	*671*	*733*	*679*	*718*
18	Commercial banks	2,789	2,722	3,245	317	317	328	330	332	340	373
	Revolving credit:										
19	Bank credit cards	17,098	20,428	25,862	2,576	2,621	2,640	2,566	2,711	2,847	2,973
20	Bank check credit	4,227	4,024	4,783	475	506	521	499	510	485	487
21	*All other*	*79,453*	*78,425*	*88,117*	*8,480*	*8,277*	*8,480*	*8,476*	*8,612*	*8,620*	*9,067*
22	Commercial banks, total	18,599	18,944	20,673	1,998	1,935	1,973	1,928	1,990	1,870	2,056
23	Personal loans	13,176	13,386	14,480	1,435	1,396	1,413	1,350	1,404	1,346	1,463
24	Finance companies, total	23,796	20,657	24,087	2,307	2,188	2,289	2,309	2,361	2,440	2,596
25	Personal loans	17,162	16,944	19,579	1,833	1,744	1,850	1,836	1,870	1,938	2,044
26	Credit unions	8,560	10,134	12,340	1,266	1,233	1,225	1,113	1,207	1,240	1,282
27	Retailers	27,034	27,049	29,188	2,721	2,728	2,806	2,951	2,840	2,860	2,961
28	Others	1,463	1,642	1,830	189	193	187	175	214	211	172
					Liquidations[3]						
29	**Total**	**147,920**	**156,665**	**172,795**	**15,886**	**15,849**	**16,388**	**16,167**	**16,553**	**16,814**	**17,160**
	By holder:										
30	Commercial banks	68,630	74,491	83,376	7,720	7,835	7,810	7,992	7,978	8,214	8,487
31	Finance companies	33,330	31,263	33,384	3,053	2,899	3,261	2,811	3,138	3,135	3,166
32	Credit unions	17,334	20,325	23,707	2,227	2,195	2,250	2,295	2,333	2,316	2,389
33	Retailers[1]	25,496	26,980	28,138	2,497	2,518	2,662	2,665	2,670	2,716	2,681
34	Others[2]	3,130	3,606	4,191	389	401	405	404	433	432	437
	By type of credit:										
35	*Automobile*	*44,929*	*48,406*	*52,750*	*4,901*	*4,801*	*5,100*	*4,897*	*5,104*	*5,005*	*5,234*
36	Commercial banks	26,915	28,014	30,154	2,786	2,796	2,781	2,969	2,891	2,926	3,055
37	Indirect	15,886	16,101	17,059	1,506	1,518	1,500	1,615	1,568	1,562	1,681
38	Direct	11,029	11,913	13,095	1,279	1,278	1,281	1,354	1,324	1,364	1,374
39	Finance companies	8,720	9,142	9,875	939	856	1,127	688	970	885	937
40	Credit unions	8,892	10,811	12,253	1,134	1,106	1,146	1,194	1,197	1,148	1,193
41	Others	402	439	468	43	43	45	46	45	46	49
42	*Mobile homes*	*4,715*	*4,517*	*4,691*	*414*	*421*	*386*	*397*	*424*	*392*	*413*
43	Commercial banks	2,854	2,944	2,986	261	263	241	248	264	251	255
44	Finance companies	1,210	837	867	72	74	68	68	73	54	72
45	*Home improvement*	*4,117*	*4,675*	*5,151*	*480*	*502*	*505*	*506*	*551*	*536*	*517*
46	Commercial banks	2,178	2,451	2,657	245	251	253	254	270	263	257
	Revolving credit:										
47	Bank credit cards	15,655	19,208	24,012	2,298	2,430	2,403	2,382	2,396	2,567	2,687
48	Bank check credit	3,684	4,010	4,552	415	402	431	459	450	436	430
49	*All other*	*74,821*	*75,849*	*81,638*	*7,379*	*7,292*	*7,564*	*7,525*	*7,628*	*7,877*	*7,880*
50	Commercial banks, total	17,345	17,864	19,014	1,716	1,692	1,702	1,680	1,707	1,771	1,802
51	Personal loans	12,278	12,528	13,439	1,230	1,226	1,233	1,207	1,243	1,291	1,321
52	Finance companies, total	23,050	21,005	22,578	2,036	1,961	2,063	2,049	2,089	2,189	2,148
53	Personal loans	16,676	16,665	18,289	1,613	1,560	1,666	1,609	1,684	1,714	1,692
54	Credit unions	7,613	8,554	10,295	984	975	986	984	1,008	1,043	1,078
55	Retailers	25,496	26,980	28,138	2,497	2,518	2,662	2,665	2,670	2,716	2,681
56	Others	1,318	1,446	1,613	146	146	151	146	155	158	170

1 Excludes 30-day charge credit held by retailers, oil and gas companies, and travel and entertainment companies.

2 Mutual savings banks, savings and loan associations, and auto dealers.

3 Monthly figures are seasonally adjusted.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS

Billions of dollars; half-year data are at seasonally adjusted annual rates.

Transaction category, or sector	1972	1973	1974	1975	1976	1975 H1	1975 H2	1976 H1	1976 H2	1977 H1	
					Nonfinancial sectors						
1 **Total funds raised**	177.8	202.0	189.6	205.6	268.3	180.8	230.4	254.5	282.1	309.6	1
2 *Excluding equities*	*167.2*	*194.3*	*185.8*	*195.5*	*257.8*	*170.3*	*220.8*	*241.1*	*274.4*	*300.8*	2
By sector and instrument:											
3 U.S. Govt.	15.1	8.3	11.8	85.4	69.0	79.6	91.2	73.1	64.9	40.3	3
4 Public debt securities	14.3	7.9	12.0	85.8	69.1	80.4	91.3	73.0	65.3	40.9	4
5 Agency issues and mortgages	.8	.4	−.2	−.4	−.1	−.8	−.1	.1	−.3	−.6	5
6 **All other nonfinancial sectors**	162.7	193.8	177.8	120.2	199.2	101.1	139.2	181.4	217.1	269.3	6
7 Corporate equities	10.5	7.7	3.8	10.0	10.5	10.5	9.6	13.3	7.6	8.8	7
8 Debt instruments	152.2	186.1	174.0	110.1	188.8	90.7	129.6	168.0	209.5	260.5	8
9 **Private domestic nonfinancial sectors**	158.7	187.5	162.4	107.0	179.0	93.1	120.9	166.2	191.7	264.9	9
10 Corporate equities	10.9	7.9	4.1	9.9	10.5	10.3	9.5	13.3	7.7	8.2	10
11 *Debt instruments*	*147.8*	*179.7*	*158.3*	*97.1*	*168.4*	*82.8*	*111.4*	*152.9*	*184.0*	*256.6*	11
12 *Debt capital instruments*	*102.3*	*105.0*	*98.7*	*95.8*	*122.7*	*93.8*	*97.8*	*111.7*	*133.7*	*163.5*	12
13 State and local obligations	14.7	14.7	17.1	13.6	15.1	12.3	14.9	14.7	15.5	27.2	13
14 Corporate bonds	12.2	9.2	19.7	27.2	22.8	33.4	21.1	20.4	25.3	19.6	14
Mortgages:											
15 Home	42.6	46.4	34.8	39.5	63.6	33.4	45.6	57.1	70.2	85.6	15
16 Multifamily residential	12.7	10.4	6.9	*	1.6	.4	−.4	.6	2.6	4.6	16
17 Commercial	16.5	18.9	15.1	11.0	13.4	9.4	12.6	13.9	12.9	17.3	17
18 Farm	3.6	5.5	5.0	4.6	6.1	5.1	4.0	5.0	7.3	9.2	18
19 *Other debt instruments*	*45.5*	*74.6*	*59.6*	*1.3*	*45.7*	*−11.0*	*13.6*	*41.2*	*50.3*	*93.2*	19
20 Consumer credit	18.9	22.0	10.2	9.4	23.6	2.2	16.6	22.9	24.2	35.2	20
21 Bank loans n.e.c.	18.9	39.8	29.1	−14.5	3.7	−20.9	−8.2	−.3	7.8	37.2	21
22 Open market paper	.8	2.5	6.6	−2.6	4.0	−1.4	−3.8	6.4	1.6	5.0	22
23 Other	6.9	10.3	13.7	9.0	14.4	9.0	9.0	12.2	16.7	15.9	23
24 *By borrowing sector*	*158.7*	*187.5*	*162.4*	*107.0*	*179.0*	*93.1*	*120.9*	*166.2*	*191.7*	*264.9*	24
25 State and local governments	14.5	13.2	16.2	11.2	14.6	10.0	12.3	13.0	16.3	20.6	25
26 Households	66.6	79.1	49.2	48.6	89.8	37.3	59.9	83.9	95.6	129.6	26
27 Farm	5.8	9.7	7.9	8.7	11.0	8.7	8.8	10.6	11.6	16.9	27
28 Nonfarm noncorporate	14.1	12.8	7.4	2.0	5.2	−1.1	5.1	2.7	7.6	10.6	28
29 Corporate	57.7	72.7	81.8	36.6	58.3	38.3	34.8	56.1	60.5	87.2	29
30 **Foreign**	4.0	6.2	15.4	13.2	20.3	8.0	18.3	15.2	25.4	4.4	30
31 Corporate equities	−.4	−.2	−.2	.1	*	.1	.1	*	−.1	.6	31
32 *Debt instruments*	*4.4*	*6.4*	*15.7*	*13.0*	*20.3*	*7.9*	*18.2*	*15.1*	*25.5*	*3.9*	32
33 Bonds	1.0	1.0	2.1	6.2	8.4	5.7	6.8	7.3	9.5	4.3	33
34 Bank loans n.e.c.	2.9	2.8	4.7	3.7	6.7	−.4	7.8	3.4	10.0	−5.8	34
35 Open market paper	−1.0	.9	7.3	.3	1.9	−.8	1.4	1.5	2.4	2.2	35
36 U.S. Govt. loans	1.5	1.7	1.6	2.8	3.3	3.4	2.2	2.9	3.6	3.1	36
					Financial sectors						
37 **Total funds raised**	28.3	51.6	39.4	14.0	28.6	15.1	12.8	27.8	29.4	64.0	37
By instrument:											
38 *U.S. Govt. related*	*8.4*	*19.9*	*23.1*	*13.5*	*18.6*	*14.5*	*12.6*	*18.6*	*18.6*	*25.7*	38
39 Sponsored credit agency securities	3.5	16.3	16.6	2.3	3.3	1.9	2.8	4.5	2.1	10.1	39
40 Mortgage pool securities	4.9	3.6	5.8	10.3	15.7	11.5	9.2	14.2	17.2	17.9	40
41 Loans from U.S. Govt.	....	....	.7	.9	−.4	1.1	.6	*	−.7	−2.3	41
42 *Private financial sectors*	*19.9*	*31.7*	*16.3*	*.4*	*10.0*	*.6*	*.2*	*9.1*	*10.8*	*38.3*	42
43 Corporate equities	2.8	1.5	.3	*	.7	.1	−.1	−.7	2.2	.9	43
44 *Debt instruments*	*17.1*	*30.2*	*16.0*	*.4*	*9.2*	*.6*	*.3*	*9.8*	*8.6*	*37.4*	44
45 Corporate bonds	5.1	3.5	2.1	2.9	5.8	2.3	3.5	7.0	4.5	8.2	45
46 Mortgages	1.7	−1.2	−1.3	2.3	2.1	1.4	3.2	1.4	2.8	3.0	46
47 Bank loans n.e.c.	5.9	8.9	4.6	−3.6	−3.7	−4.7	−2.5	−3.0	−4.4	−2.7	47
48 Open market paper and Rp's	4.4	11.8	3.9	2.8	7.1	8.2	−2.6	6.1	8.1	25.4	48
49 Loans from FHLB's	*	7.2	6.7	−4.0	−2.0	−6.6	−1.3	−1.6	−2.4	3.5	49
By sector:											
50 Sponsored credit agencies	3.5	16.3	17.3	3.2	2.9	3.0	3.4	4.5	1.4	7.8	50
51 Mortgage pools	4.9	3.6	5.8	10.3	15.7	11.5	9.2	14.2	17.2	17.9	51
52 *Private financial sectors*	*19.9*	*31.7*	*16.3*	*.4*	*10.0*	*.6*	*.2*	*9.1*	*10.8*	*38.3*	52
53 Commercial banks	4.8	8.1	−1.1	1.7	7.4	5.7	−2.3	9.0	5.9	15.1	53
54 Bank affiliates	.7	2.2	3.5	.3	−.8	.9	−.3	−1.3	−.3	1.3	54
55 Savings and loan associations	2.0	6.0	6.3	−2.2	*	−6.8	2.3	.5	−.5	10.6	55
56 Other insurance companies	.5	.5	.9	1.0	1.0	.9	1.0	1.0	1.0	1.0	56
57 Finance companies	6.2	9.4	4.5	.5	6.4	−1.4	2.4	5.7	7.1	14.9	57
58 REIT's	6.3	6.5	.6	−2.0	−2.8	−2.0	−1.9	−2.5	−3.0	−2.9	58
59 Open-end investment companies	−.5	−1.2	−.7	−.1	−1.0	.7	−.9	−2.5	.5	−1.1	59
60 Money market funds	....	....	2.4	1.3	−.3	2.6	*	−.7	.2	−.5	60
					All sectors						
61 **Total funds raised, by instrument**	206.1	253.7	229.0	219.5	296.8	195.9	243.2	282.2	311.4	373.6	61
62 Investment company shares	−.5	−1.2	−.7	−.1	−1.0	.7	−.9	−2.5	.5	−1.1	62
63 Other corporate equities	13.8	10.4	4.8	10.2	12.2	9.8	10.5	15.1	9.3	10.8	63
64 *Debt instruments*	*192.8*	*244.5*	*224.9*	*209.5*	*285.6*	*185.4*	*233.6*	*269.6*	*301.6*	*363.9*	64
65 U.S. Govt. securities	23.6	28.3	34.3	98.2	88.1	93.1	103.2	91.9	84.3	68.4	65
66 State and local obligations	14.7	14.7	17.1	13.6	15.1	12.3	14.9	14.7	15.5	27.2	66
67 Corporate and foreign bonds	18.4	13.6	23.9	36.3	37.0	41.3	31.3	34.7	39.3	32.2	67
68 Mortgages	77.0	79.9	60.5	57.2	86.8	49.5	65.0	77.9	95.7	119.6	68
69 Consumer credit	18.9	22.0	10.2	9.4	23.6	2.2	16.6	22.9	24.2	35.2	69
70 Bank loans n.e.c.	27.8	51.6	38.4	−14.4	6.7	−25.9	−2.9	.1	13.4	28.7	70
71 Open market paper and Rp's	4.1	15.2	17.8	.5	13.0	6.1	−5.0	14.0	12.0	32.5	71
72 Other loans	8.4	19.1	22.7	8.7	15.3	6.9	10.5	13.4	17.2	20.1	72

1.58 DIRECT AND INDIRECT SOURCES OF FUNDS TO CREDIT MARKETS

Billions of dollars, except as noted; half-year data are at seasonally adjusted annual rates.

	Transaction category, or sector	1972	1973	1974	1975	1976	1975		1976		1977	
							H1	H2	H1	H2	H1	
1	**Total funds advanced in credit markets to nonfinancial sectors**	**167.2**	**194.3**	**185.8**	**195.5**	**257.8**	**170.3**	**220.8**	**241.1**	**274.4**	**300.8**	1
	By public agencies and foreign:											
2	*Total net advances*	*19.8*	*34.1*	*52.7*	*44.3*	*54.6*	*55.0*	*33.6*	*53.2*	*56.0*	*74.0*	2
3	U.S. Govt. securities	7.6	9.5	11.9	22.5	26.8	33.4	11.6	27.1	26.5	31.7	3
4	Residential mortgages	7.0	8.2	14.7	16.2	12.8	16.9	15.5	12.1	13.5	20.0	4
5	FHLB advances to S&L's	*	7.2	6.7	−4.0	−2.0	−6.6	−1.3	−1.6	−2.4	3.5	5
6	Other loans and securities	5.1	9.2	19.5	9.5	16.9	11.3	7.8	15.6	18.3	18.8	6
	Totals advanced, by sector											
7	U.S. Govt.	1.8	2.8	9.8	15.1	8.9	15.9	14.3	6.4	11.4	5.9	7
8	Sponsored credit agencies	9.2	21.4	25.6	14.5	20.6	16.5	12.6	20.7	20.6	27.5	8
9	Monetary authorities	.3	9.2	6.2	8.5	9.8	7.6	9.5	14.5	5.2	11.6	9
10	Foreign	8.4	.6	11.2	6.1	15.2	15.0	−2.7	11.6	18.8	28.9	10
11	Agency borrowing not included in line 1	8.4	19.9	23.1	13.5	18.6	14.5	12.6	18.6	18.6	25.7	11
	Private domestic funds advanced											
12	*Total net advances*	*155.9*	*180.2*	*156.1*	*164.8*	*221.8*	*129.8*	*199.7*	*206.6*	*237.0*	*252.5*	12
13	U.S. Govt. securities	16.0	18.8	22.4	75.7	61.3	59.7	91.6	64.8	57.8	36.7	13
14	State and local obligations	14.7	14.7	17.1	13.6	15.1	12.3	14.9	14.7	15.5	27.2	14
15	Corporate and foreign bonds	13.1	10.0	20.9	32.8	30.3	38.8	26.8	26.8	33.9	20.9	15
16	Residential mortgages	48.2	48.4	26.9	23.2	52.4	16.7	29.6	45.5	59.2	70.1	16
17	Other mortgages and loans	63.9	95.4	75.4	15.6	60.8	−4.3	35.5	53.2	68.3	101.1	17
18	LESS: FHLB advances	*	7.2	6.7	−4.0	−2.0	−6.6	−1.3	−1.6	−2.4	3.5	18
	Private financial intermediation											
19	*Credit market funds advanced by private financial institutions*	*149.7*	*164.9*	*126.3*	*119.9*	*187.2*	*99.8*	*140.0*	*167.6*	*206.8*	*233.9*	19
20	Commercial banking	70.5	86.5	64.6	27.6	58.0	14.4	40.7	44.5	71.5	80.1	20
21	Savings institutions	48.2	36.9	26.9	52.0	71.7	48.5	55.4	71.8	71.7	84.6	21
22	Insurance and pension funds	17.2	23.9	30.0	41.5	47.6	38.3	44.7	47.8	47.3	55.3	22
23	Other finance	13.9	17.5	4.7	−1.1	9.9	−1.4	−.7	3.4	16.3	13.9	23
24	*Sources of funds*	*149.7*	*164.9*	*126.3*	*119.9*	*187.2*	*99.8*	*140.0*	*167.6*	*206.8*	*233.9*	24
25	Private domestic deposits	100.8	86.5	69.4	90.9	122.8	90.3	91.5	106.1	139.5	122.8	25
26	Credit market borrowing	17.1	30.2	16.0	.4	9.2	.6	.3	9.8	8.6	37.4	26
27	*Other sources*	*31.8*	*48.2*	*40.9*	*28.6*	*55.1*	*9.0*	*48.2*	*51.7*	*58.7*	*73.7*	27
28	Foreign funds	5.3	6.9	14.5	−.4	3.1	−5.6	4.8	−2.6	8.8	−4.1	28
29	Treasury balances	.7	−1.0	−5.1	−1.7	−.1	−3.5	.1	2.9	−3.1	−1.1	29
30	Insurance and pension reserves	11.6	18.4	26.0	29.0	35.8	26.4	31.5	35.1	36.5	46.2	30
31	Other, net	14.1	23.9	5.4	1.7	16.4	−8.3	11.7	16.2	16.6	32.7	31
	Private domestic nonfinancial investors											
32	*Direct lending in credit markets*	*23.3*	*45.5*	*45.9*	*45.3*	*43.8*	*30.6*	*60.0*	*48.8*	*38.8*	*56.0*	32
33	U.S. Govt. securities	3.9	19.5	18.2	22.2	19.4	6.0	38.4	22.6	16.1	11.0	33
34	State and local obligations	3.0	5.4	10.0	6.3	4.7	7.2	5.5	3.9	5.5	9.5	34
35	Corporate and foreign bonds	4.4	1.3	4.7	8.2	4.0	10.8	5.6	4.9	3.1	.4	35
36	Commercial paper	2.9	12.5	4.8	3.1	4.0	1.5	4.7	6.7	1.3	18.7	36
37	Other	9.1	6.8	8.2	5.5	11.8	5.1	6.0	10.8	12.8	16.4	37
38	*Deposits and currency*	*105.2*	*90.4*	*75.7*	*97.1*	*130.3*	*96.0*	*98.2*	*111.0*	*149.5*	*127.1*	38
39	*Time and savings accounts*	83.8	76.1	66.7	84.8	113.0	73.0	96.5	98.3	127.6	106.6	39
40	Large negotiable CD's	7.7	18.1	18.8	−14.0	−14.2	−27.8	−.2	−18.0	−10.4	−2.6	40
41	Other at commercial banks	30.6	29.6	26.1	39.4	58.1	39.3	39.4	50.2	66.0	41.9	41
42	At savings institutions	45.4	28.5	21.8	59.4	69.1	61.5	57.4	66.1	72.1	67.4	42
43	*Money*	*21.4*	*14.3*	*8.9*	*12.3*	*17.2*	*23.0*	*1.7*	*12.7*	*21.6*	*20.5*	43
44	Demand deposits	17.0	10.3	2.6	6.1	9.9	17.3	−5.0	7.8	11.9	16.2	44
45	Currency	4.4	3.9	6.3	6.2	7.3	5.7	6.7	4.9	9.8	4.3	45
46	**Total of credit market instruments, deposits and currency**	**128.5**	**136.0**	**121.5**	**142.4**	**174.0**	**126.6**	**158.2**	**159.8**	**188.1**	**183.1**	46
47	Public support rate (in per cent)	11.8	17.5	28.4	22.7	21.2	32.3	15.2	22.1	20.4	24.6	47
48	Private financial intermediation (in per cent)	96.1	91.5	80.9	72.8	84.4	76.9	70.1	81.1	87.3	92.6	48
49	Total foreign funds	13.7	7.5	25.7	5.8	18.3	9.4	2.1	9.0	27.6	24.9	49
	MEMO: Corporate equities not included above											
50	**Total net issues**	**13.3**	**9.2**	**4.1**	**10.0**	**11.2**	**10.5**	**9.5**	**12.6**	**9.8**	**9.7**	50
51	Mutual fund shares	−.5	−1.2	−.7	−.1	−1.0	.7	−.9	−2.5	.5	−1.1	51
52	Other equities	13.8	10.4	4.8	10.2	12.2	9.8	10.5	15.1	9.3	10.8	52
53	Acquisitions by financial institutions	15.3	13.3	5.8	9.4	12.3	10.7	8.1	12.6	12.0	6.5	53
54	Other net purchases	−2.1	−4.1	−1.6	.6	−1.1	−.2	1.4	*	−2.2	3.3	54

NOTES BY LINE NO.

