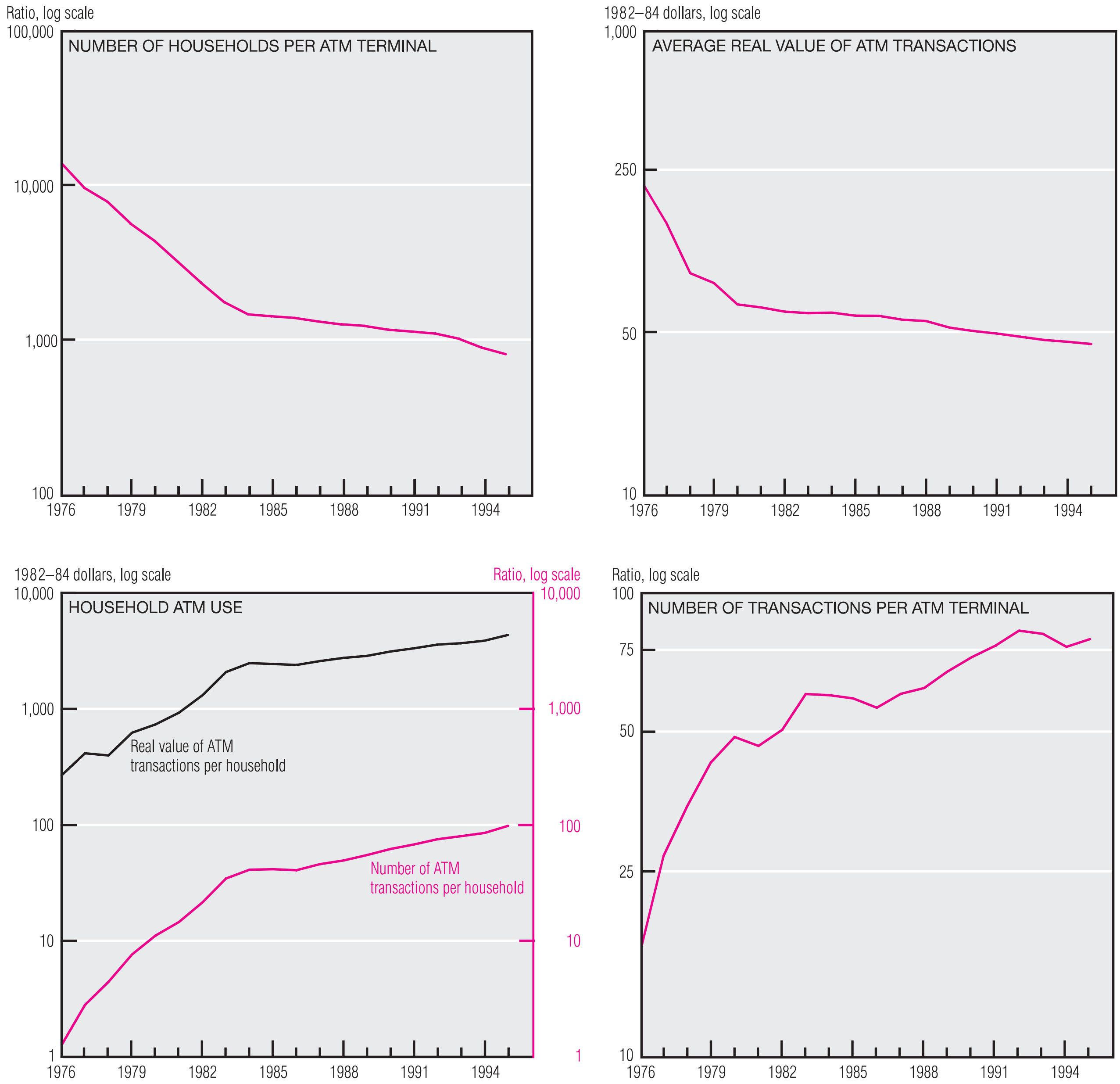
Automated Teller Machines



SOURCES: U.S. Department of Commerce, Bureau of the Census; and Board of Governors of the Federal Reserve System.

Over the past 20 years, the number of automated teller machines (ATMs) in the U.S. has increased almost 23-fold. In 1976, there was approximately one ATM per 13,700 households; by 1995, there was one per 807 households. Although the 17% annual growth in ATMs per household recorded prior to 1983 has abated, this number is still rising almost 5% yearly. The explosion in the number of ATMs has reduced the costs of banking services to consumers.

Economic theory predicts that as these costs decline, ATMs will be used more often and for smaller transactions. Both of these results have occurred. The average household now visits an ATM machine nearly twice a week, conducting a \$68 transaction (1995 dollars). The average transaction was \$211 in 1976 but only \$44 in 1995 (both in constant 1982–84 dollars). The public demand for ATMs has increased so fast that even with rapid growth in the number of machines, the number of transactions per machine has risen since 1976.

Increasingly, banks have been charging fees for using ATMs, despite complaints that it is cheaper to process a \$200 transaction from an ATM machine than through a teller. Yet, the average transaction is smaller at an ATM than inside the bank. ATM fees are one way for banks to cover the costs of ever-smaller transactions.