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Beep!

You're overdrawn

...electronic money is here

By MARY SALPUKAS

Mrs. Harry Appleby, a bouncy woman with glasses and salt and pepper hair, enjoys making frequent trips to the bank.

Working parttime as a clerk, she brings in her check, putting away every week towards a trip to England, takes care of bills, and handles business for members of her family.

"I like knowing I've done it," she said about her banking. "I don't trust the computers. I trust myself."

This is the way many people feel about their money, said Bruce R. Gibson, president of the new Michigan Automated Clearing House Association, which July 1 will begin operations that will help revolutionize the way money is handled.

Payroll and government checks will increasingly come directly to banks, eventually in the form of numbers on magnetic tape. Payments for groceries, clothes and other items will be made electronically right at the store, with money automatically transferred from the customer's account to the store's.

Mortgage, utility, and other bills may be paid automatically.

PEOPLE WON'T BE able to write a check a day or two ahead, because the banks will transfer credits automatically, almost instantly. Cash credits will spew forth from automatic teller machines after you insert a plastic card.

"A truly automated system would impose more discipline on people," said Leslie Ross, president of Fidelity Bank of Michigan in a recent interview.

This may sound like a development far in the future. But a huge increase in the volume of paper transfers of money, and added cost, are forcing banks to make use of new electronic technology to start making changes now.

Five years ago, an estimated 19 billion checks went through the system nationally every year.

Today that figure is 25 billion, and experts predict that five years from now the number could reach more than 40 billion.

The cost of processing a check, not including cashing it, will be 15 to 20 cents.

Electronic transfers might cost only two to four cents each, estimated Gibson, head of the clearing house who is also a vice-president of Detroit Bank and Trust.

Lower cost, convenience and speed are already bringing computers into people's everyday financial lives.

In August, local banks will start encouraging people who receive social security checks from the government to have them sent directly to the bank. Sometime in 1976, Gibson estimates, these funds will be transferred electronically.

American Motors and 80 other companies, already send many checks directly to the banks. Sometimes, they only send one check, and a list of people the money goes to. Employes then receive a statement.

The Air Force will begin paying salaries directly to the banks in September.

All these are candidates for electronic transfers.

Under this new system, information on magnetic tapes will go to one bank, it will take off the people it serves, then send the tape to the local clearinghouse.

The Federal Reserve here is offering the use of its computer facilities at nominal costs.

Various kinds of automatic tellers in many parts of the Detroit Metropolitan area already offer services ranging from simple deposits and withdrawals, to transactions that fulfill 80 per cent of a normal bank's functions.

ELECTRONIC CASH registers operate at stores such as Chatham supermarkets and Sears.

These could become what bankers call "point of sale terminals" where telephone lines link machines to credit authorization files, or directly to a customer's bank account. The machine also could print out a sales slip, adjust the store inventory and add to the store's sales figures for the day.

Because these and other transfers would take place immediately, people would not have to wait for days to have funds clear, but they would also not be able to juggle—write a check a couple of days ahead.

The answer, according to Ross of Fidelity would be an extended credit system.

It would be especially necessary, when more payments are made automatically every month-mortgages, insurance and others. People would have less control over when money goes in and leaves their accounts. For bills that vary month by month, people might wait until they want to pay it, sign the bill, and send it back. It would still be paper, but one less check.

People would carry less cash, but would have plastic identification cards, much like the credit cards of today.

As clearinghouses from different parts of the country begin to cooperate, it might make it as easy to get cash on a trip, as at home.

BUT DESPITE convenience—no lines at the bank, money available almost anywhere, anytime—people are resistant to new ways, especially with their money, said Thomas Wim, a vice-president of Detroit Bank and Trust. A person who is thinking about changing a make of car, can go out and test drive the new model, he said.

"Here it is unknown and unfamiliar." Although the new systems may eventually require identification by fingerprint and or voice print, clearinghouse president Gibson said there may be more privacy in transactions on tape than with hand-written checks that pass through many hands.

Fewer people will be needed to handle funds, but Gibson said more people would be employed in programming computers, and providing other services.

BUT FOR MRS. APPLEBY, of Birmingham, and others like her, getting used to the new systems may be difficult. On a recent afternoon at Fidelity Bank of Birmingham, as she rummaged through a big handbag for her checkbook, she said that it was very important to her to deal in-person, to know that the tellers were almost as excited as she was about her long-saved-for trip to England.

Another customer, Mrs. Rita Armstrong, 30, who works at a pharmacy, was even more emphatic.

"I don't like machines," she said. "A lot of people like convenience, but I didn't even like the drive-ins (drive-in tellers)."

"I think its more important to be aware—it's good to keep in touch with money."

But bankers see steps towards a checkless, perhaps almost cashless, society as necessary to deal with future demands.

"Our payment system is working well," said Wim, who is also a member of the operations committee of the Michigan Automated Clearing House Association. "We believe we could handle things adequately even in 1985, but we are looking beyond."

MACHA, as the clearing house is called, is a corporation owned by its member banks and will handle electronic funds transfers between banks throughout the state.

Planned to eventually become part of a nationwide network of clearinghouses, MACHA already includes the big Detroit banks, as well as Fidelity Bank of Michigan, and the National Bank of Rochester.

W. Michael Blumenthal:

Some people are trying to think of a way up

By DAN McCOSH

The executive style, a new book has it, is quiet, understated and expensive elegance, with sublime attention paid to the shoes, the wristwatch and the gold cigarette lighter.