1. Line 2 of p. A-44.
2. Sum of lines 3–6 or 7–10.
6. Includes farm and commercial mortgages.
11. Credit market funds raised by Federally sponsored credit agencies, and net issues of Federally related mortgage pool securities. Included below in lines 3, 13, and 33.
12. Line 1 less line 2 plus line 11. Also line 19 less line 26 plus line 32. Also sum of lines 27, 32, 39, and 44.
17. Includes farm and commercial mortgages.
25. Lines 39 plus 44.
26. Excludes equity issues and investment company shares. Includes line 18.
28. Foreign deposits at commercial banks, bank borrowings from foreign branches, and liabilities of foreign banking agencies to foreign affiliates.
29. Demand deposits at commercial banks.
30. Excludes net investment of these reserves in corporate equities.
31. Mainly retained earnings and net miscellaneous liabilities.
32. Line 12 less line 19 plus line 26.

33–37. Lines 13–17 less amounts acquired by private finance. Line 37 includes mortgages.

45. Mainly an offset to line 9.
46. Lines 32 plus 38 or line 12 less line 27 plus line 45.
47. Line 2/line 1.
48. Line 19/line 12.
49. Lines 10 plus 28.

50, 52. Includes issues by financial institutions.

NOTE.—Full statements for sectors and transaction types quarterly, and annually for flows and for amounts outstanding, may be obtained from Flow of Funds Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

1967 = 100; monthly and quarterly data are seasonally adjusted. Exceptions noted.

Measure	1974	1975	1976	1977 Apr.	May	June	July	Aug.r	Sept.	Oct.	Nov.
1 **Industrial production**	**129.3**	**117.8**	**129.8**	**136.1**	**137.0**	**137.8**	**138.7**	**138.1**	**138.6**	**139.0**	**139.7**
Market groupings:											
2 *Products, total*	*129.3*	*119.3*	*129.3*	*135.8*	*136.5*	*137.3*	*138.7*	*138.4*	*138.8*	*138.9*	*139.4*
3 Final, total	125.1	118.2	127.2	134.1	134.7	135.4	136.8	136.3	136.8	136.9	137.0
4 Consumer goods	128.9	124.0	136.2	142.9	143.1	143.8	145.4	144.7	144.9	145.5	145.4
5 Equipment	120.0	110.2	114.6	122.1	123.2	124.1	124.8	124.9	125.6	125.2	125.4
6 Intermediate	135.3	123.1	137.2	142.3	143.5	144.7	146.3	146.1	146.4	146.8	148.0
7 Materials	132.4	115.5	130.6	136.5	137.8	138.7	138.9	137.6	138.2	139.1	140.1
Industry groupings:											
8 Manufacturing	129.4	116.3	129.5	135.8	137.1	137.8	138.5	138.6	139.1	139.4	139.9
Capacity utilization (per cent)[1] in—											
9 Manufacturing	84.2	73.6	80.2	r82.3	82.8	83.0	83.1	82.9	r83.0	r82.9	82.9
10 Industrial materials industries	87.7	73.6	80.4	82.1	82.7	83.0	82.9	82.0	r82.2	r82.5	82.9
11 Construction contracts[2]	173.9	162.3	190.2	250.0	317.0	284.0	218.0	267.0	279.0	244.0	....
12 ***Nonagricultural employment, total***[3]	***119.1***	***116.9***	***120.6***	***124.0***	***124.4***	***124.7***	***125.1***	***125.2***	***125.7***	***125.9***	***126.4***
13 Goods-producing, total	106.2	96.9	100.3	104.1	104.5	104.7	104.9	104.5	104.7	105.0	105.4
14 Manufacturing, total	103.1	94.3	97.5	100.4	100.8	100.9	r101.1	100.8	r100.8	101.1	101.4
15 Manufacturing, production-worker	102.1	91.3	95.2	98.3	98.9	98.9	r98.9	98.4	98.5	98.8	99.2
16 Service-producing	126.1	127.8	131.7	134.9	135.3	135.6	r136.2	136.6	137.1	137.3	137.8
17 **Personal income, total**[4]	**184.3**	**200.0**	**220.7**	**241.0**	**242.1**	**243.3**	**245.6**	**247.1**	**r249.1**	**252.3**	....
18 Wages and salary disbursements	178.9	188.5	208.6	227.9	229.7	230.8	232.3	233.2	r235.2	238.5	....
19 Manufacturing	157.6	157.3	177.7	196.0	198.5	200.4	201.2	200.7	r202.2	204.9	....
20 Disposable personal income	180.8	199.2	217.8	....	239.4	....	....	240.9	....	....	....
21 Retail sales[5]	r170.1	r184.6	r203.5	r222.2	r221.6	r221.0	r223.7	225.5	r225.4	229.4	235.3
Prices:[6]											
22 Consumer	147.7	161.2	170.5	r179.8	r180.9	r181.9	....	183.2	r183.8	184.3	....
23 Wholesale	160.1	174.1	182.9	r194.5	r195.2	r193.9	r193.8	193.9	r194.8	196.4	....

[1] Ratios of indexes of production to indexes of capacity. Based on data from Federal Reserve, McGraw-Hill Economics Department, and Department of Commerce.

[2] Index of dollar value of total construction contracts, including residential, nonresidential, and heavy engineering, from McGraw-Hill Informations Systems Company, F. W. Dodge Division.

[3] Based on data in *Employment and Earnings* (U.S. Dept. of Labor). Series covers employees only, excluding personnel in the Armed Forces.

[4] Based on data in *Survey of Current Business* (U.S. Dept. of Commerce). Series for disposable income is quarterly.

[5] Based on Bureau of Census data published in *Survey of Current Business* (U.S. Dept. of Commerce).

[6] Data without seasonal adjustment, as published in *Monthly Labor Review* (U.S. Dept. of Labor). Seasonally adjusted data for changes in the price indexes may be obtained from the Bureau of Labor Statistics, U.S. Dept. of Labor.

NOTE.—Basic data (not index numbers) for series mentioned in notes 3, 4, and 5, and indexes for series mentioned in notes 2 and 6 may also be found in the *Survey of Current Business* (U.S. Dept. of Commerce).

Figures for industrial production for the last 2 months are preliminary and estimated, respectively.

2.11 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION

Seasonally adjusted

Series	1976 Q4	1977 Q1	1977 Q2	1977 Q3	1976 Q4	1977 Q1	1977 Q2	1977 Q3	1976 Q4	1977 Q1	1977 Q2	1977 Q3
	Output (1967 = 100)				Capacity (per cent of 1967 output)				Utilization rate (per cent)			
1 **Manufacturing**	**131.2**	**133.1**	**136.9**	**138.7**	**162.8**	**164.0**	**165.6**	**167.1**	**80.6**	**81.2**	**82.7**	**83.0**
2 Primary processing	138.8	140.1	146.3	147.6	168.8	170.2	171.8	173.5	r82.2	82.3	85.1	85.1
3 Advanced processing	127.2	129.3	132.0	134.0	159.6	r160.7	162.2	163.8	79.7	80.5	81.4	81.8
4 **Materials**	**131.9**	**133.1**	**137.7**	**138.4**	**164.3**	**165.5**	**166.6**	**167.8**	**80.3**	**80.4**	**82.6**	**82.5**
5 Durable goods	128.4	129.2	135.1	136.1	167.8	169.0	170.3	171.6	76.5	76.5	79.4	79.3
6 Basic metal	107.4	108.6	116.4	110.2	144.4	144.8	145.1	145.3	74.4	75.0	80.2	75.8
7 Nondurable goods	146.9	149.5	154.6	154.7	174.1	175.6	177.2	178.8	84.4	85.1	87.2	86.5
8 Textile, paper, and chemical	151.4	153.9	159.9	159.6	182.0	183.6	185.4	187.1	83.2	83.8	86.3	85.3
9 Textile	112.1	111.3	110.9	112.5	140.6	141.4	141.9	142.5	79.7	78.7	78.1	79.0
10 Paper	130.2	131.7	134.3	135.7	147.9	148.9	150.1	151.3	88.1	88.4	89.5	89.7
11 Chemical	177.3	181.6	191.8	190.0	213.7	216.2	218.7	221.2	83.0	84.0	87.7	85.9
12 Energy	122.0	122.0	122.6	124.0	143.9	144.3	144.7	145.2	84.8	84.5	84.8	85.4

2.12 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data are seasonally adjusted. Exceptions noted.

Category	1974	1975	1976	1977 May	1977 June	1977 July	1977 Aug.	1977 Sept.	1977 Oct.	1977 Nov.
	Household survey data									
1 **Noninstitutional population**[1]	**150,827**	**153,449**	**156,048**	**158,228**	**158,456**	**158,682**	**158,899**	**159,114**	**159,334**	**159,522**
2 **Labor force (including Armed Forces)**[1]	**93,240**	**94,793**	**96,917**	**99,286**	**99,770**	**99,440**	**99,834**	**99,999**	**100,236**	**101,130**
3 Civilian labor force	91,011	92,613	94,773	97,158	97,641	97,305	97,697	97,868	98,102	98,998
Employment:										
4 Nonagricultural industries[2]	82,443	81,403	84,188	87,022	87,341	87,348	87,519	87,880	87,958	88,818
5 Agriculture	3,492	3,380	3,297	3,386	3,338	3,213	3,252	3,215	3,272	3,362
Unemployment:										
6 Number	5,076	7,830	7,288	6,750	6,962	6,744	6,926	6,773	6,872	6,818
7 *Rate (per cent of civilian labor force)*	*5.6*	*8.5*	*7.7*	*6.9*	*7.1*	*6.9*	*7.1*	*6.9*	*7.0*	*6.9*
8 **Not in labor force**	**57,587**	**58,655**	**59,130**	**58,943**	**58,686**	**59,242**	**59,064**	**59,114**	**59,099**	58,391
	Establishment survey data r									
9 **Nonagricultural payroll employment**[3]	**78,419**	**77,052**	**79,436**	**81,837**	**82,157**	**82,407**	**82,474**	**82,763**	**82,905**	**83,217**
10 Manufacturing	20,048	18,347	18,955	19,566	19,611	19,666	19,594	19,612	19,655	19,718
11 Mining	694	745	783	845	856	833	818	856	859	863
12 Contract construction	3,963	3,515	3,594	3,853	3,888	3,913	3,893	3,892	3,924	3,953
13 Transportation and public utilities	4,696	4,499	4,510	4,586	4,588	4,572	4,581	4,616	4,607	4,612
14 Trade	17,016	16,999	17,690	18,202	18,264	18,322	18,377	18,431	18,411	18,465
15 Finance	4,209	4,223	4,315	4,481	4,494	4,506	4,524	4,545	4,571	4,592
16 Service	13,617	14,007	14,642	15,197	15,260	15,372	15,448	15,482	15,531	15,606
17 Government	14,176	14,719	14,948	15,107	15,196	15,223	15,239	15,329	15,347	15,408

1 Persons 16 years of age and over. Monthly figures, which are based on sample data, relate to the calendar week that contains the 12th day; annual data are averages of monthly figures. By definition, seasonality does not exist in population figures. Based on data from *Employment and Earnings* (U.S. Dept. of Labor).

2 Includes self-employed, unpaid family, and domestic service workers.

3 Data include all full- and part-time employees who worked during, or received pay for, the pay period that includes the 12th day of the month, and exclude proprietors, self-employed persons, domestic servants, unpaid family workers, and members of the Armed Forces. Data are adjusted to the February 1977 benchmark. Based on data from *Employment and Earnings* (U.S. Dept. of Labor).

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value

Monthly data are seasonally adjusted.

	Grouping	1967 proportion	1976 average	1976 Sept.	1976 Oct.	1976 Nov.	1977 Apr.	1977 May	1977 June	1977 July	1977 Aug.r	1977 Sept.	1977 Oct.p	1977 Nov.e
				Index (1967 = 100)										
	MAJOR MARKET													
1	**Total index**	100.00	129.8	130.6	130.2	131.5	136.1	137.0	137.8	138.7	138.1	138.6	139.0	139.7
2	**Products**	60.71	129.3	129.4	129.2	131.3	135.8	136.5	137.3	138.7	138.4	138.8	138.9	139.4
3	*Final products*	*47.82*	*127.2*	*126.9*	*126.7*	*129.3*	*134.1*	*134.7*	*135.4*	*136.8*	*136.3*	*136.8*	*136.9*	*137.0*
4	Consumer goods	27.68	136.2	135.7	135.9	138.4	142.9	143.1	143.8	145.4	144.7	144.9	145.5	145.4
5	Equipment	20.14	114.6	114.8	114.2	116.8	122.1	123.2	124.1	124.8	124.9	125.6	125.2	125.4
6	Intermediate products	12.89	137.2	138.7	138.8	139.0	142.3	143.5	144.7	146.3	146.1	146.4	146.8	148.0
7	**Materials**	39.29	130.6	132.4	131.8	131.9	136.5	137.8	138.7	138.9	137.6	138.2	139.1	140.1
	Consumer goods													
8	*Durable consumer goods*	*7.89*	*141.4*	*138.7*	*138.9*	*143.7*	*151.5*	*152.2*	*155.8*	*158.0*	*154.7*	*155.8*	*157.9*	*155.9*
9	Automotive products	2.83	154.8	147.6	147.8	161.6	173.9	172.8	179.8	184.8	177.2	177.7	182.0	175.1
10	Autos and utility vehicles	2.03	149.8	139.2	136.3	154.0	171.2	167.4	177.4	184.1	173.1	172.8	178.4	168.2
11	Autos	1.90	132.0	121.0	120.2	138.4	150.6	148.5	156.8	161.4	150.9	151.6	154.3	147.5
12	Auto parts and allied goods	.80	167.6	168.6	176.6	180.5	181.3	186.6	185.8	186.6	187.3	189.7	191.4	192.7
13	Home goods	5.06	133.9	133.8	133.9	133.7	138.8	140.6	142.3	142.9	142.1	143.5	144.5	145.1
14	Appliances, A/C, and TV	1.40	114.6	113.1	115.7	114.9	126.4	131.0	133.1	130.1	129.6	129.4	131.1	132.3
15	Appliances and TV	1.33	117.2	116.6	118.5	117.3	129.9	134.8	136.8	134.4	133.0	134.0	134.2	......
16	Carpeting and furniture	1.07	144.1	146.3	146.2	143.6	145.0	147.3	151.2	154.1	154.8	159.0	160.6	......
17	Misc. home goods	2.59	140.1	139.8	138.6	139.9	143.0	143.1	143.6	145.1	143.6	144.9	145.1	145.1
18	*Nondurable consumer goods*	*19.79*	*134.1*	*134.5*	*134.7*	*136.2*	*139.4*	*139.5*	*139.1*	*140.3*	*140.6*	*140.6*	*140.5*	*141.2*
19	Clothing	4.29	124.0	121.5	123.3	123.1	124.4	125.5	125.7	124.1	126.4	128.0	......	......
20	Consumer staples	15.50	136.9	138.0	138.0	139.8	143.6	143.4	142.9	144.8	144.6	144.2	143.7	144.6
21	Consumer foods and tobacco	8.33	130.7	132.6	133.1	132.4	136.1	135.0	135.4	137.1	137.9	137.2	135.7	......
22	Nonfood staples	7.17	144.1	144.2	143.7	148.2	152.5	153.2	151.7	153.8	152.4	152.3	153.0	154.1
23	Consumer chemical products	2.63	166.4	169.2	168.3	173.7	178.1	180.8	179.3	179.4	181.8	182.5	182.8	......
24	Consumer paper products	1.92	113.3	111.9	110.9	114.2	116.6	118.4	116.3	117.4	117.0	116.4	118.3	......
25	Consumer energy products	2.62	144.4	142.9	142.9	147.6	153.0	150.8	149.8	154.9	148.9	148.3	148.5	......
26	Residential utilities	1.45	151.1	148.4	148.7	153.9	......	......	......	......	......	......	......	......
	Equipment													
27	*Business equipment*	*12.63*	*136.3*	*137.0*	*135.7*	*140.1*	*147.1*	*148.9*	*150.1*	*151.2*	*151.1*	*152.2*	*152.6*	*153.0*
28	Industrial equipment	6.77	128.0	129.5	129.6	131.1	136.3	138.4	140.0	140.7	140.4	141.4	142.1	143.1
29	Building and mining equipment	1.44	177.7	180.3	181.2	181.5	200.5	205.3	208.1	210.6	203.9	204.5	205.4	205.1
30	Manufacturing equipment	3.85	106.5	108.2	108.1	109.9	112.0	112.8	115.0	114.3	115.3	117.6	119.0	120.4
31	Power equipment	1.47	135.3	135.8	136.0	137.0	136.7	139.9	139.0	141.2	143.7	141.4	140.6	142.0
32	Commercial transit, farm equipment	5.86	145.8	145.8	142.6	150.6	159.5	161.2	161.9	163.3	163.4	164.6	164.6	164.7
33	Commerical equipment	3.26	173.5	176.8	177.5	179.6	189.7	191.1	191.4	191.7	193.0	193.7	195.0	197.3
34	Transit equipment	1.93	104.1	98.2	97.6	107.8	115.2	116.5	118.5	121.5	121.9	125.5	121.7	117.8
35	Farm equipment	.67	131.4	131.4	102.0	132.4	141.0	144.4	143.2	144.6	139.2	134.9	140.8	......
36	*Defense and space equipment*	*7.51*	*78.4*	*77.6*	*78.0*	*77.6*	*79.9*	*80.0*	*80.3*	*80.4*	*80.8*	*80.9*	*79.3*	*79.0*
	Intermediate products													
37	Construction supplies	6.42	132.6	134.1	134.8	135.8	137.2	138.7	139.9	141.2	141.7	143.3	144.1	145.6
38	Business supplies	6.47	141.8	143.2	142.8	141.9	147.5	148.4	149.6	151.3	150.6	149.6	149.6	......
39	Commercial energy products	1.14	157.1	157.5	155.4	156.2	164.6	165.8	164.2	168.2	165.0	162.7	161.8	......
	Materials													
40	*Durable goods materials*	*20.35*	*126.8*	*129.9*	*128.3*	*128.2*	*133.8*	*135.2*	*136.4*	*136.8*	*135.4*	*135.7*	*137.1*	*138.3*
41	Durable consumer parts	4.58	121.6	123.6	118.4	126.2	129.4	132.0	134.5	137.2	135.2	136.2	136.6	137.9
42	Equipment parts	5.44	133.9	138.3	138.0	137.2	140.7	141.7	143.0	145.0	145.6	146.8	147.6	148.6
43	Durable materials n.e.c.	10.34	125.5	128.3	127.5	124.4	132.2	133.2	133.8	132.4	130.1	129.8	131.8	133.2
44	Basic metal materials	5.57	110.9	113.7	172.0	105.5	115.0	117.8	116.3	112.6	108.7	106.7	109.8	......
45	*Nondurable goods materials*	*10.47*	*146.3*	*147.6*	*147.5*	*147.3*	*153.7*	*155.4*	*154.7*	*154.1*	*155.1*	*154.5*	*154.5*	*155.8*
46	Textile, paper, and chem. mat.	7.62	151.1	152.4	152.5	151.4	159.0	160.7	160.1	158.9	159.6	159.8	159.5	160.3
47	Textile materials	1.85	115.1	114.6	112.6	110.0	111.8	111.8	109.0	110.1	112.2	114.8	116.2	......
48	Paper materials	1.62	130.8	131.2	132.1	131.0	132.2	136.2	134.4	134.3	135.7	137.0	136.1	......
49	Chemical materials	4.15	175.1	177.6	178.3	178.1	190.6	192.2	192.7	190.3	190.1	189.0	188.1	......
50	Containers, nondurable	1.70	142.7	143.5	141.7	145.9	148.5	152.3	152.4	152.4	156.2	151.2	152.3	......
51	Nondurable materials n.e.c.	1.14	119.9	122.1	122.4	121.3	125.6	123.1	122.9	124.9	122.4	123.9	124.4	......
52	Energy materials	8.48	120.2	119.9	120.8	121.9	121.3	122.3	124.3	125.2	121.4	123.7	125.1	......
53	Primary energy	4.65	107.1	108.4	108.6	106.7	106.0	106.6	109.7	108.9	106.8	110.5	111.9	......
54	Converted fuel materials	3.82	136.2	134.2	135.5	140.3	140.1	141.4	142.0	145.1	139.1	139.9	141.0	......
	Supplementary groups													
55	Home goods and clothing	9.35	129.4	128.1	129.0	128.8	132.2	133.6	134.7	134.3	134.9	136.3	137.4	137.7
56	Energy, total	12.23	128.8	128.3	128.8	130.6	132.1	132.5	133.5	135.6	131.4	132.7	133.5	134.2
57	Products	3.76	148.2	147.3	146.8	150.2	156.5	155.3	154.1	158.9	153.7	152.7	152.6	......
58	Materials	8.48	120.2	119.9	120.8	121.9	121.3	122.3	124.3	125.2	121.4	123.7	125.1	......

For NOTE see opposite page.

2.13 Continued

Grouping	SIC code	1967 proportion	1976 average	1976 Sept.	1976 Oct.	1976 Nov.	1977 Apr.	1977 May	1977 June	1977 July	1977 Aug.[r]	1977 Sept.	1977 Oct.[p]	1977 Nov.[e]
				Index (1967 = 100)										
MAJOR INDUSTRY														
1 *Mining and utilities*	......	*12.05*	*131.6*	*131.6*	*132.5*	*133.8*	*135.7*	*137.1*	*138.8*	*139.4*	*134.4*	*135.2*	*136.3*	*137.2*
2 Mining	......	6.36	114.2	115.5	116.1	115.3	119.2	119.5	122.8	119.8	115.4	118.4	119.4	119.8
3 Utilities	......	5.69	151.0	149.6	150.8	154.6	154.0	156.7	156.8	161.4	155.7	154.0	155.0	156.6
4 Electric	......	3.88	167.6	166.0	167.0	171.8	......	......	......	......	......	......	......	......
5 *Manufacturing*	......	*87.95*	*129.5*	*130.5*	*129.8*	*131.4*	*135.8*	*137.1*	*137.8*	*138.5*	*138.6*	*139.1*	*139.4*	*139.9*
6 Nondurable	......	35.97	140.9	142.3	141.9	143.0	147.0	148.5	148.4	148.6	149.4	149.7	149.6	150.2
7 Durable	......	51.98	121.7	122.4	121.4	123.4	128.0	129.3	130.5	131.6	131.3	131.8	132.4	132.8
Mining														
8 Metal mining	10	.51	122.8	123.2	126.1	124.5	126.1	120.5	121.3	101.9	70.0	71.4	79.6	......
9 Coal	11,12	.69	117.2	121.3	126.4	122.1	118.4	122.4	133.4	120.7	113.6	133.0	141.4	140.6
10 Oil and gas extraction	13	4.40	112.0	113.1	112.5	112.3	117.5	118.3	121.3	120.6	119.3	120.2	119.3	118.5
11 Stone and earth minerals	14	.75	118.3	119.2	120.0	120.8	124.0	123.0	122.5	126.7	125.0	126.7	128.4	......
Nondurable manufactures														
12 Foods	20	8.75	132.3	134.6	134.8	134.3	138.0	138.3	136.9	138.3	139.3	138.5	137.6	......
13 Tobacco products	21	.67	117.9	115.4	118.3	119.6	112.1	105.2	119.2	114.5	117.0	113.5	......	......
14 Textile mill products	22	2.68	136.4	136.4	134.2	133.3	134.6	136.0	135.4	137.2	136.6	139.5	140.7	......
15 Apparel products	23	3.31	122.2	119.5	122.9	122.7	121.4	123.5	122.1	121.1	124.1	127.7	......	......
16 Paper and products	26	3.21	133.0	132.1	132.3	132.5	136.3	139.5	139.3	139.2	140.3	139.9	138.7	139.2
17 Printing and publishing	27	4.72	120.6	120.6	119.3	119.7	123.4	124.4	124.1	124.9	125.0	124.3	125.2	125.7
18 Chemicals and products	28	7.74	169.3	171.3	170.7	173.7	180.6	182.8	183.5	182.6	182.6	181.7	181.2	......
19 Petroleum products	29	1.79	133.1	133.9	130.3	135.8	143.4	142.4	140.0	140.4	139.9	141.9	140.2	141.1
20 Rubber & plastic products	30	2.24	200.2	212.4	211.1	215.5	226.0	232.4	235.2	235.2	237.4	242.2	239.5	......
21 Leather and products	31	.86	80.9	77.9	77.2	75.8	74.7	76.2	74.1	74.1	74.5	74.0	76.7	......
Durable manufactures														
22 Ordnance, pvt. & govt	19,91	3.64	72.7	73.0	72.3	71.6	74.6	74.4	74.1	75.0	75.5	75.1	73.6	73.1
23 Lumber and products	24	1.64	125.1	128.7	129.6	129.5	130.6	133.0	132.4	132.9	131.8	136.1	136.9	......
24 Furniture and fixtures	25	1.37	132.7	133.6	134.5	133.7	135.4	137.5	139.9	143.0	142.9	145.6	146.2	......
25 Clay, glass, stone products	32	2.74	137.1	137.9	139.9	143.2	145.0	145.0	147.7	148.0	148.8	145.5	147.1	......
26 Primary metals	33	6.57	108.9	113.0	109.9	104.6	112.2	117.1	114.7	114.4	112.5	109.0	113.2	114.7
27 Iron and steel	331.2	4.21	104.9	108.6	105.1	100.3	103.9	111.0	109.2	110.9	110.6	104.6	107.6	......
28 Fabricated metal products	34	5.93	123.3	126.5	123.5	126.7	127.6	128.2	130.8	132.0	134.0	134.0	133.7	135.2
29 Nonelectrical machinery	35	9.15	135.0	136.8	134.3	137.5	142.9	142.6	144.0	145.7	145.2	147.4	148.4	150.0
30 Electrical machinery	36	8.05	131.6	133.9	135.0	135.7	139.6	141.8	142.6	143.6	143.9	144.7	144.9	145.5
31 Transportation equipment	37	9.27	110.6	104.7	104.3	112.7	119.8	120.3	123.7	125.6	124.3	125.5	124.7	121.5
32 Motor vehicles & parts	371	4.50	140.7	130.6	128.4	145.5	158.1	157.7	163.2	166.2	164.4	165.6	167.6	161.9
33 Aerospace & misc. tr. eq	372–9	4.77	82.2	80.3	81.6	81.7	83.8	85.2	86.5	87.3	86.5	87.7	84.1	83.4
34 Instruments	38	2.11	148.2	148.7	150.2	150.3	157.8	157.4	158.2	159.0	158.3	160.3	162.4	161.5
35 Miscellaneous mfrs	39	1.51	143.5	143.7	142.4	143.7	145.6	148.0	148.4	150.4	147.5	150.7	149.4	149.2
				Gross value (billions of 1972 dollars, annual rates)										
MAJOR MARKET														
36 **Products, total**	......	[1]507.4	550.4	548.2	548.1	558.7	578.3	582.2	585.9	590.5	590.2	590.0	592.0	590.9
37 *Final products*	......	[1]*390.9*	*425.7*	*421.5*	*421.6*	*432.6*	*448.5*	*451.0*	*453.7*	*457.8*	*456.9*	*456.8*	*459.0*	*456.7*
38 Consumer goods	......	[1]277.5	301.6	299.4	300.4	306.4	316.1	316.3	318.9	321.5	320.0	319.1	321.3	320.8
39 Equipment	......	[1]113.4	124.0	121.9	121.3	126.4	132.6	134.6	134.9	136.2	137.0	137.6	137.8	135.8
40 Intermediate products	......	[1]116.6	124.8	126.6	126.2	126.4	130.1	131.4	131.8	132.8	133.1	133.4	133.1	134.3

[1] 1972 dollars.

NOTE.—Published groupings include some series and subtotals not shown separately. For summary description and historical data, see June *1976* BULLETIN, pp. 470–79. Availability of detailed descriptive and historical data will be announced in a forthcoming BULLETIN.

The industrial production indexes have been revised back to January 1976, on the basis of more complete information now available. A complete set of the revised 1976 series is attached to the September G.12.3 release which may be obtained from the Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

2.14 HOUSING AND CONSTRUCTION

Monthly figures are at seasonally adjusted annual rates. Exceptions noted.

Item	1974	1975	1976	1977						
				Apr.	May	June	July r	Aug. r	Sept.	Oct. p
	Private residential real estate activity (thousands of units)									
NEW UNITS										
1 *Permits authorized*	*1,074*	*927*	*1,296*	*1,605*	*1,615*	*1,678*	*1,639*	*1,772*	*1,695*	*1,852*
2 1-family	644	669	894	1,051	1,077	1,105	1,089	1,156	1,135	1,199
3 2-or-more-family	431	278	402	554	538	573	550	616	560	653
4 *Started*	*1,338*	*1,160*	*1,540*	*1,880*	*1,937*	*1,897*	2,083	2,034	2,063	2,179
5 1-family	888	892	1,163	1,413	1,455	1,389	1,437	1,459	1,518	1,555
6 2-or-more-family	450	268	377	467	482	508	646	575	545	624
7 *Under construction, end of period* [1]	*1,189*	*1,003*	*1,147*	*1,268*	*1,302*	*1,323*	*1,344*	*1,366*	*1,376*	....
8 1-family	516	531	655	748	771	787	793	806	804	....
9 2-or-more-family	673	472	492	520	531	536	551	562	572	....
10 *Completed*	*1,692*	*1,297*	*1,362*	*1,540*	*1,536*	*1,647*	*1,671*	*1,691*	*1,679*	....
11 1-family	931	866	1,026	1,226	1,177	1,209	1,267	1,278	1,252	....
12 2-or-more-family	760	430	336	314	359	438	404	413	427	....
13 Mobile homes shipped	329	213	250	252	251	264	251	270	300	323
Merchant builder activity in 1-family units:										
14 Number sold	501	544	639	775	774	806	694	823	889	869
15 Number for sale, end of period [1]	407	383	433	441	441	444	453	467	467	476
Price (thous. of dollars) [2]										
Median:										
16 Units sold	35.9	39.3	44.2	48.7	49.3	49.0	48.6	49.0	48.5	51.7
17 Units for sale	36.2	38.9	41.6	43.3	43.9	44.3	44.8	45.2	45.9	46.6
Average:										
18 Units sold	38.9	42.5	48.1	54.6	54.4	53.9	53.6	54.3	53.9	58.0
EXISTING UNITS (1-family)										
19 Number sold	2,272	2,452	3,002	3,300	3,450	3,420	3,510	3,720	3,880	3,930
Price of units sold (thous. of dollars): [2]										
20 Median	32.0	35.3	38.1	42.0	42.2	43.4	43.7	43.9	43.8	44.0
21 Average	35.8	39.0	42.2	46.5	46.8	47.7	48.0	48.1	47.9	48.2
	Value of new construction [3] (millions of dollars)									
CONSTRUCTION										
22 **Total put in place**	**138,499**	**134,293**	**147,481**	**167,605**	**172,239**	**174,378**	**172,264**	**170,928**	**174,888**	**176,047**
23 *Private*	*100,165*	*93,624*	*109,499*	*131,421*	*133,816*	*135,026*	*133,024*	*132,701*	*135,636*	*138,521*
24 Residential	50,377	46,472	60,519	79,616	82,542	82,181	79,643	79,076	80,874	84,192
25 Nonresidential, total	49,788	47,152	48,980	51,805	51,274	52,845	53,381	53,625	54,762	54,329
Buildings:										
26 Industrial	7,902	8,017	7,182	7,279	7,184	7,066	7,210	7,646	7,484	7,435
27 Commercial	15,945	12,804	12,757	13,851	13,760	15,235	15,533	15,257	16,054	15,702
28 Other	5,797	5,585	6,155	6,271	6,077	6,206	6,474	6,294	6,370	6,500
29 Public utilities and other	20,144	20,746	22,886	24,404	24,253	24,338	24,164	24,428	24,854	24,692
30 *Public*	*38,333*	*40,669*	*37,982*	*36,184*	*38,423*	*39,352*	*39,240*	*38,228*	*39,252*	*37,526*
31 Military	1,188	1,392	1,508	1,494	1,642	1,566	1,538	1,460	1,497	1,385
32 Highway	12,066	10,861	9,756	9,052	9,835	10,792	9,539	9,449	9,051	....
33 Conservation and development	2,740	3,256	3,722	4,012	3,562	3,196	4,252	4,120	4,878	....
34 Other [4]	22,339	25,160	22,996	21,626	23,384	23,798	23,911	23,199	23,826	....

1 Not at annual rates.
2 Not seasonally adjusted.
3 Value of new construction data in recent periods may not be strictly comparable with data in prior periods due to changes by the Bureau of the Census in its estimating techniques. For a description of these changes see *Construction Reports* (C-30-76-5), issued by the Bureau in July 1976.
4 Beginning Jan. 1977 Highway imputations are included in Other.

NOTE.—Census Bureau estimates for all series except (a) mobile homes, which are private, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (b) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from originating agency. Permit authorizations are for 14,000 jurisdictions reporting to the Census Bureau.

2.15 CONSUMER AND WHOLESALE PRICES

Percentage changes based on seasonally adjusted data, except as noted.

Item	12 months to—		3 months (at annual rate) to—				1 month to—					Index level Oct. 1977 (1967 = 100)[1]
	1976 Oct.	1977 Oct.	1976	1977			1977					
			Dec.	Mar.	June	Sept.	June	July	Aug.	Sept.	Oct.	
	Consumer prices											
1 **All items**	**5.3**	**6.5**	**4.2**	**10.0**	**8.1**	**4.2**	**.6**	**.4**	**.3**	**.3**	**.3**	**184.5**
2 *Commodities*	*3.5*	*5.7*	*3.4*	*10.4*	*7.4*	*2.3*	*.5*	*.1*	*.3*	*.2*	*.2*	*177.0*
3 Food	1.5	7.0	.0	14.6	12.7	1.7	.8	.1	.3	.1	.1	194.4
4 Commodities less food	4.9	4.9	5.7	7.4	4.2	2.7	.2	.1	.3	.2	.3	167.4
5 Durable	6.0	4.6	6.0	10.5	2.5	1.0	−.1	0.0	.1	.2	.0	165.0
6 Nondurable	4.1	5.1	5.4	5.5	5.2	4.2	.4	.3	.4	.3	.5	169.2
7 *Services*	*8.2*	*7.8*	*5.1*	*9.8*	*9.4*	*7.4*	*.8*	*.8*	*.5*	*.5*	*.4*	*198.5*
8 Rent	5.5	6.3	5.3	6.3	6.3	7.0	.5	.6	.5	.6	.4	156.1
9 Services less rent	8.6	8.1	5.4	r9.9	r10.1	7.5	r.9	.8	r.4	.5	.4	206.2
Other groupings:												
10 All items less food[1]	6.5	6.3	5.3	6.9	7.8	5.7	.6	.4	.4	.6	.4	181.6
11 All items less shelter[1]	5.2	6.3	4.3	9.4	r8.2	r3.6	.7	.3	.3	.2	.3	181.7
12 Homeownership[1]	5.4	7.8	1.2	9.1	9.6	10.6	.8	1.1	.6	.8	.4	210.0
	Wholesale prices											
13 **All commodities**	**3.6**	**5.9**	**7.1**	**r10.6**	**r3.2**	**1.9**	**−.7**	**−.1**	**.1**	**.5**	**.8**	**196.3**
14 *Farm products, and processed foods and feeds*	*−5.8*	*2.6*	*6.6*	*19.1*	*−2.5*	*−17.0*	*−3.6*	*−2.1*	*−2.1*	*−.4*	*1.3*	*184.2*
15 Farm products	−5.4	−2.3	5.8	r26.5	r−21.9	−22.3	−6.8	−1.8	−4.3	−.2	2.4	182.4
16 Processed foods and feeds	−6.1	5.5	6.5	r15.4	r11.0	−14.1	−1.7	−2.4	−.8	−.6	.8	184.5
17 *Industrial commodities*	*6.6*	*6.9*	*7.6*	*r8.1*	*r5.1*	*7.6*	*.3*	*.5*	*.5*	*.8*	*.6*	*199.1*
Materials, supplies, and components of which:												
18 Crude materials[2]	14.3	8.0	r21.8	r21.7	2.0	8.9	−1.6	0.0	1.9	.3	−.2	282.3
19 Intermediate materials[3]	6.5	6.7	r7.5	8.0	r4.3	7.8	.2	.6	.5	.7	.5	206.2
Finished goods, excluding foods:												
20 Consumer	5.2	6.4	5.2	r8.7	r6.3	5.2	.4	.2	.3	.7	.6	175.5
21 Durable	4.3	6.0	3.3	7.0	6.0	5.4	.3	.3	1.0	.1	1.1	156.1
22 Nondurable	5.7	6.6	6.5	r10.0	r6.5	4.8	.5	.2	0.0	1.0	.3	188.4
23 Producer	6.4	7.2	r9.2	r5.5	6.3	5.6	.4	.4	.4	.5	1.5	189.9
MEMO:												
24 Consumer foods	−5.5	7.2	8.4	12.7	13.8	−7.5	−1.3	−.7	−.9	−.3	.3	189.8

1 Not seasonally adjusted.
2 Excludes crude foodstuffs and feedstuffs, plant and animal fibers, oilseeds, and leaf tobacco.
3 Excludes intermediate materials for food manufacturing and manufactured animal feeds.
SOURCE.—Bureau of Labor Statistics.

2.16 GROSS NATIONAL PRODUCT AND INCOME

Billions of current dollars except as noted; quarterly data are at seasonally adjusted annual rates.

Account	1974	1975	1976	1976 Q2	1976 Q3	1976 Q4	1977 Q1	1977 Q2	1977 Q3
				Gross national product					
1 **Total**	**1,412.9**	**1,528.8**	**1,706.5**	**1,691.9**	**1,727.3**	**1,755.4**	**1,810.8**	**1,869.9**	**1,914.9**
By source:									
2 *Personal consumption expenditures*	*889.6*	*980.4*	*1,094.0*	*1,078.5*	*1,102.2*	*1,139.0*	*1,172.4*	*1,194.0*	*1,216.9*
3 Durable goods	122.0	132.9	158.9	156.7	159.3	166.3	177.0	178.6	178.0
4 Nondurable goods	376.3	409.3	442.7	437.1	444.7	458.8	466.6	474.4	478.6
5 Services	391.3	438.2	492.3	484.6	498.2	513.9	528.8	541.1	560.3
6 *Gross private domestic investment*	*214.6*	*189.1*	*243.3*	*244.4*	*254.3*	*243.4*	*271.8*	*294.9*	*302.3*
7 Fixed investment	205.7	200.6	230.0	226.1	232.8	244.3	258.0	273.2	279.2
8 *Nonresidential*	*150.6*	*149.1*	*161.9*	*159.8*	*164.9*	*167.6*	*177.0*	*182.4*	186.7
9 Structures	54.5	52.9	55.8	55.8	56.0	57.0	57.9	61.0	62.4
10 Producers' durable equipment	96.2	96.3	106.1	104.0	109.0	110.6	119.2	121.4	124.3
11 Residential structures	55.1	51.5	68.0	66.3	67.8	76.7	81.0	90.8	92.5
12 Nonfarm	52.7	49.5	65.7	64.1	65.7	74.3	78.5	88.2	89.9
13 Change in business inventories	8.9	−11.5	13.3	18.3	21.5	−.9	13.8	21.7	23.1
14 Nonfarm	10.8	−15.1	14.9	20.4	22.0	1.4	14.1	22.4	22.6
15 *Net exports of goods and services*	*6.0*	*2.0*	*7.8*	*10.2*	*7.9*	*3.0*	*−8.2*	*−9.7*	*−7.6*
16 Exports	137.9	147.3	162.9	160.6	168.4	168.5	170.4	178.1	180.4
17 Imports	131.9	126.9	155.1	150.4	160.6	165.6	178.6	187.7	188.1
18 *Govt. purchases of goods and services*	*302.7*	*338.9*	*361.4*	*358.9*	*363.0*	*370.0*	*374.9*	*390.6*	*403.3*
19 Federal	111.1	123.3	130.1	128.5	130.2	134.2	136.3	143.6	149.3
20 State and local	191.5	215.6	231.2	230.4	232.7	235.8	238.5	247.0	254.0
By major type of product:									
21 Final sales, total	1,404.0	1,540.3	1,693.1	1,673.7	1,705.8	1,756.3	1,797.0	1,848.2	1,891.7
22 *Goods*	*638.6*	*686.2*	*764.2*	*761.7*	*746.0*	*774.7*	*805.9*	*827.1*	*840.2*
23 Durable goods	247.8	258.2	303.4	301.9	313.4	312.6	334.4	341.0	342.2
24 Nondurable	390.8	428.0	460.9	459.7	464.1	460.6	471.5	486.1	498.0
25 Services	626.8	699.2	782.0	770.8	791.8	813.8	833.7	855.3	883.7
26 Structures	147.4	143.5	160.2	159.4	159.6	166.9	171.2	187.5	191.0
27 Change in business inventories	8.9	−11.5	13.3	18.3	21.5	−.9	13.8	21.7	23.1
28 Durable goods	7.1	−9.2	4.1	7.0	10.7	.6	7.8	11.5	9.8
29 Nondurable goods	1.8	−2.2	9.3	11.2	12.4	−3.1	6.0	10.2	13.4
30 MEMO: **Total GNP in 1972 dollars**	**1,217.8**	**1,202.1**	**1,274.7**	**1,271.5**	**1,283.7**	**1,287.4**	**1,311.0**	**1,330.7**	**1,346.1**
				National income					
31 **Total**	**1,136.0**	**1,217.0**	**1,364.1**	**1,353.9**	**1,379.6**	**1,402.1**	**1,450.2**	**1,505.7**	**1,538.8**
32 Compensation of employees	875.8	930.3	1,036.3	1,024.9	1,046.5	1,074.2	1,109.9	1,144.7	1,166.9
33 *Wages and salaries*	*764.1*	*805.7*	*891.8*	*882.4*	*900.2*	*923.2*	*951.3*	*980.9*	*998.4*
34 Government and Government enterprises	160.0	175.4	187.2	185.4	188.2	192.5	194.8	197.2	200.6
35 Other	604.1	630.3	704.6	697.0	712.0	730.7	756.4	783.6	797.8
36 *Supplement to wages and salaries*	*111.7*	*124.6*	*144.5*	*142.5*	*146.3*	*150.9*	*158.6*	*163.8*	*168.5*
37 Employer contributions for social insurance	56.1	59.8	68.6	68.0	69.1	70.9	75.4	77.1	78.2
38 Other labor income	55.6	64.9	75.9	74.5	77.3	80.0	83.2	86.7	90.3
39 *Proprietors' income*[1]	*86.4*	*86.0*	*88.0*	*90.4*	*86.2*	*88.7*	*95.1*	*97.0*	*95.5*
40 Business and professional[1]	60.9	62.8	69.4	68.8	70.0	72.0	74.3	77.3	80.0
41 Farm[1]	25.4	23.2	18.6	21.6	16.2	16.6	20.7	19.7	15.5
42 Rental income of persons[2]	21.4	22.3	23.3	22.9	23.3	24.1	24.5	24.9	25.5
43 Corporate profits[1]	83.6	99.3	128.1	129.2	133.5	123.1	125.4	140.2	147.8
44 Profits before tax[3]	126.9	123.5	156.9	159.2	159.9	154.8	161.7	174.0	171.6
45 Inventory valuation adjustment	−40.4	−12.0	−14.1	−15.5	−11.7	−16.9	−20.6	−17.8	−5.9
46 Capital consumption adjustment	−2.9	−12.2	−14.7	−14.6	−14.7	−14.8	−15.6	−15.9	−17.9
47 Net interest	69.0	79.1	88.4	86.5	90.1	92.0	95.3	98.9	103.1

1 With inventory valuation and capital consumption adjustments.
2 With capital consumption adjustments.
3 For after-tax profits, dividends, etc., see Table 1.50.

SOURCE.—*Survey of Current Business* (U.S. Dept. of Commerce).

2.17 PERSONAL INCOME AND SAVING

Billions of current dollars; quarterly data are at seasonally adjusted annual rates. Exceptions noted.