Then who is this man who has a habit of hooking his left arm over the back of his chair, rumpling his suit and adding to an impression of a mildly bemused economics professor?

His name is W. Michael Blumenthal. Chairman of the board of Bendix Corp., he directs a $2.5 billion-plus corporation from his Southfield office. He has indeed been an economics professor, as well as U.S. ambassador, a behind-the-scenes envoy and deputy assistant secretary of state.

But the problem today is the Michigan economy, and what to do about it.

Blumenthal is the chairman of a committee called the Michigan Economic Action Council, a group representing business, labor and academia which is in the process of addressing itself to solving some of the state's current economic problems.

Working within a timetable which calls for short-term recommendations in 90 days, and a long-range plan to be completed next year, the group is already meeting.

"One can't expect a group like this to solve problems like these overnight— the problems have been around for years," Blumenthal said.

WHAT ARE the problems?

"Michigan is overly dependent on a single industry," he said.

"This in turn affects the cost of doing business. Unemployment benefits, for instance, are not particularly high in Michigan, but the deep, long cycles of unemployment tend to raise their total cost."

Diversification, then, is one of the long-range goals.

"We need to take a look at the changing patterns of consumption,"

"To take one small example, the impact of the dental health plans now being offered is to put an increasing demand on the supplemental industries— the kinds of places that manufacture dental equipment, schools, etc.

"Another area which has not really developed as much as, say, in New England, is the small, sophisticated research - oriented industry around the universities."

Blumenthal has already led Bendix away from the strong dependence on the auto industry, particularly the role of a new equipment supplier.

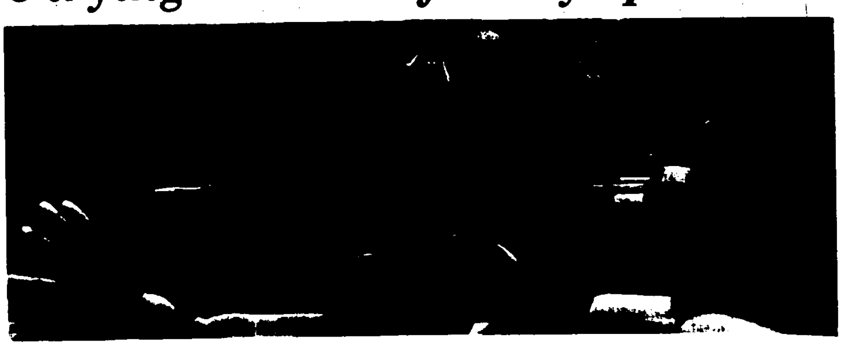
He has also increased the international orientation of the firm.

His own background is particularly well suited to this role.

Born in Germany, he fled with his family in 1939 to Shanghai.

They came to America in 1947, where he put himself through the University of California at Berkeley. Later he attended Princeton University where he emerged with a PhD in economics. An academic career was put aside when he went into business as vice president of Crown Cork International Corp.

Blumenthal's career in Washington began with the administration of John Kennedy. As assistant secretary of state in charge of economic affairs, he was deeply involved in international trade agreements, culminating with chairing the Kennedy Round of Trade Negotiations in Switzerland.



W. Michael Blumenthal at work (Staff photo by Harry Mauthe)

He came to Bendix in 1967 as president of Bendix International.

BENDIX HAD already completed its Southfield office when Blumenthal took over as president. "We are happy here, although we are already looking at expanding," he said.

The pattern of growth in the suburban Detroit area is similar to other big cities, according to Blumenthal.

"If you look at greater New York, cities like San Francisco, the percentage of people in the central city may be higher.

"There is a change...it is almost a chicken and egg question of whether the people follow the movement of some kinds of services, or whether entertainment and that kind of thing follows the population.

"Still, it is possible that this area is further along than other cities. But this enters almost a sociological realm of discussion."

THE SHORT term solutions probably will be a combination of searching for possible federal money, aid, etc., to supplement income and give a temporary boost. A search for capital to expand utility and other energy facilities is also contemplated.

Diversification is the main long-term goal, and the committee is setting a high priority on that.

OTHER MEMBERS of the committee include: Dr. Gardner Ackley, professor of political economy at U-M; Stan Arnold, of the construction trades council; Milton J. Brown, president of the livestock exchange; Leon S. Cohan, of Detroit Edison; David Easlick, of Michigan Bell; Charles T. Fisher, president of NBD; Henry Ford II; Douglas A. Fraser; Michael M. Glusac, of SEMCOG;

Vera V. Griffith, consumer affairs; Richard Grabemeyer, of Dowagiac. Dr. William Haber, of U-M; David Harper, of First Independence National Bank; Robert Holmes, Teamsters; Everett Kircher, Boyne Mountain; Peter Kizer, of WWJ-TV; James T. Maleack, Iron Mountain;

William C. Marshall, AFL-CIO; Dr. Paul W. McCracken, U-M; Charles McFadden, Flint; Dr. Collette Moser, MSU; Thomas Murphy, GM chairman; Philip Power, Suburban Communications Corp.; Gilbert F. Richards, Budd Co.; Leonard Rolston, Detroit; Alan Schwartz, Honigman Miller, Schwartz and Cohn; Stanford C. Stoddard, Michigan National Corp; Dr. Clifton R. Wharton, Jr., president of MSU.