Account	1974	1975	1976	1976 Q2	1976 Q3	1976 Q4	1977 Q1	1977 Q2	1977 Q3
	Personal income and saving								
1 **Total personal income**	**1,154.9**	**1,253.4**	**1,382.7**	**1,366.7**	**1,393.9**	**1,432.2**	**1,476.8**	**1,517.2**	**1,549.3**
2 *Wage and salary disbursements*	*764.6*	*805.7*	*891.8*	*882.4*	*900.2*	*923.2*	*951.3*	*980.9*	*998.4*
3 Commodity-producing industries	274.6	275.0	308.4	306.7	310.8	317.7	328.9	345.4	350.9
4 Manufacturing	211.4	211.0	238.2	236.7	240.2	245.1	255.4	265.9	270.0
5 Distributive industries	184.3	195.4	217.1	213.7	220.2	226.4	234.5	240.5	244.2
6 Service industries	145.1	159.9	179.0	176.6	180.9	186.7	193.0	197.7	202.7
7 Government and government enterprises	160.5	175.4	187.2	185.4	188.2	192.5	194.8	197.2	200.6
8 Other labor income	55.6	64.9	75.9	74.5	77.3	80.0	83.2	86.7	90.3
9 *Proprietors' income*[1]	*86.2*	*86.0*	*88.0*	*90.4*	*86.2*	*88.7*	*95.1*	*97.0*	*95.5*
10 Business and professional[1]	60.9	62.8	69.4	68.8	70.0	72.0	74.3	77.3	80.0
11 Farm[1]	25.4	23.2	18.6	21.6	16.2	16.6	20.7	19.7	15.5
12 Rental income of persons[2]	21.4	22.3	23.3	22.9	23.3	24.1	24.5	24.9	25.5
13 Dividends	31.0	32.4	35.8	35.0	36.0	38.4	38.5	40.3	42.3
14 Personal interest income	103.0	115.6	130.3	127.5	132.2	136.4	140.3	145.4	150.3
15 Transfer payments	140.8	176.8	192.8	188.7	194.3	198.0	203.5	203.0	208.7
16 Old-age survivors, disability, and health insurance benefits	70.1	81.4	92.9	89.3	95.8	98.4	99.9	101.8	108.5
17 LESS: Personal contributions for social insurance	47.7	50.4	55.2	54.8	55.6	56.6	59.6	60.8	61.7
18 EQUALS: Personal income	1,154.9	1,253.4	1,382.7	1,366.7	1,393.9	1,432.2	1,476.8	1,517.2	1,549.3
19 LESS: Personal tax and nontax payments	170.3	169.0	196.9	192.6	200.6	209.5	224.4	224.8	227.6
20 EQUALS: Disposable personal income	984.6	1,084.4	1,185.8	1,174.1	1,193.3	1,222.6	1,252.4	1,292.5	1,321.7
21 LESS: Personal outlays	913.0	1,004.2	1,119.9	1,103.8	1,128.5	1,166.3	1,201.0	1,223.9	1,248.2
22 EQUALS: Personal saving	71.7	80.2	65.9	70.3	64.8	56.3	51.4	68.5	73.5
MEMO ITEMS: Per capita (1972 dollars):									
23 Gross national product	5,746	5,629	5,924	5,916	5,961	5,966	6,064	6,143	6,201
24 Personal consumption expenditures	3,589	3,629	3,817	3,794	3,820	3,892	3,934	3,943	3,956
25 Disposable personal income	3,973	4,014	4,137	4,130	4,135	4,177	4,202	4,268	4,297
26 Saving rate (per cent)	7.3	7.4	5.6	6.0	5.4	4.6	4.1	5.3	5.6
	Gross saving								
27 **Gross private saving**	**209.5**	**259.4**	**272.5**	**275.4**	**277.2**	**261.6**	**262.9**	**292.1**	**310.9**
28 Personal saving	71.7	80.2	65.9	70.3	64.8	56.3	51.4	68.5	73.5
29 Undistributed corporate profits[1]	.2	16.7	27.6	28.0	31.6	20.8	22.5	30.3	37.6
30 Corporate inventory valuation adjustment	−40.4	−12.0	−14.1	−15.5	−11.7	−16.9	−20.6	−17.8	−5.9
Capital consumption allowances:									
31 Corporate	84.6	101.7	111.8	110.4	112.9	115.2	117.6	119.4	123.7
32 Noncorporate	53.1	60.8	67.2	66.6	68.0	69.2	71.4	73.8	76.2
33 Wage accruals less disbursements	....	....	....	....	....	....	....	....	....
34 *Government surplus, or deficit (−), national income and product accounts*	*−3.2*	*−64.3*	*−35.6*	*−33.3*	*−32.4*	*−29.4*	*−11.5*	*−14.9*	*−28.9*
35 Federal	−10.7	−70.2	−54.0	−46.2	−53.5	−55.9	−38.8	−40.3	−59.4
36 State and local	7.6	5.9	18.4	12.9	21.1	26.5	27.3	25.4	30.5
37 Capital grants received by the United States, net	....	....	....	....	....	....	....	....	....
38 *Investment*	*210.1*	*201.0*	*242.5*	*246.5*	*252.8*	*237.5*	*254.7*	*276.1*	*284.2*
39 Gross private domestic	214.6	189.1	243.3	244.4	254.1	243.3	271.8	294.9	302.3
40 Net foreign	−4.5	11.8	−.9	2.2	−1.5	−5.9	−17.1	−18.8	−18.1
41 Statistical discrepancy	5.8	5.9	5.5	4.5	8.0	5.3	3.3	−1.2	2.2

1 With inventory valuation and capital consumption adjustments.
2 With capital consumption adjustment.

SOURCE.—*Survey of Current Business* (U.S. Dept. of Commerce).

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

Millions of dollars; quarterly data are seasonally adjusted except as noted.[1]

Item credits or debits	1974	1975	1976	1976				1977	
				Q1	Q2	Q3	Q4	Q1	Q2
1 Merchandise exports	98,306	107,088	114,694	27,000	28,380	29,603	29,711	29,458	30,488
2 Merchandise imports	103,673	98,043	124,014	28,343	29,955	32,411	33,305	36,561	38,347
3 Merchandise trade balance [2]	−5,367	9,045	−9,320	−1,343	−1,575	−2,808	−3,594	−7,103	−7,859
4 Military transactions, net	−2,083	−876	366	−65	−39	235	235	516	464
5 Investment income, net	8,744	5,954	9,808	2,437	2,280	2,667	2,424	3,252	3,401
6 Other service transactions, net	865	2,042	2,743	523	839	781	598	340	629
7 **Balance on goods and services** [3]	**2,160**	**16,164**	**3,596**	**1,552**	**1,505**	**875**	**−337**	**−2,995**	**−3,365**
8 Remittances, pensions, and other transfers	−1,714	−1,719	−1,878	−485	−459	−461	−473	−526	−505
9 U.S. Govt. grants (excluding military)	−5,475	−2,893	−3,146	−544	−556	−1,475	−572	−637	−735
10 **Balance on current account**	**−5,028**	**11,552**	**−1,427**	**523**	**490**	**−1,061**	**−1,382**	**−4,158**	**−4,605**
11 *Not seasonally adjusted*	...	...	...	*1,458*	*621*	*−3,809*	*303*	*−3,409*	*−4,812*
12 Change in U.S. Govt. assets, other than official reserve assets, net (increase, −)	365	−3,463	−4,213	−723	−944	−1,405	−1,142	−909	−827
13 *Change in U.S. official reserve assets (increase, −)*	*−1,434*	*−607*	*2,530*	*−773*	*−1,578*	*−407*	*−228*	*−388*	*6*
14 Gold	...	...	...	...	...	...	...	−58	...
15 Special Drawing Rights (SDR's)	−172	−66	−78	−45	14	−18	−29	...	−83
16 Reserve position in International Monetary Fund (IMF)	−1,265	−466	−2,212	−237	−798	−716	−461	−389	−80
17 Foreign currencies	3	−75	−240	−491	−794	327	718	59	169
18 **Change in U.S. private assets abroad (increase, −)**	**−25,960**	**−27,478**	**−36,216**	**−9,254**	**−7,257**	**−6,597**	**−13,108**	**1,627**	**−10,952**
19 *Bank-reported claims*	*−19,516*	*−13,532*	*−20,904*	*−3,630*	*−4,754*	*−3,372*	*−9,148*	*3,446*	*−5,426*
20 Long-term	−1,183	−2,357	−2,124	−289	−377	−978	−480	−306	−28
21 Short-term	−18,333	−11,175	−18,780	−3,341	−4,377	−2,394	−8,668	3,752	−5,398
22 *Nonbank-reported claims*	*−3,221*	*−1,447*	*−1,986*	*−738*	*−1,004*	*723*	*−967*	*−722*	*−1,179*
23 Long-term	−474	−432	10	−191	145	66	−10	45	85
24 Short-term	−2,747	−1,015	−1,996	−547	−1,149	657	−957	−767	−1,264
25 U.S. purchase of foreign securities, net	−1,854	−6,236	−8,730	−2,460	−1,357	−2,743	−2,171	−692	−1,746
26 U.S. direct investments abroad, net	−1,368	−6,264	−4,596	−2,427	−142	−1,205	−822	−404	−2,602
27 *Change in foreign official assets in the United States (increase, +)*	*10,981*	*6,960*	*17,945*	*3,847*	*4,051*	*3,070*	*6,977*	*5,719*	*6,935*
28 U.S. Treasury securities	3,282	4,408	9,333	1,998	2,166	1,260	3,909	5,149	4,757
29 Other U.S. Govt. obligations	902	905	566	68	316	66	116	100	588
30 Other U.S. Govt. liabilities [4]	724	1,701	4,938	1,524	743	1,819	852	712	307
31 Other U.S. liabilities reported by U.S. banks	5,818	−2,158	893	−412	135	−599	1,769	−420	410
32 Other foreign official assets [5]	254	2,104	2,215	669	691	524	331	178	873
33 **Change in foreign private assets in the United States (increase, +)**	**22,631**	**7,376**	**16,575**	**3,009**	**3,333**	**5,132**	**5,102**	**−3,209**	**6,056**
34 *U.S. bank-reported liabilities*	*16,017*	*628*	*10,982*	*672*	*3,528*	*1,774*	*5,008*	*−5,298*	*6,321*
35 Long-term	9	−280	175	−105	−16	75	221	47	98
36 Short-term	16,008	908	10,807	777	3,544	1,699	4,787	−5,345	6,223
37 *U.S. nonbank-reported liabilities*	*1,844*	*240*	*−616*	*161*	*−238*	*−297*	*−242*	*−374*	*−298*
38 Long-term	−90	334	−947	−233	−162	−241	−311	−229	−102
39 Short-term	1,934	−94	331	394	−76	−56	69	−145	−196
40 Foreign private purchases of U.S. Treasury securities, net	697	2,590	2,783	437	−592	3,026	−88	1,047	−1,273
41 Foreign purchases of other U.S. securities, net	378	2,503	1,250	1,030	131	68	21	879	820
42 Foreign direct investments in the United States, net	3,695	1,414	2,176	709	504	561	403	537	486
43 Allocation of SDR's	...	...	...	...	...	...	...	...	...
44 *Discrepancy*	*−1,555*	*5,660*	*9,866*	*3,372*	*1,905*	*1,268*	*3,325*	*1,317*	*3,388*
45 Owing to seasonal adjustments	...	...	...	717	129	−2,622	1,780	524	−205
46 Statistical discrepancy in recorded data before seasonal adjustment	−1,555	5,660	9,866	2,655	1,776	3,890	1,545	793	3,593
Memo items:	...	...	...	...	...	...	...	...	...
Changes in official assets:									
47 U.S. official reserve assets (increase, −)	−1,434	−607	−2,530	−773	−1,578	−407	228	−388	6
48 Foreign official assets in the United States (increase, +)	10,257	5,259	13,007	2,323	3,308	1,251	6,125	5,007	6,628
49 Changes in Organization of Petroleum Exporting Countries (OPEC) official assets in the United States (part of line 27 above)	10,841	7,092	9,324	3,482	3,263	1,774	805	3,249	824
50 Transfers under military grant programs (excluded from lines 1, 4, and 9 above)	1,817	2,217	386	50	86	156	94	46	28

1 Seasonal factors are no longer calculated for lines 13 through 50.

2 Data are on an international accounts (IA) basis. Differs from the Census basis primarily because the IA basis includes imports into the U.S. Virgin Islands, and it excludes military exports, which are part of Line 4.

3 Differs from the definition of "net exports of goods and services" in the national income and product (GNP) account. The GNP definition excludes certain military sales to Israel from exports and excludes U.S. Govt. interest payments from imports.

4 Primarily associated with military sales contracts and other transactions arranged with or through foreign official agencies.

5 Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

Note.—Data are from Bureau of Economic Analysis, *Survey of Current Business* (U.S. Department of Commerce).

3.11 U.S. FOREIGN TRADE

Millions of dollars; monthly data are seasonally adjusted.

Item	1974	1975	1976	1977 Apr.	May	June	July	Aug.	Sept.	Oct.
1 EXPORTS of domestic and foreign merchandise excluding grant-aid shipments	97,908	107,130	114,802	9,970	10,395	10,112	10,150	9,563	10,916	9,190
2 GENERAL IMPORTS including merchandise for immediate consumption plus entries into bonded warehouses	100,252	96,115	120,678	12,593	11,616	12,932	12,476	12,232	12,631	12,288
3 **Trade balance**	**−2,344**	**+11,014**	**−5,876**	**−2,623**	**−1,221**	**−2,820**	**−2,326**	**−2,669**	**−1,715**	**−3,098**

NOTE.—Bureau of Census data reported on a free-alongside-ship (f.a.s.) value basis. Before 1974 imports were reported on a customs import value basis. For calendar year 1974 the f.a.s. import value was $100.3 billion, about 0.7 per cent less than the corresponding customs import value. The international-accounts-basis data shown in Table 3.10 adjust the Census basis data for reasons of coverage and timing. On the *export side*, the largest adjustments are: (a) the addition of exports to Canada not covered in Census statistics, and (b) the exclusion of military exports (which are combined with other military transactions and are reported separately in the "service account"). On the *import* side, the largest single adjustment is the addition of imports into the Virgin Islands (largely oil for a refinery on St. Croix), which are not included in Census statistics.

SOURCE.—FT 900 "Summary of U.S. Export and Import Merchandise Trade" (U.S. Dept. of Commerce, Bureau of the Census).

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Type	1974	1975	1976	1977 May	June	July	Aug.	Sept.	Oct.	Nov.[p]
1 **Total**	**15,883**	**16,226**	**18,747**	**19,195**	**19,156**	**18,927**	**19,055**	[3] **18,988**	**19,048**	[3] **19,155**
2 Gold stock, including Exchange Stabilization Fund[1]	11,652	11,599	11,598	11,658	11,658	11,658	11,658	11,658	11,658	11,658
3 Special Drawing Rights[2]	2,374	2,335	2,395	2,470	2,486	2,498	2,483	[3] 2,489	2,530	[3] 2,548
4 Reserve position in International Monetary Fund	1,852	2,212	4,434	4,972	4,920	4,716	4,859	[3] 4,776	[3] 4,842	[3] 4,933
5 Convertible foreign currencies	5	80	320	95	92	55	55	65	18	16

[1] Gold held under earmark at F.R. Banks for foreign and international accounts is not included in the gold stock of the United States; see Table 3.24.

[2] Includes allocations by the International Monetary Fund (IMF) of SDR's as follows: $867 million on Jan. 1, 1970; $717 million on Jan. 1, 1971; and $710 million on Jan. 1, 1972; plus net transactions in SDR's.

[3] Beginning July 1974, the IMF adopted a technique for valuing the SDR based on a weighted average of exchange rates for the currencies of 16 member countries. The U.S. SDR holdings and reserve position in the IMF also are valued on this basis beginning July 1974. At valuation used prior to July 1974 (SDR1 = $1.20635) total U.S. reserve assets at end of Nov. amounted to $19,177; SDR holdings, $2,597, and reserve position in IMF, $4,906.

3.13 SELECTED U.S. LIABILITIES TO FOREIGNERS

Millions of dollars, end of period

Holder, and type of liability	1974	1975	1976	1977 Apr.r	Mayr	Juner	Julyr	Aug.	Sept.p	Oct.p
1 **Total**	**119,164**	**126,552**	**151,356**	**156,382**	**160,950**	**163,545**	**168,799**	**166,319**	**174,635**	**178,851**
2 **Foreign countries**	**115,842**	**120,929**	**142,873**	**148,668**	**152,259**	**155,362**	**162,379**	**159,163**	**167,221**	**171,455**
3 *Official institutions* [1]	*76,823*	*80,712*	*91,975*	*99,843*	*102,112*	*103,656*	*107,601*	*108,134*	*111,195*	*117,039*
4 Short-term, reported by banks in the United States [2]	53,079	49,530	53,619	57,531	58,260	57,413	60,059	56,810	56,780	59,798
U.S. Treasury bonds and notes:										
5 Marketable [3]	5,059	6,671	11,788	15,230	16,382	18,345	19,393	23,089	25,597	28,604
6 Nonmarketable [4]	16,339	19,976	20,648	20,976	20,950	20,917	20,837	20,655	21,128	20,351
7 Other readily marketable liabilities [5]	2,346	4,535	5,920	6,106	6,520	6,981	7,312	7,580	7,690	8,286
Commercial banks abroad:										
8 Short-term, reported by banks in the United States [2,6]	30,106	29,516	37,329	34,748	35,521	36,687	39,946	35,789	40,362	38,704
9 *Other foreigners*	*8,913*	*10,701*	*13,569*	*14,077*	*14,626*	*15,019*	*14,832*	*15,240*	*15,664*	*15,712*
10 Short-term, reported by banks in the United States [2]	8,415	10,000	12,592	12,873	13,398	13,623	13,377	13,684	14,036	14,021
11 Marketable U.S. Treasury bonds and notes [3,7]	498	701	977	1,204	1,228	1,396	1,455	1,556	1,628	1,691
12 **Nonmonetary international and regional organization** [8]	**3,322**	**5,623**	**8,483**	**7,714**	**8,691**	**8,183**	**6,420**	**7,156**	**7,414**	**7,396**
13 Short-term, reported by banks in the United States [2]	3,171	5,292	5,450	5,287	6,556	5,727	3,834	4,216	3,555	3,395
14 Marketable U.S. Treasury bonds and notes [3]	151	331	3,033	2,427	2,135	2,456	2,586	2,940	3,859	4,001

1 Includes Bank for International Settlements.
2 Includes Treasury bills as shown in Table 3.15.
3 Derived by applying reported transactions to benchmark data.
4 Excludes notes issued to foreign official nonreserve agencies.
5 Includes long-term liabilities reported by banks in the United States and debt securities of U.S. Federally sponsored agencies and U.S. corporations.
6 Includes short-term liabilities payable in foreign currencies to commercial banks abroad and to other foreigners.
7 Includes marketable U.S. Treasury bonds and notes held by commercial banks abroad and other foreigners.
8 Principally the International Bank for Reconstruction and Development and the Inter-American and Asian Development Banks.

NOTE.—Based on Treasury Dept. data and on data reported to the Treasury Dept. by banks (including Federal Reserve banks) and brokers in the United States. Data exclude the holdings of dollars of the International Monetary Fund derived from payments of the U.S. subscription, and from the exchange transactions and other operations of the IMF. Data also exclude U.S. Treasury letters of credit and nonnegotiable, non-interest-bearing special U.S. notes held by nonmonetary international and regional organizations.

3.14 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Area	1974	1975	1976	1977 Apr.r	Mayr	Juner	Julyr	Aug.	Sept.p	Oct.p
1 **Total**	**76,823**	**80,712**	**91,975**	**99,843**	**102,112**	**103,656**	**107,601**	**108,134**	**111,195**	**117,039**
2 Western Europe [1]	44,328	45,701	45,882	49,288	50,605	53,342	55,669	57,741	60,716	64,969
3 Canada	3,662	3,132	3,406	2,752	2,798	2,699	2,653	2,553	2,507	1,862
4 Latin American republics	4,419	4,450	4,906	4,396	4,672	4,240	4,340	4,246	4,463	4,269
5 Asia	18,627	22,551	34,108	39,486	40,341	39,839	41,162	40,438	40,331	42,752
6 Africa	3,160	2,983	1,893	1,883	1,821	1,938	2,458	2,265	2,144	2,026
7 Other countries [2]	2,627	1,895	1,780	2,038	1,875	1,598	1,319	891	1,034	1,161

1 Includes Bank for International Settlements.
2 Includes countries in Oceania and Eastern Europe, and Western European dependencies in Latin America.

NOTE.—Data represent breakdown by area of line 3, Table 3.13.

3.15 SHORT-TERM LIABILITIES TO FOREIGNERS Reported by Banks in the United States
By Holder and by Type of Liability
Millions of dollars, end of period

	Holder, and type of liability	1974	1975	1976	1977 Apr.†	May†	June†	July	Aug.†	Sept.p	Oct.p
1	**All foreigners, excluding the International Monetary Fund**	**94,771**	**94,338**	**108,990**	**111,002**	**114,449**	**113,432**	**117,216**	**110,595**	**114,733**	**115,919**
2	*Payable in dollars*	*94,004*	*93,781*	*108,266*	*110,194*	*113,796*	*112,758*	*116,256*	*109,705*	*113,989*	*115,132*
	Deposits:										
3	Demand	14,051	13,564	16,803	15,382	16,732	16,272	17,496	15,950	16,894	16,900
4	Time[1]	9,907	10,250	11,316	11,282	11,612	12,082	11,833	11,745	11,607	11,534
5	U.S. Treasury bills and certificates[2]	35,662	37,414	40,744	44,661	45,463	44,110	44,413	42,240	43,180	44,638
6	Other short-term liabilities[3]	34,384	32,552	39,403	38,869	39,990	40,294	42,515	39,770	42,306	42,061
7	*Payable in foreign currencies*	*766*	*558*	*724*	*809*	*653*	*675*	*960*	*890*	*744*	*787*
8	**Nonmonetary international and regional organizations[4]**	**3,171**	**5,293**	**5,450**	**5,287**	**6,557**	**5,728**	**3,834**	**4,216**	**3,555**	**3,396**
9	*Payable in dollars*	*3,171*	*5,284*	*5,445*	*5,284*	*6,551*	*5,715*	*3,819*	*4,178*	*3,523*	*3,376*
	Deposits:										
10	Demand	139	139	290	119	172	228	122	142	214	173
11	Time[1]	111	148	205	207	167	156	154	147	134	146
12	U.S. Treasury bills and certificates	497	2,554	2,701	2,849	2,977	2,521	2,191	1,990	1,875	802
13	Other short-term liabilities[5]	2,424	2,443	2,250	2,109	3,234	2,811	1,352	1,900	1,300	2,255
14	*Payable in foreign currencies*	....	*8*	*5*	*3*	*6*	*13*	*15*	*38*	*32*	*20*
15	**Official institutions, banks, and other foreigners**	**91,600**	**89,046**	**103,540**	**105,715**	**107,892**	**107,705**	**113,382**	**106,379**	**111,178**	**112,523**
16	*Payable in dollars*	*90,834*	*88,496*	*102,821*	*104,910*	*107,246*	*107,043*	*112,437*	*105,527*	*110,466*	*111,756*
	Deposits:										
17	Demand	13,912	13,426	16,513	15,262	16,559	16,044	17,374	15,808	16,681	16,727
18	Time[1]	9,796	10,102	11,112	11,076	11,445	11,926	11,679	11,599	11,473	11,388
19	U.S. Treasury bills and certificates[2]	35,165	34,860	38,042	41,812	42,485	41,589	42,221	40,250	41,305	43,836
20	Other short-term liabilities[3]	31,961	30,109	37,153	36,760	36,756	37,483	41,163	37,870	41,005	39,805
21	*Payable in foreign currencies*	*766*	*549*	*719*	*805*	*647*	*662*	*945*	*852*	*712*	*767*
22	**Official institutions[6]**	**53,079**	**49,530**	**53,619**	**57,486**	**58,260**	**57,413**	**60,059**	**56,773**	**56,780**	**59,798**
23	*Payable in dollars*	*52,952*	*49,530*	*53,619*	*57,486*	*58,260*	*57,413*	*60,059*	*56,773*	*56,780*	*59,798*
	Deposits:										
24	Demand	2,951	2,644	3,394	2,747	2,676	2,705	3,642	3,122	3,133	2,990
25	Time[1]	4,167	3,423	2,321	2,335	2,441	2,506	2,401	2,241	1,984	1,898
26	U.S. Treasury bills and certificates[2]	34,656	34,199	37,725	41,508	42,197	41,322	41,926	39,810	40,780	43,370
27	Other short-term liabilities[5]	11,178	9,264	10,179	10,896	10,947	10,880	12,090	11,600	10,882	11,540
28	*Payable in foreign currencies*	*127*	....	....	....	....	....	....	....	....	....
29	**Banks and other foreigners**	**38,520**	**39,515**	**49,921**	**48,230**	**49,362**	**50,292**	**53,323**	**49,606**	**54,398**	**52,725**
30	*Payable in dollars*	*37,881*	*38,966*	*49,202*	*47,424*	*48,985*	*49,630*	*52,378*	*48,754*	*53,686*	*51,958*
31	Banks[7]	29,467	28,966	36,610	34,551	35,592	36,015	39,001	35,070	39,650	37,937
	Deposits:										
32	Demand	8,231	7,534	9,104	8,712	9,772	9,551	10,136	8,936	9,678	9,681
33	Time[1]	1,885	1,856	2,267	1,675	1,808	2,128	1,826	1,868	1,861	1,891
34	U.S. Treasury bills and certificates	232	335	119	104	108	100	144	112	121	121
35	Other short-term liabilities[3]	19,119	19,241	25,120	24,060	23,904	24,236	26,895	24,154	27,990	26,244
36	Other foreigners	8,414	10,000	12,592	12,873	13,393	13,614	13,376	13,684	14,036	14,021
	Deposits:										
37	Demand	2,729	3,248	4,015	3,803	4,111	3,788	3,595	3,751	3,870	4,056
38	Time[1]	3,744	4,823	6,524	7,065	7,196	7,292	7,453	7,490	7,628	7,599
39	U.S. Treasury bills and certificates	277	325	198	201	180	167	151	328	404	345
40	Other short-term liabilities[5]	1,664	1,604	1,854	1,804	1,906	2,367	2,177	2,116	2,133	2,021
41	*Payable in foreign currencies*	*639*	*549*	*719*	*805*	*647*	*662*	*945*	*852*	*712*	*767*

1 Excludes negotiable time certificates of deposit, which are included in "Other short-term liabilities."
2 Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
3 Includes liabilities of U.S. banks to their foreign branches, liabilities of U.S. agencies and branches of foreign banks to their head offices and foreign branches of their head offices, bankers acceptances, commercial paper, and negotiable time certificates of deposit.
4 Principally the International Bank for Reconstruction and Development, and the Inter-American and Asian Development Banks.
5 Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
6 Foreign central banks and foreign central governments and their agencies, and Bank for International Settlements.
7 Excludes central banks, which are included in "Official institutions."
† Revised figures for this month will be published in the January 1978 BULLETIN.

NOTE.—"Short-term obligations" are those payable on demand, or having an original maturity of 1 year or less.

3.16 SHORT-TERM LIABILITIES TO FOREIGNERS Reported by Banks in the United States
By Country

Millions of dollars, end of period

Area and country	1974	1975	1976	1977						
				Apr.[r]	May[r]	June[r]	July	Aug.	Sept.[p]	Oct.[p]
1 **Total**	**94,771**	**94,338**	**108,990**	**110,439**	**113,735**	**113,448**	**117,216**	**110,499**	**114,733**	**115,919**
2 **Foreign countries**	**91,600**	**89,046**	**103,540**	**105,152**	**107,179**	**107,720**	**113,382**	**106,283**	**111,178**	**112,523**
3 *Europe*	*48,813*	*43,988*	*46,938*	*44,431*	*47,505*	*49,627*	*50,604*	*48,953*	*51,430*	*52,801*
4 Austria	607	754	348	506	409	465	455	498	448	410
5 Belgium-Luxembourg	2,506	2,898	2,275	2,609	2,641	2,704	2,822	2,691	2,667	2,714
6 Denmark	369	332	363	809	974	1,178	1,154	1,032	1,172	1,272
7 Finland	266	391	422	306	242	258	209	217	248	232
8 France	4,287	7,733	4,875	4,748	4,921	5,089	4,745	4,894	4,799	5,006
9 Germany	9,429	4,357	5,965	4,490	4,825	4,271	4,937	4,413	4,289	5,279
10 Greece	248	284	403	350	409	556	573	709	629	648
11 Italy	2,577	1,072	3,206	2,625	3,509	4,636	5,422	5,538	5,770	6,295
12 Netherlands	3,234	3,411	3,007	2,924	3,111	3,545	3,397	3,328	3,216	3,088
13 Norway	1,040	996	785	906	999	1,195	1,203	1,140	1,190	1,023
14 Portugal	310	195	239	184	238	163	222	169	173	191
15 Spain	382	426	561	501	586	667	642	543	723	714
16 Sweden	1,138	2,286	1,693	2,047	2,431	2,390	1,963	1,782	2,483	2,734
17 Switzerland	10,139	8,514	9,458	8,798	8,436	9,323	9,162	9,386	9,920	9,750
18 Turkey	152	118	166	81	68	127	101	203	93	111
19 United Kingdom	7,584	6,886	10,004	10,086	11,230	10,701	11,250	10,226	11,426	11,065
20 Yugoslavia	183	126	188	111	102	115	125	110	119	130
21 Other Western Europe[1]	4,073	2,970	2,672	2,132	2,136	2,009	1,973	1,855	1,839	1,908
22 U.S.S.R.	82	40	51	41	66	73	88	70	53	68
23 Other Eastern Europe	206	200	255	176	172	162	160	151	174	162
24 *Canada*	*3,520*	*3,076*	*4,784*	*4,823*	*4,869*	*4,253*	*4,456*	*4,631*	*4,491*	*4,934*
25 *Latin America*	*11,754*	*14,942*	*19,026*	*20,447*	*19,958*	*20,786*	*23,038*	*21,412*	*24,433*	*22,321*
26 Argentina	886	1,147	1,538	1,845	1,971	1,699	1,754	2,022	2,187	2,420
27 Bahamas	1,054	1,827	2,750	4,001	2,744	3,777	5,518	4,283	5,940	3,772
28 Brazil	1,034	1,227	1,432	1,225	1,175	1,357	1,398	1,233	1,096	1,055
29 Chile	276	317	335	329	432	393	373	353	342	340
30 Colombia	305	417	1,017	1,253	1,172	1,196	1,220	1,164	1,152	1,182
31 Cuba	7	6	6	6	8	7	6	6	6	6
32 Mexico	1,770	2,066	2,848	2,699	2,764	2,832	2,869	2,790	2,797	2,716
33 Panama	510	1,099	1,140	1,008	984	941	1,015	954	947	946
34 Peru	272	244	257	255	219	224	241	273	288	259
35 Uruguay	165	172	245	263	251	234	242	230	244	225
36 Venezuela	3,413	3,289	3,095	2,450	3,006	2,478	2,532	2,887	3,037	3,212
37 Other Latin American republics	1,316	1,494	2,081	2,284	2,270	2,376	2,238	2,154	2,318	2,213
38 Netherlands Antilles[2]	158	129	140	173	215	207	158	180	169	156
39 Other Latin America	589	1,507	2,142	2,656	2,745	3,066	3,476	2,886	3,910	3,819
40 *Asia*	*21,130*	*21,539*	*28,472*	*30,504*	*29,933*	*28,456*	*30,296*	*26,931*	*26,457*	*28,180*
41 China, People's Republic of (Mainland)	50	123	47	52	53	44	49	46	44	48
42 China, Republic of (Taiwan)	818	1,025	989	1,138	1,210	1,196	1,259	925	924	899
43 Hong Kong	530	623	892	993	950	931	1,028	1,066	1,153	993
44 India	261	126	648	648	721	814	746	743	850	886
45 Indonesia	1,221	369	340	887	531	282	782	589	453	905
46 Israel	389	386	391	466	503	547	484	467	416	465
47 Japan	10,931	10,218	14,380	13,071	12,481	12,387	12,837	11,691	11,440	13,288
48 Korea	384	390	437	430	472	534	633	527	600	599
49 Philippines	747	698	627	624	634	614	653	561	559	630
50 Thailand	333	252	275	308	275	257	281	293	264	271
51 Middle East oil-exporting countries[3]	4,623	6,461	8,073	10,414	10,447	9,283	9,976	8,828	8,492	7,930
52 Other	845	867	1,372	1,473	1,655	1,568	1,568	1,195	1,262	1,266
53 *Africa*	*3,551*	*3,373*	*2,300*	*2,587*	*2,753*	*2,671*	*3,284*	*3,177*	*3,023*	*2,784*
54 Egypt	103	343	333	245	360	314	401	603	484	393
55 Morocco	38	68	88	91	93	81	73	61	68	61
56 South Africa	130	169	143	176	184	237	264	185	208	232
57 Zaire	84	63	35	28	30	30	40	38	36	33
58 Oil-exporting countries[4]	2,814	2,239	1,116	1,151	1,205	1,145	1,541	1,430	1,565	1,403
59 Other	383	491	585	896	881	866	966	860	662	662
60 *Other countries*	*2,831*	*2,128*	*2,019*	*2,361*	*2,162*	*1,926*	*1,704*	*1,179*	*1,345*	*1,503*
61 Australia	2,742	2,014	1,911	2,223	2,026	1,800	1,553	1,007	1,198	1,348
62 All other	89	114	108	138	135	126	151	172	146	154
63 **Nonmonetary international and regional organizations**	**3,171**	**5,293**	**5,450**	**5,287**	**6,557**	**5,728**	**3,834**	**4,216**	**3,555**	**3,396**
64 International	2,900	5,064	5,091	4,995	6,230	5,365	3,484	3,816	3,182	3,079
65 Latin American regional	202	187	136	110	118	144	165	187	161	134
66 Other regional[5]	69	42	223	182	209	218	186	213	212	183

For notes see bottom of p. A59.

3.17 SHORT-TERM LIABILITIES TO FOREIGNERS Reported by Banks in the United States

Supplemental "Other" Countries [1]

Millions of dollars, end of period

	Area and country	1975		1976		1977
		Apr.	Dec.	Apr.	Dec.	Apr.
	Other Western Europe					
1	Cyprus	17	6	38	68	58
2	Iceland	20	33	43	40	32
3	Ireland, Republic of	29	75	43	236	131
	Other Eastern Europe					
4	Bulgaria	13	19	14	34	11
5	Czechoslovakia	11	32	11	19	31
6	German Democratic Republic	18	17	3	11	......
7	Hungary	11	13	11	18	16
8	Poland	42	66	74	75	64
9	Rumania	14	44	29	19	23
	Other Latin American republics					
10	Bolivia	93	110	117	121	135
11	Costa Rica	120	124	134	134	170
12	Dominican Republic	214	169	170	274	280
13	Ecuador	157	120	150	319	311
14	El Salvador	144	171	212	176	214
15	Guatemala	255	260	368	340	392
16	Haiti	34	38	48	46	68
17	Honduras	92	99	137	134	210
18	Jamaica	62	41	59	34	43
19	Nicaragua	126	133	158	113	133
20	Paraguay	38	43	50	47	60
21	Surinam [2]	......	......	13	29	17
22	Trinidad and Tobago	31	131	44	167	85
	Other Latin America:					
23	Bermuda	100	170	197	177	199
24	British West Indies	627	1,311	2,284	1,874	2,377
	Other Asia					
25	Afghanistan	19	41	57	55	90
26	Bangladesh	50	54	44	54	......
27	Burma	49	31	34	13	......
28	Cambodia	4	4	3	4	......
29	Jordan	30	39	23	37	23
30	Laos	5	2	2	1	......
31	Lebanon	180	117	132	140	133
32	Malaysia	92	77	130	394	511
33	Nepal	22	28	34	32	35
34	Pakistan	118	74	92	188	135
35	Singapore	215	256	344	280	300
36	Sri Lanka (Ceylon)	13	13	10	22	27
37	Vietnam	70	62	66	50	50
	Other Africa					
38	Ethiopia (incl. Eritrea)	76	60	72	41	48
39	Ghana	13	23	45	27	37
40	Ivory Coast	11	18	17	10	26
41	Kenya	32	19	39	46	185
42	Liberia	33	53	63	76	95
43	Southern Rhodesia	3	1	1	1	1
44	Sudan	14	12	17	22	30
45	Tanzania	21	30	20	48	57
46	Tunisia	23	29	34	19	15
47	Uganda	38	22	50	43	......
48	Zambia	18	78	14	35	55
	All Other					
49	New Zealand	36	42	48	43	75

1 Represents a partial breakdown of the amounts shown in the "Other" categories on Table 3.16.

2 Surinam included with Netherlands Antilles until January 1976.

3.18 LONG-TERM LIABILITIES TO FOREIGNERS Reported by Banks in the United States

Millions of dollars, end of period

Holder, and area or country	1974	1975	1976 r	1977						
				Apr. r	May r	June r	July r	Aug.	Sept. p	Oct. p
1 **Total**	**1,285**	**1,812**	**2,432**	**2,004**	**2,230**	**2,376**	**2,322**	**2,336**	**2,508**	**2,639**
2 **Nonmonetary international and regional organizations**	**822**	**415**	**269**	**255**	**266**	**279**	**269**	**313**	**330**	**352**
3 **Foreign countries**	**464**	**1,397**	**2,163**	**1,750**	**1,964**	**2,097**	**2,053**	**2,023**	**2,178**	**2,287**
4 Official institutions, including central banks	124	931	1,337	852	1,080	1,135	1,081	1,006	1,074	1,144
5 Banks, excluding central banks	261	366	621	631	615	650	644	680	713	720
6 Other foreigners	79	100	204	267	270	312	329	337	391	422
Area or country:										
7 Europe	226	330	570	583	579	628	634	664	708	717
8 Germany	146	214	346	304	297	312	307	308	307	308
9 United Kingdom	59	66	124	131	133	147	162	169	200	203
10 Canada	19	23	29	35	34	35	33	27	27	27
11 Latin America	115	140	230	264	254	280	287	304	324	346
12 Middle East oil-exporting countries [1]	94	894	1,286	848	1,076	1,130	1,075	987	1,056	1,119
13 Other Asia	7	8	46	18	19	18	18	34	38	53
14 African oil-exporting countries [2]	*	*	....	....	....	....	....	....	....	1
15 Other Africa	1	1	....	2	2	6	6	6	23	22
16 All other countries	*	*	1	1	1	1	1	1	1	2

1 Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2 Comprises Algeria, Gabon, Libya, and Nigeria.

NOTE.—Long-term obligations are those having an original maturity of more than 1 year.

NOTES TO TABLE 3.16:

1 Includes Bank for International Settlements.

2 Surinam included with Netherlands Antilles until January 1976.

3 Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

4 Comprises Algeria, Gabon, Libya, and Nigeria.

5 Asian, African, and European regional organizations, except BIS, which is included in "Other Western Europe."

3.19 SHORT-TERM CLAIMS ON FOREIGNERS Reported by Banks in the United States

By Country

Millions of dollars, end of period

Area and country	1974	1975	1976r	1977						
				Apr.r	Mayr	Juner	Julyr	Aug.	Sept.p	Oct.p
1 **Total**	**39,056**	**50,231**	**69,139**	**65,637**	**68,060**	**69,732**	**69,608**	**68,592**	**69,048**	**71,890**
2 **Foreign countries**	**39,055**	**50,229**	**69,134**	**65,632**	**68,057**	**69,720**	**69,599**	**68,581**	**69,037**	**71,881**
3 *Europe*	*6,255*	*8,987*	*12,122*	*11,414*	*12,185*	*12,923*	*12,763*	*12,277*	*13,347*	*13,657*
4 Austria	21	15	44	63	43	53	63	53	117	74
5 Belgium-Luxembourg	384	352	662	470	589	759	505	476	558	782
6 Denmark	46	49	85	84	84	85	86	100	140	127
7 Finland	122	128	139	126	130	113	101	103	95	111
8 France	673	1,471	1,445	1,511	1,546	1,455	1,503	1,471	1,356	1,338
9 Germany	589	416	517	550	503	575	647	648	615	767
10 Greece	64	49	79	70	65	51	66	68	103	98
11 Italy	345	370	929	946	979	875	972	1,014	1,054	1,075
12 Netherlands	348	300	304	385	362	480	471	371	447	306
13 Norway	119	71	98	142	148	124	121	135	109	120
14 Portugal	20	16	65	90	100	97	110	138	148	138
15 Spain	196	249	373	363	302	284	323	344	346	471
16 Sweden	180	167	180	116	79	101	153	151	139	172
17 Switzerland	335	237	485	496	473	484	488	533	700	685
18 Turkey	15	86	176	291	322	333	333	329	337	329
19 United Kingdom	2,580	4,718	6,179	5,320	6,074	6,638	6,473	6,011	6,771	6,536
20 Yugoslavia	22	38	41	31	55	58	49	35	34	28
21 Other Western Europe	22	27	52	51	40	51	42	47	43	267
22 U.S.S.R.	46	103	99	108	82	90	88	81	89	82
23 Other Eastern Europe	131	r127	171	203	209	216	169	169	146	150
24 *Canada*	*2,776*	*2,817*	*3,049*	*3,701*	*3,554*	*3,607*	*3,728*	*3,978*	*3,387*	*3,669*
25 *Latin America*	*12,377*	*20,532*	*34,270*	*32,171*	*33,190*	*33,413*	*33,415*	*32,826*	*33,034*	*34,953*
26 Argentina	720	1,203	964	873	886	904	839	856	939	1,076
27 Bahamas	3,405	7,570	15,336	14,157	15,127	16,058	15,061	13,647	13,502	15,950
28 Brazil	1,418	2,221	3,322	3,186	3,061	3,030	3,026	3,077	3,003	3,141
29 Chile	290	360	387	420	362	349	373	382	431	435
30 Colombia	713	689	586	565	505	495	514	542	528	570
31 Cuba	14	13	13	13	13	13	13	13	13	10
32 Mexico	1,972	2,802	3,432	3,302	3,249	3,204	3,469	3,455	3,478	3,252
33 Panama	505	1,052	1,257	1,135	1,469	905	1,278	1,463	1,063	1,430
34 Peru	518	583	704	756	741	797	796	783	785	737
35 Uruguay	63	51	38	35	36	32	38	39	42	47
36 Venezuela	704	1,086	1,564	1,197	1,359	1,348	1,421	1,435	1,656	1,654
37 Other Latin American republics	852	967	1,125	1,079	1,176	1,144	1,181	1,233	1,224	1,292
38 Netherlands Antilles[1]	62	49	40	54	36	69	64	57	75	61
39 Other Latin America	1,142	1,885	5,503	5,401	5,170	5,066	5,342	5,844	6,294	5,297
40 *Asia*	*16,226*	*16,057*	*17,672*	*15,760*	*16,606*	*16,979*	*17,025*	*16,838*	*16,615*	*16,819*
41 China, People's Republic of (Mainland)	4	22	3	3	15	30	13	9	27	20
42 China, Republic of (Taiwan)	500	736	991	1,099	1,221	1,259	1,275	1,236	1,303	1,311
43 Hong Kong	223	258	271	337	298	337	359	272	360	361
44 India	14	21	41	24	34	39	25	65	59	48
45 Indonesia	157	102	76	41	39	72	65	56	67	97
46 Israel	255	491	551	287	280	334	311	323	304	348
47 Japan	12,518	10,776	10,997	9,397	9,591	9,935	9,698	9,623	9,353	9,312
48 Korea	955	1,561	1,714	1,807	1,912	1,861	1,981	2,069	2,001	1,999
49 Philippines	372	384	559	490	498	418	372	478	477	489
50 Thailand	458	499	422	468	519	558	584	580	617	608
51 Middle East oil-exporting countries[2]	330	524	1,312	1,170	1,469	1,275	1,476	1,369	1,340	1,533
52 Other	441	684	735	638	730	860	867	758	708	693
53 *Africa*	*855*	*1,228*	*1,481*	*1,572*	*1,559*	*1,789*	*1,658*	*1,720*	*1,656*	*1,824*
54 Egypt	111	101	127	146	152	157	158	149	134	155
55 Morocco	18	9	13	35	34	36	46	43	48	44
56 South Africa	329	545	763	783	778	810	821	799	802	877
57 Zaire	98	34	29	8	7	9	8	6	15	7
58 Oil-exporting countries[3]	115	231	253	291	243	422	290	357	306	378
59 Other	185	308	296	309	344	355	333	365	350	363
60 *Other countries*	*565*	*609*	*540*	*1,013*	*963*	*1,009*	*1,010*	*943*	*998*	*959*
61 Australia	466	535	441	894	846	878	861	795	863	832
62 All other	99	73	99	119	117	132	150	148	135	127
63 **Nonmonetary international and regional organizations**	*	1	5	5	4	13	10	11	10	9

1 Includes Surinam until January 1976.

2 Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

3 Comprises Algeria, Gabon, Libya, and Nigeria.

3.20 SHORT-TERM CLAIMS ON FOREIGNERS Reported by Banks in the United States

By Type of Claim

Millions of dollars, end of period

Type	1974	1975	1976[r]	1977 Apr.[r]	May[r]	June[r]	July[r]	Aug.	Sept.[p]	Oct.[p]
1 **Total**	**39,056**	**50,231**	**69,139**	**65,637**	**68,060**	**69,732**	**69,608**	**68,592**	**69,048**	**71,890**
2 *Payable in dollars*	*37,859*	*48,888*	*67,494*	*63,951*	*66,297*	*67,954*	*67,942*	*66,661*	*67,305*	*69,844*
3 *Loans, total*	*11,287*	*13,200*	*18,141*	*16,265*	*16,647*	*16,090*	*17,602*	*16,687*	*18,259*	*18,204*
4 Official institutions, including central banks	381	613	1,448	741	967	983	851	1,018	1,009	869
5 Banks, excluding central banks	7,332	7,665	11,142	10,441	10,638	10,001	11,523	10,609	11,874	11,730
6 All other, including nonmonetary international and regional organizations	3,574	4,921	5,552	5,083	5,041	5,105	5,228	5,060	5,376	5,604
7 Collections outstanding	5,637	5,467	5,756	6,339	6,317	6,417	6,352	6,200	6,025	6,005
8 Acceptances made for accounts of foreigners	11,237	11,147	12,358	12,976	13,045	13,166	13,431	13,556	13,631	13,600
9 Other claims[1]	9,698	19,075	31,238	28,371	30,288	32,280	30,556	30,218	29,390	32,034
10 *Payable in foreign currencies*	*1,196*	*1,342*	*1,645*	*1,686*	*1,764*	*1,779*	*1,667*	*1,931*	*1,743*	*2,047*
11 Deposits with foreigners	669	656	1,063	918	864	845	817	1,032	844	922
12 Foreign government securities, commercial and finance paper	289	314	89	332	377	302	277	233	239	296
13 Other claims	238	372	493	436	522	631	572	667	660	829

1 Includes claims of U.S. banks on their foreign branches and claims of U.S. agencies and branches of foreign banks on their head offices and foreign branches of their head offices.

NOTE.—Short-term claims are principally the following items payable on demand or with a contractual maturity of not more than 1 year: loans made to, and acceptances made for, foreigners; drafts drawn against foreigners, where collection is being made by banks and bankers for their own account or for account of their customers in the United States; and foreign currency balances held abroad by banks and bankers and their customers in the United States. Excludes foreign currencies held by U.S. monetary authorities.

3.21 LONG-TERM CLAIMS ON FOREIGNERS Reported by Banks in the United States

Millions of dollars, end of period

Type, and area or country	1974	1975	1976[r]	1977 Apr.[r]	May[r]	June[r]	July[r]	Aug.	Sept.[p]	Oct.[p]
1 **Total**	**7,179**	**9,536**	**11,898**	**12,458**	**12,294**	**12,182**	**12,251**	**12,468**	**12,622**	**12,727**
By type:										
2 *Payable in dollars*	*7,099*	*9,419*	*11,750*	*12,257*	*12,091*	*11,982*	*12,049*	*12,250*	*12,407*	*12,497*
3 *Loans, total*	*6,490*	*8,316*	*10,093*	*10,531*	*10,395*	*10,286*	*10,323*	*10,504*	*10,583*	*10,752*
4 Official institutions, including central banks	1,324	1,351	1,407	1,647	1,674	1,653	1,676	1,712	1,749	1,754
5 Banks, excluding central banks	929	1,567	2,232	2,193	2,262	2,263	2,238	2,279	2,314	2,441
6 All other, including nonmonetary international and regional organizations	4,237	5,399	6,454	6,690	6,460	6,371	6,408	6,513	6,520	6,557
7 Other long-term claims	609	1,103	1,656	1,726	1,696	1,695	1,726	1,746	1,824	1,745
8 *Payable in foreign currencies*	*80*	*116*	*148*	*201*	*202*	*200*	*202*	*218*	*216*	*229*
By area or country:										
9 Europe	1,908	2,704	3,314	3,698	3,650	3,677	3,648	3,706	3,677	3,642
10 Canada	501	555	637	558	501	483	485	455	456	461
11 Latin America	2,614	3,468	4,870	4,990	5,042	5,016	5,045	5,219	5,403	5,581
12 *Asia*	*1,619*	*1,795*	*1,904*	*1,933*	*1,884*	*1,832*	*1,862*	*1,846*	*1,871*	*1,761*
13 Japan	258	296	382	387	391	381	391	371	359	334
14 Middle East oil-exporting countries[1]	384	220	146	149	149	151	155	170	162	170
15 Other Asia	977	1,279	1,376	1,397	1,345	1,301	1,317	1,305	1,350	1,257
16 *Africa*	*366*	*747*	*890*	*953*	*898*	*860*	*857*	*898*	*873*	*860*
17 Oil-exporting countries[2]	62	151	271	228	213	213	191	219	221	202
18 Other	305	596	619	725	685	647	666	679	652	657
19 All other countries[3]	171	267	282	327	319	313	353	344	343	423

1 Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2 Comprises Algeria, Gabon, Libya, and Nigeria.

3 Includes nonmonetary international and regional organizations.

3.22 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data

Millions of dollars, end of period

	Asset account	1974	1975	1976	1977						
				Dec.[r]	Mar.[r]	Apr.[r]	May[r]	June[r]	July[r]	Aug.	Sept.[p]
		All foreign countries									
1	**Total, all currencies**	**151,905**	**176,493**	**219,420**	**223,020**	**223,222**	**229,542**	**236,480**	**235,637**	**235,153**	**244,907**
2	*Claims on United States*	*6,900*	*6,743*	*7,889*	*7,056*	*8,676*	*7,361*	*7,398*	*10,683*	*8,750*	*11,909*
3	Parent bank	4,464	3,665	4,323	3,399	5,276	3,928	3,610	7,134	5,188	8,231
4	Other	2,435	3,078	3,566	3,657	3,400	3,432	3,788	3,549	3,562	3,678
5	*Claims on foreigners*	*138,712*	*163,391*	*204,486*	*208,545*	*207,573*	*214,784*	*221,667*	*217,456*	*218,859*	*225,080*
6	Other branches of parent bank	27,559	34,508	45,955	48,621	48,164	49,464	52,406	48,387	48,308	52,051
7	Other banks	60,283	69,206	83,765	81,692	79,782	83,937	86,887	84,363	85,526	87,735
8	Official institutions	4,077	5,792	10,609	11,885	12,517	13,045	13,194	13,572	13,820	14,161
9	Nonbank foreigners	46,793	53,886	64,157	66,347	67,110	68,337	69,180	71,134	71,205	71,133
10	Other assets	6,294	6,359	7,045	7,419	6,973	7,397	7,414	7,497	7,543	7,918
11	**Total payable in U.S. dollars**	**105,969**	**132,901**	**167,695**	**172,141**	**172,134**	**176,603**	**182,396**	**179,647**	**179,611**	**188,008**
12	*Claims on United States*	*6,603*	*6,408*	*7,595*	*6,657*	*8,302*	*6,951*	*6,984*	*10,266*	*8,306*	*11,429*
13	Parent bank	4,428	3,628	4,264	3,352	5,232	3,903	3,590	7,095	5,118	8,177
14	Other	2,175	2,780	3,332	3,305	3,070	3,049	3,393	3,170	3,188	3,252
15	*Claims on foreigners*	*96,209*	*123,496*	*156,896*	*161,959*	*160,529*	*166,160*	*172,011*	*166,057*	*167,706*	*173,028*
16	Other branches of parent bank	19,688	28,478	37,909	40,900	40,300	41,350	43,952	39,647	39,986	42,966
17	Other banks	45,067	55,319	66,331	64,613	63,061	66,319	68,815	65,875	66,820	68,658
18	Official institutions	3,289	4,864	9,018	10,587	11,174	11,682	11,758	12,110	12,223	12,672
19	Nonbank foreigners	28,164	34,835	43,638	45,860	45,994	46,808	47,486	48,425	48,677	48,731
20	Other assets	3,157	2,997	3,204	3,525	3,303	3,492	3,401	3,325	3,600	3,551
		United Kingdom									
21	**Total, all currencies**	**69,804**	**74,883**	**81,466**	**81,268**	**80,150**	**83,178**	**84,734**	**83,484**	**83,273**	**88,033**
22	*Claims on United States*	*3,248*	*2,392*	*3,354*	*2,311*	*2,541*	*2,714*	*2,450*	*3,129*	*2,307*	*3,422*
23	Parent bank	2,472	1,449	2,376	1,302	1,698	1,850	1,553	2,249	1,397	2,556
24	Other	776	943	978	1,009	843	863	897	881	910	866
25	*Claims of foreigners*	*64,111*	*70,331*	*75,859*	*76,865*	*75,559*	*78,333*	*80,087*	*78,083*	*78,607*	*82,154*
26	Other branches of parent bank	12,724	17,557	19,753	21,091	21,707	21,097	22,121	20,909	20,015	22,363
27	Other banks	32,701	35,904	38,089	37,098	35,585	38,660	39,157	37,772	38,784	39,576
28	Official institutions	788	881	1,274	1,722	1,728	1,948	1,764	1,863	1,983	1,955
29	Nonbank foreigners	17,898	15,990	16,743	16,954	16,539	16,627	17,045	17,538	17,826	18,259
30	Other assets	2,445	2,159	2,253	2,092	2,050	2,131	2,197	2,272	2,359	2,458
31	**Total payable in U.S. dollars**	**49,211**	**57,361**	**61,587**	**62,353**	**61,179**	**63,481**	**64,841**	**62,815**	**62,690**	**66,895**
32	*Claims on United States*	*3,146*	*2,273*	*3,275*	*2,173*	*2,430*	*2,590*	*2,338*	*3,011*	*2,130*	*3,259*
33	Parent bank	2,468	1,445	2,374	1,297	1,690	1,842	1,547	2,237	1,348	2,527
34	Other	678	828	902	876	740	748	791	774	781	732
35	*Claims on foreigners*	*44,694*	*54,121*	*57,488*	*59,342*	*57,894*	*60,030*	*61,582*	*58,875*	*59,419*	*62,584*
36	Other branches of parent bank	10,265	15,645	17,249	18,691	19,232	18,619	19,538	18,135	17,550	19,865
37	Other banks	23,716	28,224	28,983	28,373	26,941	29,521	29,930	28,497	29,199	29,808
38	Official institutions	610	648	846	1,426	1,415	1,624	1,437	1,473	1,574	1,555
39	Nonbank foreigners	10,102	9,604	10,410	10,852	10,306	10,267	10,676	10,769	11,095	11,355
40	Other assets	1,372	967	824	839	855	861	922	930	1,142	1,052
		Bahamas and Caymans									
41	**Total, all currencies**	**31,733**	**45,203**	**66,774**	**69,526**	**70,950**	**71,540**	**74,853**	**74,727**	**73,842**	**78,430**
42	*Claims on United States*	*2,464*	*3,229*	*3,508*	*3,411*	*4,998*	*3,543*	*3,970*	*6,447*	*5,433*	*7,450*
43	Parent bank	1,081	1,477	1,141	1,037	2,703	1,251	1,394	4,062	3,023	4,861
44	Other	1,383	1,752	2,367	2,374	2,295	2,292	2,576	2,385	2,410	2,590
45	*Claims on foreigners*	*28,453*	*41,040*	*62,048*	*64,781*	*64,652*	*66,579*	*69,528*	*66,970*	*67,114*	*69,685*
46	Other branches of parent bank	3,478	5,411	8,144	9,060	8,095	8,703	9,638	7,586	8,250	9,828
47	Other banks	11,354	16,298	25,354	25,339	25,234	25,588	27,372	25,967	25,475	26,367
48	Official institutions	2,022	3,576	7,101	7,495	7,784	8,062	8,344	8,628	8,591	9,192
49	Nonbank foreigners	11,599	15,756	21,449	22,888	23,538	24,226	24,174	24,788	24,798	24,298
50	Other assets	815	933	1,217	1,333	1,300	1,419	1,356	1,309	1,295	1,294
51	**Total payable in U.S. dollars**	**28,726**	**41,887**	**62,705**	**64,946**	**66,366**	**66,550**	**69,930**	**69,548**	**68,767**	**72,948**

3.22 Continued

	Liability account	1974	1975	1976 Dec.	1977 Mar.	1977 Apr.	1977 May	1977 June	1977 July	1977 Aug.	1977 Sept.[p]
		All foreign countries									
52	**Total, all currencies**	**151,905**	**176,493**	**219,420**	**223,020**	**223,222**	**229,542**	**236,480**	**235,637**	**235,152**	**244,907**
53	*To United States*	*11,982*	*20,221*	*32,721*	*34,008*	*33,054*	*34,792*	*37,242*	*37,713*	*35,482*	*38,443*
54	Parent bank	5,809	12,165	19,775	20,527	18,256	20,497	22,825	19,670	18,559	18,353
55	Other	6,173	8,057	12,946	13,481	14,798	14,295	14,416	18,043	16,922	20,090
56	*To foreigners*	*132,990*	*149,815*	*179,953*	*182,120*	*183,203*	*187,619*	*191,822*	*189,347*	*191,168*	*198,944*
57	Other branches of parent bank	26,941	34,111	44,370	47,615	46,386	48,137	50,291	47,015	48,658	51,189
58	Other banks	65,675	72,259	83,878	80,071	82,180	84,114	84,263	86,919	86,443	91,473
59	Official institutions	20,185	22,773	25,829	26,438	26,150	27,328	28,247	27,084	27,778	27,995
60	Nonbank foreigners	20,189	20,672	25,877	27,996	28,486	28,040	29,021	28,329	28,288	28,286
61	Other liabilities	6,933	6,456	6,747	6,893	6,965	7,130	7,416	8,577	8,502	7,520
62	**Total payable in U.S. dollars**	**107,890**	**135,907**	**173,071**	**177,036**	**177,270**	**181,813**	**187,643**	**184,722**	**183,859**	**192,916**
63	*To United States*	*11,437*	*19,503*	*31,934*	*33,042*	*32,068*	*33,882*	*36,130*	*36,751*	*34,604*	*37,518*
64	Parent bank	5,641	11,939	19,561	20,273	18,011	20,241	22,382	19,396	18,290	18,039
65	Other	5,795	7,564	12,373	12,769	14,057	13,640	13,748	17,355	16,314	19,479
66	*To foreigners*	*92,503*	*112,879*	*137,610*	*140,395*	*141,479*	*144,220*	*147,346*	*142,957*	*144,126*	*151,282*
67	Other branches of parent bank	19,330	28,217	37,098	40,646	39,307	40,677	42,739	38,939	40,919	43,031
68	Other banks	43,656	51,583	60,617	57,795	60,025	60,931	60,263	61,771	61,123	65,896
69	Official institutions	17,444	19,982	22,878	23,650	23,241	24,369	25,299	24,159	24,481	24,683
70	Nonbank foreigners	12,072	13,097	17,017	18,305	18,906	18,242	19,045	18,088	17,603	17,671
71	Other liabilities	3,951	3,526	3,527	3,600	3,724	3,712	4,167	5,013	5,129	4,117
		United Kingdom									
72	**Total, all currencies**	**69,804**	**74,883**	**81,466**	**81,268**	**80,150**	**83,178**	**84,734**	**83,484**	**83,273**	**88,033**
73	*To United States*	*3,978*	*5,646*	*5,997*	*6,365*	*6,272*	*5,845*	*6,894*	*8,537*	*7,933*	*7,922*
74	Parent bank	510	2,122	1,198	1,537	1,515	1,460	2,150	2,217	1,611	1,425
75	Other	3,468	3,523	4,798	4,828	4,756	4,386	4,743	6,320	6,322	6,496
76	*To foreigners*	*63,409*	*67,240*	*73,228*	*72,665*	*71,787*	*75,145*	*75,683*	*72,585*	*72,840*	*77,580*
77	Other branches of parent bank	4,762	6,494	7,092	8,247	7,762	8,569	8,936	7,987	8,395	8,934
78	Other banks	32,040	32,964	36,259	33,835	33,749	35,933	34,960	34,623	34,153	36,777
79	Official institutions	15,258	16,553	17,273	17,711	17,260	17,538	18,086	17,148	17,368	18,553
80	Nonbank foreigners	11,349	11,229	12,605	12,872	13,016	13,106	13,701	12,827	12,923	13,316
81	Other liabilities	2,418	1,997	2,241	2,238	2,091	2,187	2,157	2,362	2,500	2,532
82	**Total payable in U.S. dollars**	**49,666**	**57,820**	**63,174**	**63,346**	**62,373**	**64,343**	**65,735**	**63,848**	**63,337**	**67,689**
83	*To United States*	*3,744*	*5,415*	*5,849*	*6,189*	*6,108*	*5,688*	*6,679*	*8,348*	*7,676*	*7,622*
84	Parent bank	484	2,083	1,182	1,506	1,498	1,438	2,083	2,184	1,563	1,363
85	Other	3,261	3,332	4,666	4,683	4,610	4,250	4,596	6,164	6,113	6,259
86	*To foreigners*	*44,594*	*51,447*	*56,372*	*56,283*	*55,390*	*57,720*	*58,136*	*54,550*	*54,549*	*58,962*
87	Other branches of parent bank	3,256	5,442	5,874	7,184	6,561	7,333	7,660	6,583	7,131	7,535
88	Other banks	20,526	23,330	25,527	23,845	23,818	25,172	24,135	23,681	23,264	25,737
89	Official institutions	13,225	14,498	15,423	15,817	15,394	15,674	16,301	15,295	15,252	16,430
90	Nonbank foreigners	7,587	8,176	9,547	9,437	9,617	9,541	10,040	8,990	8,902	9,259
91	Other liabilities	1,328	959	953	874	875	936	920	951	1,112	1,105
		Bahamas and Caymans									
92	**Total, all currencies**	**31,733**	**45,203**	**66,774**	**69,526**	**70,950**	**71,540**	**74,853**	**74,727**	**73,842**	**78,430**
93	*To United States*	*4,815*	*11,147*	*22,723*	*24,299*	*23,082*	*25,162*	*26,625*	*25,080*	*23,608*	*26,867*
94	Parent bank	2,636	7,628	16,163	17,110	14,514	16,426	18,366	14,835	14,410	14,814
95	Other	2,180	3,520	6,560	7,190	8,568	8,735	8,258	10,245	9,198	12,053
96	*To foreigners*	*26,140*	*32,949*	*42,897*	*43,841*	*46,618*	*45,136*	*46,477*	*47,161*	*47,900*	*50,200*
97	Other branches of parent bank	7,702	10,569	13,801	14,713	14,123	14,001	14,662	13,736	14,642	15,026
98	Other banks	14,050	16,825	21,758	20,456	23,245	22,296	22,693	24,166	23,878	27,535
99	Official institutions	2,377	3,308	3,573	3,540	3,917	4,130	4,216	4,322	4,592	3,184
100	Nonbank foreigners	2,011	2,248	3,765	5,132	5,334	4,709	4,906	4,936	4,789	4,454
101	Other liabilities	778	1,106	1,154	1,385	1,249	1,243	1,751	2,487	2,334	1,363
102	**Total payable in U.S. dollars**	**28,840**	**42,197**	**63,417**	**65,755**	**67,168**	**67,518**	**70,816**	**70,399**	**69,221**	**73,769**

3.23 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Holdings and Transactions

Millions of dollars

Country or area	1975	1976	1977 Jan.— Oct.p	1977 Apr.r	May r	June r	July r	Aug.	Sept.p	Oct.p
	Holdings (end of period) [4]									
1 **Estimated total**	**7,703**	**15,798**	....	**18,859**	**19,745**	**22,196**	**23,433**	**27,584**	**31,096**	**34,295**
2 **Foreign countries**	**7,372**	**12,765**	....	**16,433**	**17,609**	**19,740**	**20,848**	**24,644**	**27,237**	**30,295**
3 *Europe*	*1,085*	*2,330*	....	*3,915*	*4,034*	*5,272*	*6,225*	*8,480*	*10,179*	*12,573*
4 Belgium-Luxembourg	13	14	....	14	17	18	19	19	19	20
5 Germany	215	764	....	1,112	1,112	1,261	1,266	1,847	1,957	2,165
6 Netherlands	16	288	....	388	418	492	503	633	719	821
7 Sweden	276	191	....	188	148	149	149	155	125	125
8 Switzerland	55	261	....	397	429	439	485	478	488	474
9 United Kingdom	363	485	....	1,479	1,591	2,600	3,478	5,017	6,522	8,611
10 Other Western Europe	143	323	....	332	314	307	321	326	343	353
11 Eastern Europe	4	4	....	4	4	4	4	4	4	4
12 Canada	395	256	....	267	271	279	283	288	292	294
13 Latin America	200	312	....	447	471	480	481	513	516	519
14 Venezuela	4	149	....	193	193	193	193	193	183	183
15 Other Latin America republics	29	35	....	21	21	18	18	18	18	21
16 Netherlands Antilles [1]	161	118	....	118	113	113	113	145	158	158
17 Asia	5,370	9,323	....	11,476	12,528	13,407	13,567	15,071	15,942	16,612
18 Japan	3,271	2,687	....	3,174	3,773	4,290	4,314	5,025	5,635	5,958
19 Africa	321	543	....	305	279	279	279	279	279	279
20 All other	*	*	....	23	26	23	13	12	16	18
21 **Nonmonetary international and regional organizations**	**331**	**3,033**	....	**2,426**	**2,136**	**2,456**	**2,585**	**2,940**	**3,859**	**4,000**
22 International	322	2,905	....	2,318	2,032	2,353	2,440	2,830	3,759	3,900
23 Latin American regional	9	128	....	108	103	103	146	110	100	100
	Transactions (net purchases, or sales (—), during period)									
24 **Total**	**1,994**	**8,095**	**18,500**	**−28**	**886**	**2,451**	**1,238**	**4,151**	**3,499**	**3,212**
25 **Foreign countries**	**1,814**	**5,393**	**17,532**	**1,364**	**1,177**	**2,131**	**1,108**	**3,796**	**2,580**	**3,071**
26 Official institutions	1,612	5,116	16,814	1,253	1,152	1,962	1,048	3,696	2,508	3,005
27 Other foreign	202	276	718	111	24	167	59	101	72	66
28 **Nonmonetary international and regional organizations**	**180**	**2,702**	**966**	**−1,392**	**−292**	**321**	**130**	**354**	**919**	**140**
MEMO: Oil-exporting countries										
29 Middle East [2]	1,797	3,887	3,259	338	392	397	−14	533	161	284
30 Africa [3]	170	221	−264	....	−26	....	....	....	....	....

1 Includes Surinam until January 1976.
2 Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3 Comprises Algeria, Gabon, Libya, and Nigeria.
4 Estimated official and private holdings of marketable U.S. Treasury securities with an original maturity of more than 1 year. Data are based on a benchmark survey of holdings as of Jan. 31, 1971, and monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.

3.24 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS

Millions of dollars, end of period

Assets	1974	1975	1976	1977 May	June	July	Aug.	Sept.	Oct.	Nov.
1 Deposits	418	353	352	436	379	468	534	382	425	416
Assets held in custody:										
2 U.S. Treasury securities [1]	55,600	60,019	66,532	73,964	74,098	75,443	75,976	79,285	83,832	89,497
3 Earmarked gold [2]	16,838	16,745	16,414	16,221	16,184	16,179	16,117	16,073	15,988	15,872

1 Marketable U.S. Treasury bills, certificates of indebtedness, notes, and bonds; and nonmarketable U.S. Treasury securities payable in dollars and in foreign currencies.
2 The value of earmarked gold increased because of the changes in par value of the U.S. dollar in May 1972 and in October 1973.

NOTE.—Excludes deposits and U.S. Treasury securities held for international and regional organizations. Earmarked gold is gold held for foreign and international accounts and is not included in the gold stock of the United States.

3.25 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

	Transactions, and area or country	1975r	1976	1977 Jan.–Oct.p	1977 Apr.r	May r	June r	July r	Aug.	Sept.p	Oct.p
					U.S. corporate securities						
	Stocks										
1	Foreign purchases	15,355	18,227	11,629	1,142	1,207	1,196	1,373	1,023	1,012	973
2	Foreign sales	10,678	r15,475	9,633	906	978	948	1,162	900	847	752
3	**Net purchases, or sales (−)**	**4,678**	**r2,753**	**1,996**	**236**	**229**	**248**	**211**	**123**	**165**	**222**
4	**Foreign countries**	**4,660**	**2,740**	**1,982**	**236**	**209**	**254**	**210**	**124**	**170**	**223**
5	Europe	2,491	336	651	90	96	33	29	37	57	109
6	France	262	256	42	−3	−3	21	−24	−13	5	27
7	Germany	251	68	169	44	37	12	20	−1	14	37
8	Netherlands	359	−199	3	−7	27	....	−10	−2	−18	5
9	Switzerland	899	−100	120	38	4	−20	5	−7	6	2
10	United Kingdom	594	340	399	20	35	35	57	67	80	52
11	Canada	361	324	29	−5	−33	−3	12	−5	−3	20
12	Latin America	−7	155	86	21	17	17	4	1	−3	−4
13	Middle East[1]	1,649	1,803	1,154	125	124	195	171	94	108	93
14	Other Asia	142	119	50	5	4	10	−7	−3	8	2
15	Africa	10	7	5	....	....	....	....	1	2	2
16	Other countries	15	−4	7	−1	1	2	....	−2	1	2
17	**Nonmonetary international and regional organizations**	**18**	**13**	**14**	**1**	**20**	**−7**	**2**	**−1**	**−5**	**−1**
	Bonds[2]										
18	Foreign purchases	5,408	5,529	6,658	883	609	976	752	714	507	939
19	Foreign sales	4,642	4,322	2,933	250	332	394	286	252	386	292
20	**Net purchases, or sales (−)**	**766**	**1,207**	**3,723**	**632**	**277**	**582**	**467**	**463**	**121**	**647**
21	**Foreign countries**	**1,795**	**1,248**	**3,684**	**588**	**308**	**569**	**499**	**438**	**123**	**647**
22	Europe	113	r91	1,663	121	99	314	232	130	33	373
23	France	82	r39	−23	−5	−7	−3	1	1	1	....
24	Germany	−6	r−49	45	−4	13	12	12	1	3	5
25	Netherlands	−9	−29	52	−7	−28	57	11	....	21	2
26	Switzerland	117	158	171	−4	19	17	34	21	12	−7
27	United Kingdom	−52	23	1,350	128	102	223	197	96	6	324
28	Canada	128	96	141	6	1	7	30	13	15	4
29	Latin America	31	94	63	3	0	2	12	18	13	11
30	Middle East[1]	1,553	1,179	1,528	454	192	235	153	192	79	124
31	Other Asia	−35	−165	294	4	17	10	72	84	−14	135
32	Africa	5	−25	−5	....	....	....	....	....	−3	....
33	Other countries	1	21	....	....	....	....	....	....	....	....
34	**Nonmonetary international and regional organizations**	**−1,029**	**−41**	**40**	**45**	**−31**	**13**	**−32**	**25**	**−2**	....
					Foreign securities						
35	**Stocks, net purchases, or sales (−)**	**−188**	**r−323**	**−498**	**−43**	**−12**	**−60**	**−265**	**−63**	**31**	**106**
36	Foreign purchases	1,542	1,937	1,760	153	200	169	159	169	169	247
37	Foreign sales	1,730	2,259	2,258	197	211	229	423	232	138	141
38	**Bonds, net purchases, or sales (−)**	**−6,326**	**r−8,730**	**−4,301**	**−10**	**−866**	**−765**	**−205**	**−1,003**	**−685**	**−266**
39	Foreign purchases	2,383	4,932	7,015	606	607	636	786	852	701	797
40	Foreign sales	8,708	r13,662	11,317	616	1,473	1,401	991	1,854	1,387	1,063
41	**Net purchases, or sales (−) of stocks and bonds**	**−6,514**	**−9,053**	**−4,799**	**−53**	**−878**	**−824**	**−469**	**−1,066**	**−654**	**−160**
42	**Foreign countries**	**−4,323**	**−7,155**	**−3,189**	**2**	**−204**	**−696**	**−393**	**−227**	**−641**	**−9**
43	Europe	−53	r−843	−910	2	−124	−272	−267	−22	−24	−30
44	Canada	−3,202	r−5,245	−2,228	−93	−128	−292	−241	−255	−573	45
45	Latin America	−306	r........	19	65	−17	−42	52	−7	35	−170
46	Asia	−622	−699	−22	25	62	−93	57	55	−7	148
47	Africa	15	48	3	....	....	3	1	....	1	−2
48	Other countries	−155	−416	−59	2	2	2	5	1	−81	1
49	**Nonmonetary international and regional organizations**	**−2,192**	**−1,898**	**−1,602**	**−55**	**−673**	**−129**	**−76**	**−839**	**−6**	**−151**

1 *Comprises oil-exporting countries as follows:* Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2 Includes State and local government securities, and securities of U.S. Govt. agencies and corporations. Also includes issues of new debt securities sold abroad by U.S. corporations organized to finance direct investments abroad.

3.26 SHORT-TERM LIABILITIES TO AND CLAIMS ON FOREIGNERS Reported by Nonbanking Concerns in the United States

Millions of dollars, end of period

Type, and area or country	Liabilities to foreigners 1976 June	1976 Sept.	1976 Dec.	1977 Mar.	1977 June[p]	Claims on foreigners 1976 June	1976 Sept.	1976 Dec.	1977 Mar.	1977 June[p]
1 **Total**	**6,266**	**6,408**	**6,582**	**6,551**	**6,386**	**13,820**	**13,164**	**14,156**	**14,943**	**16,140**
By type:										
2 *Payable in dollars*	5,640	5,671	5,870	5,787	5,737	12,823	12,104	13,169	13,943	15,018
3 *Payable in foreign currencies*	626	737	712	764	648	997	1,060	987	1,000	1,122
4 Deposits with banks abroad in reporter's name	....	....	....	....	....	558	592	442	431	448
5 Other	....	....	....	....	....	439	468	545	569	674
By area or country:										
6 Foreign countries	6,020	6,222	6,374	6,359	6,216	13,819	13,163	14,155	14,940	16,139
7 *Europe*	2,273	2,387	2,227	2,126	2,208	5,326	5,151	5,269	5,218	5,808
8 Austria	13	15	10	9	10	17	21	21	23	27
9 Belgium-Luxembourg	233	183	166	168	138	193	195	162	170	218
10 Denmark	12	13	7	15	14	30	26	56	48	40
11 Finland	1	17	2	2	10	131	135	77	40	90
12 France	159	185	200	163	157	363	413	426	422	402
13 Germany	228	256	174	175	163	358	492	378	367	377
14 Greece	29	28	48	80	73	47	56	51	90	86
15 Italy	116	148	131	135	154	335	358	384	473	439
16 Netherlands	170	141	141	168	205	146	142	166	172	182
17 Norway	22	24	29	37	33	52	43	51	42	42
18 Portugal	3	5	13	23	20	22	28	40	35	30
19 Spain	51	36	40	52	68	432	336	369	325	322
20 Sweden	24	35	34	36	36	84	62	90	93	92
21 Switzerland	213	243	190	214	236	270	253	241	154	179
22 Turkey	20	16	13	12	21	31	23	25	32	37
23 United Kingdom	839	888	878	689	730	2,602	2,365	2,445	2,475	3,027
24 Yugoslavia	108	113	123	113	110	28	30	26	30	27
25 Other Western Europe	7	8	7	6	6	14	17	20	18	15
26 U.S.S.R.	10	19	9	15	16	96	81	156	105	76
27 Other Eastern Europe	16	14	13	13	10	75	79	85	103	102
28 *Canada*	372	327	379	403	420	2,201	2,196	2,464	2,432	2,570
29 *Latin America*	1,095	1,028	1,037	1,118	1,017	3,055	2,831	3,579	4,400	4,928
30 Argentina	49	48	44	42	50	43	39	44	46	51
31 Bahamas	330	251	260	256	216	1,150	940	1,384	1,869	2,231
32 Brazil	97	58	72	49	37	462	417	682	535	457
33 Chile	15	16	17	16	24	46	26	34	35	28
34 Colombia	19	11	13	18	22	57	66	59	75	72
35 Cuba	....	....	....	....	....	1	1	1	1	1
36 Mexico	72	74	99	118	117	332	352	332	317	301
37 Panama	12	10	34	12	10	101	83	74	105	120
38 Peru	31	32	25	24	21	39	35	42	32	28
39 Uruguay	3	3	4	4	3	4	22	5	6	5
40 Venezuela	184	222	219	260	208	186	215	194	214	245
41 Other Latin American republics	102	104	141	148	140	188	182	276	237	236
42 Netherlands Antilles [1]	55	68	10	11	17	10	9	9	14	8
43 Other Latin America	127	129	100	160	151	436	444	441	914	1,146
44 *Asia*	1,705	1,978	2,052	2,057	1,891	2,703	2,401	2,282	2,314	2,318
45 China, People's Republic of (Mainland)	1	1	1	3	2	16	5	3	7	8
46 China, Republic of (Taiwan)	122	127	110	113	138	212	134	197	130	131
47 Hong Kong	28	33	40	42	27	104	88	96	107	93
48 India	10	11	23	39	41	51	53	55	35	51
49 Indonesia	115	131	110	94	80	143	179	185	206	184
50 Israel	34	32	37	37	45	53	48	41	51	70
51 Japan	272	247	193	172	184	1,170	1,010	912	969	934
52 Korea	60	85	76	96	95	129	142	117	130	158
53 Philippines	18	28	53	59	73	114	93	86	84	87
54 Thailand	11	23	24	19	11	19	23	22	27	22
55 Other Asia	1,035	1,260	1,385	1,383	1,196	692	625	568	569	582
56 *Africa*	532	435	603	588	587	378	406	392	429	368
57 Egypt	22	25	27	29	33	28	36	28	70	24
58 Morocco	32	42	43	27	70	12	9	10	12	9
59 South Africa	88	65	54	33	27	83	78	87	80	69
60 Zaire	12	24	36	39	39	25	28	21	19	17
61 Other Africa	377	279	444	460	418	230	255	247	248	248
62 *Other countries*	44	67	76	68	92	155	178	170	147	145
63 Australia	32	50	57	49	72	100	112	105	111	106
64 All other	12	18	19	19	20	56	67	65	36	40
65 **Nonmonetary international and regional organizations**	**246**	**186**	**208**	**192**	**170**	**1**	**1**	**1**	**2**	**1**

[1] Includes Surinam until 1976.

NOTE.—Reported by exporters, importers, and industrial and commercial concerns and other nonbanking institutions in the United States. Data exclude claims held through U.S. banks and intercompany accounts between U.S. companies and their affiliates.

3.27 SHORT-TERM CLAIMS ON FOREIGNERS Reported by Large Nonbanking Concerns in the United States

Millions of dollars, end of period

	Type and country	1973	1974	1975	1976r	1977 Apr.	May	June	July	Aug.	Sept.p
1	**Total**	**3,185**	**3,357**	**3,799**	**5,468**	**6,441**	**7,481**	**7,685**	**7,357**	**7,739**	**6,846**
	By type:										
2	*Payable in dollars*	*2,641*	*2,660*	*3,042*	*4,788*	*5,707*	*6,787*	*6,895*	*6,619*	*6,976*	*6,117*
3	Deposits	2,604	2,591	2,710	4,415	5,125	6,264	6,424	6,195	6,475	5,709
4	Short-term investments [1]	37	69	332	373	582	523	471	424	501	408
5	*Payable in foreign currencies*	*544*	*697*	*757*	*680*	*733*	*695*	*790*	*739*	*764*	*729*
6	Deposits	431	429	511	373	423	361	389	352	394	356
7	Short-term investments [1]	113	268	246	302	310	334	401	387	370	373
	By country:										
8	United Kingdom	1,128	1,350	1,306	1,837	1,713	1,920	2,318	2,123	2,194	1,781
9	Canada	775	967	1,156	1,539	1,616	1,645	1,652	1,725	1,930	1,607
10	Bahamas	597	391	546	1,264	1,736	2,414	2,114	2,113	2,225	1,753
11	Japan	336	398	343	113	155	158	184	149	139	147
12	All other	349	252	446	715	1,221	1,344	1,417	1,247	1,251	1,558

1 Negotiable and other readily transferable foreign obligations payable on demand or having a contractural maturity of not more than 1 year from the date on which the obligation was incurred by the foreigner.

NOTE.—Data represent the assets abroad of large nonbanking concerns in the United States. They are a portion of the total claims on foreigners reported by nonbanking concerns in the United States and are included in the figures shown in Table 3.26.

3.28 LONG-TERM LIABILITIES TO AND CLAIMS ON FOREIGNERS Reported by Nonbanking Concerns in the United States

Millions of dollars, end of period

	Area and country	Liabilities to foreigners: 1976r June	1976r Sept.	1976r Dec.	1977 Mar.	1977 June	Claims on foreigners: 1976r June	1976r Sept.	1976r Dec.	1977 Mar.	1977 Junep
1	**Total**	**4,008**	**3,791**	**3,567**	**3,504**	**3,331**	**4,982**	**5,006**	**4,925**	**4,894**	**4,827**
2	Europe	3,036	2,858	2,725	2,655	2,499	929	901	853	847	829
3	Germany	425	406	396	391	370	35	73	72	84	76
4	Netherlands	233	290	277	272	262	211	211	156	154	147
5	Switzerland	467	327	260	178	177	56	54	57	53	43
6	United Kingdom	1,516	1,470	1,420	1,388	1,274	310	245	240	207	221
7	Canada	166	111	89	82	81	1,511	1,507	1,530	1,475	1,486
8	Latin America	250	257	270	272	275	1,609	1,637	1,521	1,489	1,457
9	Bahamas	184	157	163	163	167	37	37	36	34	34
10	Brazil	5	5	5	5	7	165	172	133	125	125
11	Chile	1	1	1	1	1	306	244	248	210	208
12	Mexico	6	7	17	21	23	187	219	195	180	178
13	Asia	489	498	423	432	406	712	739	775	817	831
14	Japan	388	402	397	413	384	85	80	77	96	108
15	Africa	2	2	2	2	3	163	165	187	199	158
16	All other [1]	64	64	58	59	67	59	58	58	67	67

1 Includes nonmonetary international and regional organizations.

3.29 DISCOUNT RATES OF FOREIGN CENTRAL BANKS

Per cent per annum

Country	Rate on Nov. 30, 1977 Per cent	Month effective	Country	Rate on Nov. 30, 1977 Per cent	Month effective	Country	Rate on Nov. 30, 1977 Per cent	Month effective
Argentina	18.0	Feb. 1972	France	9.5	Aug. 1977	Norway	6.0	Sept. 1976
Austria	5.5	June 1977	Germany, Fed. Rep. of	3.5	Sept. 1975	Sweden	8.0	Oct. 1976
Belgium	7.0	Dec. 1977	Italy	11.5	Aug. 1977	Switzerland	1.5	July 1977
Brazil	28.0	May 1976	Japan	4.25	Sept. 1977	United Kingdom	7.0	Nov. 1977
Canada	7.5	May 1977	Mexico	4.5	June 1942	Venezuela	5.0	Oct. 1970
Denmark	9.0	Mar. 1977	Netherlands	4.5	Nov. 1977			

NOTE.—Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper and/or government securities for commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood the central bank transacts the largest proportion of its credit operations.

3.30 FOREIGN SHORT-TERM INTEREST RATES

Per cent per annum, averages of daily figures

Country, or type	1974	1975	1976	1977 June	July	Aug.	Sept.	Oct.	Nov.
1 Euro-dollars	11.01	7.02	5.58	5.78	5.80	6.30	6.56	7.14	7.09
2 United Kingdom	13.34	10.63	11.35	7.81	7.77	6.91	6.03	5.05	5.32
3 Canada	10.47	8.00	9.39	7.16	7.27	7.44	7.31	7.23	7.34
4 Germany	9.80	4.87	4.19	4.24	4.20	4.04	4.07	4.06	4.09
5 Switzerland	....	3.01	1.45	3.80	3.01	2.41	2.37	2.23	2.32
6 Netherlands	....	5.17	7.02	2.84	3.05	3.48	4.39	4.55	5.94
7 France	....	7.91	8.65	9.01	8.67	8.51	8.38	8.41	9.28
8 Italy	....	10.37	16.32	14.65	14.09	13.94	12.42	12.05	11.74
9 Belgium	....	6.63	10.25	6.88	6.85	6.20	6.20	6.25	6.38
10 Japan	....	11.64	7.70	6.05	6.25	6.24	5.32	5.25	5.37

NOTE.—Rates are for 3-month interbank loans except for—Canada, finance company paper; Belgium, time deposits of 20 million francs and over; and Japan, loans and discounts that can be called after being held over a minimum of two month-ends.

3.31 FOREIGN EXCHANGE RATES

Cents per unit of foreign currency

Country/currency	1974	1975	1976	1977 June	July	Aug.	Sept.	Oct.	Nov.
1 Australia/dollar	143.89	130.77	122.15	110.80	112.20	110.47	110.37	111.90	112.70
2 Austria/shilling	5.3564	5.7467	5.5744	5.9647	6.1691	6.0792	6.0377	6.1567	6.2551
3 Belgium/franc	2.5713	2.7253	2.5921	2.7713	2.8208	2.8107	2.7910	2.8229	2.8396
4 Canada/dollar	102.26	98.30	101.41	94.549	94.230	93.028	93.168	91.010	90.145
5 Denmark/krone	16.442	17.437	16.546	16.544	16.769	16.590	16.188	16.359	16.327
6 Finland/markka	26.565	27.285	25.938	24.524	24.902	24.801	23.977	24.139	23.986
7 France/franc	20.805	23.354	20.942	20.240	20.607	20.415	20.314	20.574	20.614
8 Germany/deutsche mark	38.723	40.729	39.737	42.453	43.827	43.168	43.034	43.904	44.633
9 India/rupee	12.460	11.926	11.148	11.286	11.342	11.465	11.450	11.605	11.576
10 Ireland/pound	234.03	222.16	180.48	171.91	172.26	173.97	174.31	177.11	181.78
11 Italy/lira	.15372	.15328	.12044	.11295	.11330	.11332	.11318	.11353	.11388
12 Japan/yen	.34302	.33705	.33741	.36652	.37756	.37499	.37486	.39263	.40872
13 Malaysia/ringgit	41.682	41.753	39.340	40.270	40.443	40.606	40.600	41.088	4.910
14 Mexico/peso	8.0000	8.0000	6.9161	4.3582	4.3528	4.3629	4.3776	4.4069	4.4096
15 Netherlands/guilder	37.267	39.632	37.846	40.326	40.983	40.831	40.604	41.048	41.366
16 New Zealand/dollar	140.02	121.16	99.115	96.264	97.160	96.826	96.812	98.152	99.392
17 Norway/krone	18.119	19.180	18.327	18.915	19.023	18.863	18.226	18.232	18.328
18 Portugal/escudo	3.9506	3.9286	3.3159	2.5802	2.5953	2.5678	2.4606	2.4601	2.4575
19 South Africa/rand	146.98	136.47	114.85	114.88	114.98	115.00	115.00	115.04	115.04
20 Spain/peseta	1.7337	1.7424	1.4958	1.4404	1.2382	1.1804	1.1824	1.1902	1.2060
21 Sri Lanka/rupee	14.978	14.385	11.908	13.664	13.700	13.721	12.301	11.618	8.7721
22 Sweden/krona	22.563	24.141	22.957	22.625	22.991	22.472	20.602	20.846	20.848
23 Switzerland/franc	33.688	38.743	40.013	40.170	41.487	41.523	42.115	43.909	45.507
24 United Kingdom/pound	234.03	222.16	180.48	171.91	172.26	173.97	174.31	177.11	181.78
MEMO:									
25 United States/dollar [1]	84.11	82.20	89.68	89.91	88.67	89.10	89.52	88.38	87.29

[1] Index of weighted-average exchange value of U.S. dollar against currencies of other G-10 countries plus Switzerland. May 1970 parities = 100. Weights are 1972 global trade of each of the 10 countries.

NOTE.—Averages of certified noon buying rates in New York for cable transfers.

4.10 SALES, REVENUE, PROFITS, AND DIVIDENDS—Large Manufacturing Corporations

Millions of dollars

	Industry	1976	1975 Q2	1975 Q3	1975 Q4	1976 Q1	1976 Q2	1976 Q3	1976 Q4	1977 Q1[r]	1977 Q2
	Total (170 corps.)										
1	Sales	667,821	145,898	148,008	154,650	159,311	166,452	161,596	180,462	177,430	190,302
2	Total revenue	676,596	147,811	149,841	157,203	161,461	168,958	164,631	181,546	179,496	192,990
3	Profits before taxes	71,885	14,875	15,507	17,049	17,502	18,902	16,894	18,587	18,930	21,582
4	Profits after taxes	34,707	6,715	7,102	7,657	8,621	9,532	8,442	8,113	9,056	10,472
5	MEMO: PAT unadj.[1]	36,016	6,603	7,054	8,471	8,636	9,490	8,550	9,340	9,107	10,553
6	Dividends	14,491	3,036	3,076	3,214	3,19.	3,449	3,480	4,371	3,840	4,269
	Nondurable goods industries (86 corps.):[2]										
7	Sales	362,935	78,656	82,361	84,822	86,927	87,404	88,678	99,926	95,836	101,035
8	Total revenue	368,184	79,940	83,595	86,351	88,179	88,864	90,967	100,174	96,948	102,807
9	Profits before taxes	42,694	9,989	10,924	10,614	10,674	10,595	10,632	10,793	11,074	12,064
10	Profits after taxes	18,571	3,919	4,441	4,357	4,809	4,833	4,871	4,058	4,837	5,160
11	MEMO: PAT unadj.[1]	19,468	3,900	4,439	4,808	4,829	4,809	4,962	4,868	4,880	5,224
12	Dividends	7,910	1,784	1,803	1,826	1,879	1,947	1,990	2,094	2,185	2,227
	Durable goods industries (84 corps.):[3]										
13	Sales	304,886	67,242	65,647	69,828	72,384	79,048	72,918	80,536	81,594	89,267
14	Total revenue	308,412	67,871	66,246	70,852	73,282	80,094	73,664	81,372	82,548	90,183
15	Profits before taxes	29,191	4,886	4,583	6,435	6,828	8,307	6,262	7,794	7,856	9,518
16	Profits after taxes	16,136	2,796	2,661	3,300	3,812	4,699	3,571	4,055	4,219	5,312
17	MEMO: PAT unadj.[1]	16,548	2,703	2,615	3,663	3,807	4,681	3,588	4,472	4,227	5,329
18	Dividends	6,577	1,252	1,273	1,388	1,308	1,502	1,490	2,277	1,655	2,042
	Selected industries:										
	Food and kindred products (28 corps.):										
19	Sales	62,568	14,117	14,600	14,942	14,762	15,057	16,048	16,701	15,903	16,776
20	Total revenue	63,142	14,356	14,844	15,248	14,993	15,395	16,221	16,533	16,155	17,136
21	Profits before taxes	5,750	1,190	1,385	1,384	1,471	1,507	1,462	1,310	1,448	1,560
22	Profits after taxes	2,890	607	719	668	665	778	817	630	739	825
23	MEMO: PAT unadj.[1]	3,013	615	745	715	667	785	827	734	746	835
24	Dividends	1,259	271	274	287	307	325	309	318	342	352
	Chemical and allied products (22 corps.):										
25	Sales	64,125	14,329	14,660	15,128	15,756	16,081	15,878	16,410	17,103	17,347
26	Total revenue	64,837	14,503	14,791	15,326	15,899	16,242	16,084	16,612	17,271	17,526
27	Profits before taxes	8,197	1,622	1,858	1,955	2,179	2,117	2,008	1,893	2,112	2,290
28	Profits after taxes	4,511	929	1,035	993	1,244	1,208	1,130	929	1,192	1,288
29	MEMO: PAT unadj.[1]	4,622	937	1,028	1,123	1,225	1,153	1,163	1,081	1,181	1,289
30	Dividends	1,918	425	429	439	444	445	481	548	514	539
	Petroleum refining (15 corps.):										
31	Sales	196,154	41,342	43,873	45,442	46,656	46,065	46,923	56,510	52,344	55,903
32	Total revenue	199,688	42,100	44,633	46,331	47,407	46,888	48,744	56,649	52,891	57,096
33	Profits before taxes	25,857	6,612	6,961	6,505	6,254	6,210	6,559	6,834	6,746	7,396
34	Profits after taxes	9,555	2,078	2,300	2,268	2,481	2,383	2,606	2,085	2,498	2,655
35	MEMO: PAT unadj.[1]	10,168	2,040	2,268	2,533	2,512	2,404	2,635	2,617	2,546	2,708
36	Dividends	4,089	937	949	949	971	1,017	1,036	1,065	1,163	1,160
	Primary metals and products (23 corps.):										
37	Sales	54,044	12,393	12,274	11,429	12,733	14,441	13,751	13,119	13,773	15,573
38	Total revenue	54,825	12,604	12,479	11,669	12,904	14,650	13,958	13,313	13,963	15,763
39	Profits before taxes	2,834	711	487	708	633	924	701	576	516	814
40	Profits after taxes	1,652	478	396	315	409	603	513	127	260	536
41	MEMO: PAT unadj.[1]	1,947	485	381	498	416	610	521	400	274	553
42	Dividends	926	227	216	229	218	227	230	251	234	246
	Machinery (27 corps.):										
43	Sales	87,274	19,907	19,786	21,041	20,455	21,627	21,133	24,059	22,727	24,380
44	Total revenue	88,519	20,130	19,977	21,358	20,707	22,072	21,280	24,460	23,051	24,702
45	Profits before taxes	11,320	2,105	2,233	2,640	2,469	2,781	2,700	3,370	2,900	3,318
46	Profits after taxes	6,181	1,186	1,232	1,433	1,355	1,528	1,461	1,837	1,573	1,805
47	MEMO: PAT unadj.[1]	6,202	1,180	1,239	1,490	1,354	1,517	1,467	1,864	1,571	1,804
48	Dividends	2,383	489	523	532	537	581	602	663	712	767
	Motor vehicles and equipment (9 corps.):										
49	Sales	107,563	22,275	21,005	23,717	26,395	28,710	24,250	28,208	31,069	33,502
50	Total revenue	108,394	22,341	21,083	24,040	26,702	28,942	24,500	28,250	31,350	33,716
51	Profits before taxes	8,909	854	590	1,731	2,494	3,056	1,272	2,087	2,988	3,489
52	Profits after taxes	4,870	451	328	819	1,331	1,668	705	1,166	1,599	1,914
53	MEMO: PAT unadj.[1]	4,918	455	280	881	1,337	1,658	704	1,219	1,603	1,926
54	Dividends	2,062	276	274	277	285	422	372	983	392	698

1 Profits after taxes unadjusted are as reported by the individual companies. These data are not adjusted to eliminate differences in accounting treatments of special charges, credits, and other nonoperating items.
2 Includes 21 corporations in groups not shown separately.
3 Includes 25 corporations in groups not shown separately.

NOTE.—Data are obtained from published reports of companies and reports made to the Securities and Exchange Commission. Sales are net of returns, allowances, and discounts, and exclude excise taxes paid directly by the company. Total revenue data include, in addition to sales, income from nonmanufacturing operations and nonoperating income. Profits are before dividend payments and have been adjusted to exclude special charges and credits to surplus reserves and extraordinary items not related primarily to the current reporting period. Income taxes (not shown) include Federal, State and local government, and foreign.

Previous series last published in June 1972 BULLETIN, p. A-50.

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GREELEY IN PERSPECTIVE, by Paul Schweitzer and Joshua Greene. Sept. 1977. 17 pp.
STRUCTURE AND PERFORMANCE STUDIES IN BANKING: A SUMMARY AND EVALUATION, by Stephen A. Rhoades. Dec. 1977. 45 pp.

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Staff Economic Studies shown in list below.

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(Except for Staff Papers, Staff Economic Studies, and some leading articles, most of the articles reprinted do not exceed 12 pages.)

A REVISED INDEX OF MANUFACTURING CAPACITY, **Staff Economic Study** by Frank de Leeuw with Frank E. Hopkins and Michael D. Sherman. 11/66.
U.S. INTERNATIONAL TRANSACTIONS: TRENDS IN 1960-67. 4/68.
MEASURES OF SECURITY CREDIT. 12/70.
REVISED MEASURES OF MANUFACTURING CAPACITY UTILIZATION. 10/71.
REVISION OF BANK CREDIT SERIES. 12/71.
ASSETS AND LIABILITIES OF FOREIGN BRANCHES OF U.S. BANKS. 2/72.
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MINNIE: A SMALL VERSION OF THE MIT-PENN-SSRC ECONOMETRIC MODEL, **Staff Economic Study** by Douglas Battenberg, Jared J. Enzler, and Arthur M. Havenner. 11/75.
AN ASSESSMENT OF BANK HOLDING COMPANIES, **Staff Economic Study** by Robert J. Lawrence and Samuel H. Talley. 1/76.
INDUSTRIAL ELECTRIC POWER USE. 1/76.
REVISION OF MONEY STOCK MEASURES. 2/76.
SURVEY OF FINANCE COMPANIES, 1975. 3/76.
REVISED SERIES FOR MEMBER BANK DEPOSITS AND AGGREGATE RESERVES. 4/76.
INDUSTRIAL PRODUCTION—1976 Revision. 6/76.
FEDERAL RESERVE OPERATIONS IN PAYMENT MECHANISMS: A SUMMARY. 6/76.
RECENT GROWTH IN ACTIVITIES OF U.S. OFFICES OF BANKS. 10/76.
NEW ESTIMATES OF CAPACITY UTILIZATION: MANUFACTURING AND MATERIALS. 11/76.
U.S. INTERNATIONAL TRANSACTIONS IN A RECOVERING ECONOMY. 4/77.
BANK HOLDING COMPANY FINANCIAL DEVELOPMENTS IN 1976. 4/77.
CHANGES IN BANK LENDING PRACTICES, 1976. 4/77.
SURVEY OF TERMS OF BANK LENDING—NEW SERIES. 5/77.
THE COMMERCIAL PAPER MARKET. 6/77.
CONSUMPTION AND FIXED INVESTMENT IN THE ECONOMIC RECOVERY ABROAD. 10/77.
CHANGES IN TIME AND SAVINGS DEPOSITS AT COMMERCIAL BANKS, April-July 1977. 11/77.

ANTICIPATED SCHEDULE OF RELEASE DATES FOR PUBLIC PERIODIC RELEASES[1]— BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WEEKLY RELEASES	APPROXIMATE RELEASE DAY	DATE OR PERIOD TO WHICH DATA REFER
Aggregate Reserves and Member Bank Deposits **502** (H.3)	Tuesday	Week ended previous Wednesday
Applications and Reports Received or Acted on and All Other Actions of the Board **501** (H.2)	Friday	Week ended previous Saturday
Assets and Liabilities of All Commercial Banks in the United States **510** (H.8)	Wednesday	Wednesday, 2 weeks earlier
Changes in State Member Banks **615** (K.3)	Tuesday	Week ended previous Saturday
Commercial and Industrial Loans Outstanding by Industry **514** (H.12)[2]	Wednesday	Wednesday, 1 week earlier
Deposits, Reserves, and Borrowings of Member Banks **509** (H.7)	Wednesday	Week ended 3 Wednesdays earlier
Factors Affecting Bank Reserves and Condition Statement of Federal Reserve Banks **503** (H.4.1)	Thursday	Week ended previous Wednesday
Foreign Exchange Rates **512** (H.10)	Monday	Week ended previous Friday
Money Stock Measures **508** (H.6)	Thursday	Week ended Wednesday of previous week
Reserve Positions of Major Reserve City Banks **507** (H.5)	Friday	Week ended Wednesday of previous week
Selected Interest Rates and Bond Prices **519** (H.15)	Monday	Week ended previous Saturday
Weekly Condition Report of Large Commercial Banks in New York and Chicago **506** (H.4.3)	Thursday	Previous Wednesday
Weekly Condition Report of Large Commercial Banks and Domestic Subsidiaries **504** (H.4.2)[3]	Wednesday	Wednesday, 1 week earlier
Weekly Summary of Banking and Credit Measures **511** (H.9)	Thursday	Week ended previous Wednesday; and week ended Wednesday of previous week
SEMIMONTHLY RELEASE		
Research Library—Recent Acquisitions **601** (J.2)	1st and 16th of month	Period since last release
MONTHLY RELEASES		
Assets and Liabilities of all Member Banks, by Districts **408** (G.7.1)	14th of month	Last Wednesday of previous month
Automobile Credit **428** (G.26)	6th working day of month	2nd month previous

[1] Release dates are those anticipated or usually met. However, it should be noted that for some releases there is normally a certain variability because of reporting or processing procedures. Moreover, for all series unusual circumstances may, from time to time, result in a release date being later than anticipated.
[2] On second Wednesday of month, contains monthly data release.
[3] Contains revised H.4.3 data.

NOTE.—The Board's official mailing list is being computerized, and new three-digit identification codes have been assigned to each individual release. The new code, as well as the current symbol, will be used for several months; thereafter, only the new code will appear.

MONTHLY RELEASES (cont.)	APPROXIMATE RELEASE DAY	DATE OR PERIOD TO WHICH DATA REFER
Capacity Utilization: Manufacturing and Materials **402** (G.3)	17th of month	Previous month
Changes in Status of Banks and Branches **404** (G.4.5)	25th of month	Previous month
Consumer Instalment Credit **421** (G.19)	3rd working day of month	2nd month previous
Debits and Deposit Turnover at Commercial Banks **406** (G.6)	25th of month	Previous month
Federal Reserve System Memorandum on Exchange Charges **628** (K.14)	5th of month	Period since last release
Finance Companies **422** (G.20)	5th working day of month	2nd month previous
Foreign Exchange Rates **405** (G.5)	1st of month	Previous month
Index Numbers of Wholesale Prices **409** (G.8)	20th of month	Previous month
Industrial Production **414** (G.12.3)	15th of month	Previous month
Interest Rates on Selected Consumer Instalment Loans at Reporting Commercial Banks **411** (G.10)	15th of month	2nd month previous
Loan Commitments at Selected Large Commercial Banks **423** (G.21)	20th of month	2nd month previous
Maturity Distribution of Outstanding Negotiable Time Certificates of Deposit **410** (G.9)	24th of month	Last Wednesday of previous month
Monthly Report of Condition for U.S. Agencies, Branches and Domestic Banking Subsidiaries of Foreign Banks **412** (G.11)	15th of month	2nd month previous
Selected Interest Rates and Bond Prices **415** (G.13)	6th of month	Previous month
Summary of Equity Security Transactions **418** (G.16)	Last week of month	Release date
Survey of Terms of Bank Lending **416** (G.14)	15th of month	3rd month previous

QUARTERLY RELEASES		
Finance Rates and Other Terms on Selected Types of Consumer Instalment Credit Extended by Major Finance Companies **120** (E.10)	25th of January, April, July, October	2nd month previous
Flow of Funds: Seasonally adjusted and unadjusted **780** (Z.1) Volume and Composition of Individuals' Saving (Flow of funds series) **118** (E.8)	15th of February, May, August, November	Previous quarter
Geographical Distribution of Assets and Liabilities of Major Foreign Branches of U.S. Banks **121** (E.11)	15th of March, June, September, December	Previous quarter
Sales, Revenue, Profits, and Dividends of Large Manufacturing Corporations **116** (E.6)	10th of March, July, September, December	2nd quarter previous

SEMIANNUAL RELEASES	APPROXIMATE RELEASE DAY	DATE OR PERIOD TO WHICH DATA REFER
Assets and Liabilities of Commercial Banks, by Class of Bank **113** (E.3.4)	May and November	End of previous December and June
Check Collection Services—Federal Reserve System **119** (E.9)	February and July	Previous six months

SEMIANNUAL RELEASES (cont.)	APPROXIMATE RELEASE DAY	DATE OR PERIOD TO WHICH DATA REFER
List of OTC Margin Stocks **117** (E.7)	June 30, December 31	Release date
Assets, Liabilities, and Capital Accounts of Commercial and Mutual Savings Banks—Reports of Call (Joint Release of the Federal Deposit Insurance Corp., the Board of Governors of the Federal Reserve System, and Office of the Comptroller of the Currency. **Published and distributed by FDIC.**)	May and November	End of previous December and June
ANNUAL RELEASES		
Aggregate Summaries of Annual Surveys of Security Credit Extension **101** (C.2)	February	End of previous June
Member Bank Income **103** (C.4)	End of May	Previous year
State Member Banks of Federal Reserve System and Nonmember Banks that Maintain Clearing Accounts with Federal Reserve Banks **403** (G.4)	1st quarter of year	End of previous year
(Supplements issued monthly)	15th of month	Previous month

Index to Statistical Tables

References are to pages A-3 through A-69 although the prefix "A" is omitted in this index

Index to Volume 63

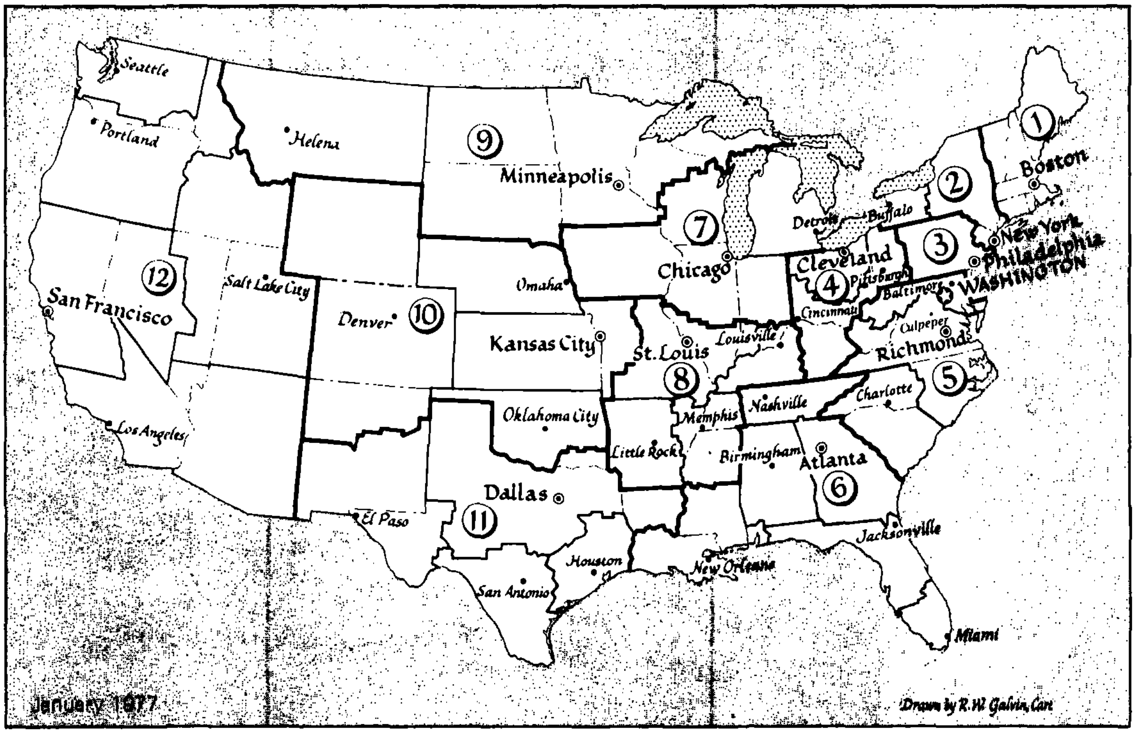
GUIDE TO PAGE REFERENCES IN MONTHLY ISSUES

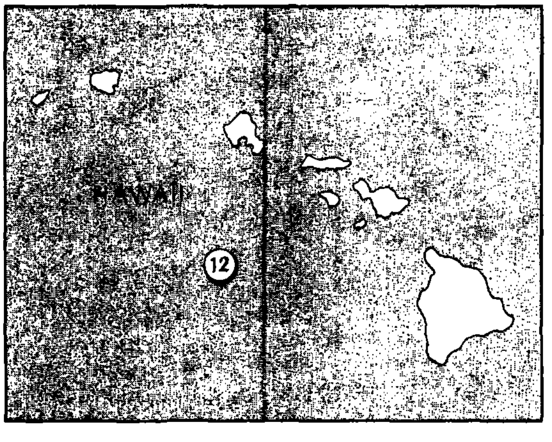
Issue	Text etc. total	Other ("A" pages) Total	Index to tables	Issue	Text etc. total	Other ("A" pages) Total	Index to tables
January ...	1–100	1–80	76–77	July	617–706	1–78	76–77
February ..	101–188	1–78	76–77	August	707–768	1–78	76–77
March	189–310	1–78	76–77	September .	769–870	1–78	76–77
April	311–432	1–78	76–77	October ...	871–964	1–78	76–77
May	433–524	1–80	78–79	November ..	965–1034	1–78	76–77
June	525–616	1–84	81–82	December ..	1035–1134	1–92	79–80

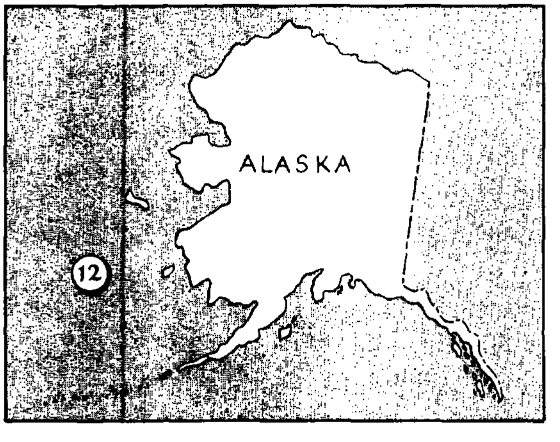
(References to "A" pages in this index are to such pages in the December issue.)

The Federal Reserve System

Boundaries of Federal Reserve Districts and Their Branch Territories







LEGEND

- Boundaries of Federal Reserve Districts
- Boundaries of Federal Reserve Branch Territories
- Board of Governors of the Federal Reserve System
- Federal Reserve Bank Cities
- Federal Reserve Branch Cities
- Federal Reserve Bank Facility

Guide to Tabular Presentation and Statistical Releases

GUIDE TO TABULAR PRESENTATION

Symbols and Abbreviations

p	Preliminary
r	Revised
rp	Revised preliminary
e	Estimated
c	Corrected
n.e.c.	Not elsewhere classified
Rp's	Repurchase agreements
IPC's	Individuals, partnerships, and corporations
SMSA's	Standard metropolitan statistical areas
REIT's	Real estate investment trusts
*	Amounts insignificant in terms of the particular unit (e.g., less than 500,000 when the unit is millions)
......	(1) Zero, (2) no figure to be expected, or (3) figure delayed or, (4) no change (when figures are expected in percentages).

General Information

Minus signs are used to indicate (1) a decrease, (2) a negative figure, or (3) an outflow.

"U.S. Govt. securities" may include guaranteed issues of U.S. Govt. agencies (the flow of funds figures also include not fully guaranteed issues) as well as direct obligations of the Treasury. "State and local govt." also includes municipalities, special districts, and other political subdivisions.

In some of the tables details do not add to totals because of rounding.

STATISTICAL RELEASES

List Published Semiannually, with Latest Bulletin Reference

	Issue	*Page*
Anticipated schedule of release dates for individual releases	December 1977	A-78