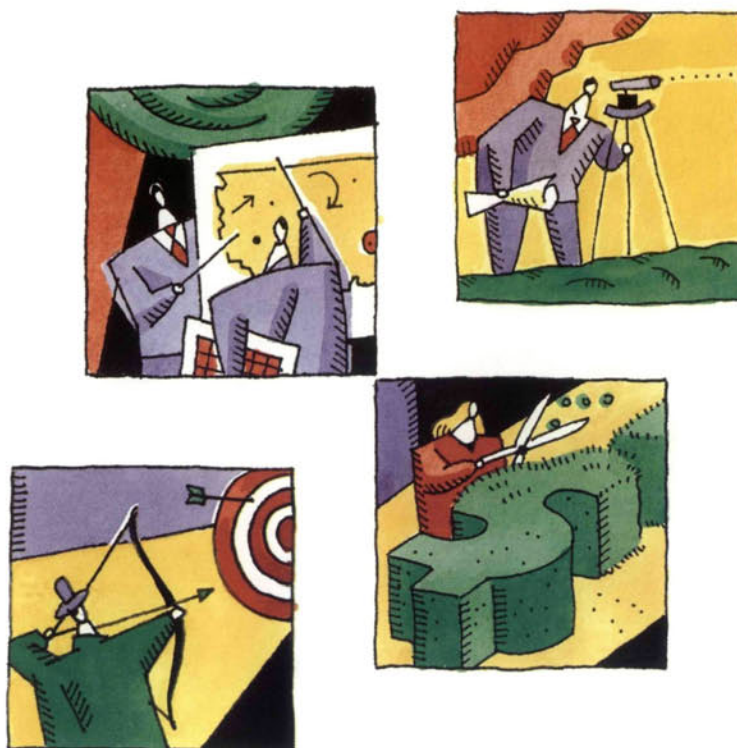


*The Federal Reserve Bank of St. Louis* | 1994 Annual Report



**A Price Stability Objective  
for Monetary Policy**

## President's Message

In recent years, members of Congress, monetary policymakers and economists have argued that the Federal Reserve System should commit to a single long-run goal of price stability for monetary policy. While the motivations of these voices for change are disparate, all focus on a single underlying problem: Under the current system, the Federal Reserve has too many goals, some of them mutually incompatible, and this might inhibit the Fed from doing all it can to enhance real incomes and raise the standard of living in the United States.

But while there may be a growing consensus on the need to reassess Fed goals, many questions remain. What types of improvements in economic performance can be expected from a more focused monetary policy? What criteria should be used to evaluate performance with respect to the goal? And what kinds of details might be important in moving to such a program? Although we may not have the definitive answers to all these questions, I believe that the arguments on the pages to follow establish a strong case for price stability as the sole goal of the Federal Reserve's monetary policy.

Before we begin, however, I want to recognize the contributions and counsel provided by the following directors who retired from the St. Louis and Branch boards in 1994: Henry G. River, St. Louis; and Barnett Grace, Little Rock. As usual, we have benefited greatly from their input on local economic conditions, as well as their private-sector management perspective in which quality and efficiency are paramount.



*Robert H. Quenon (left), Chairman of the Board, and  
Thomas C. Melzer, President and Chief Executive Officer*

**THOMAS C. MELZER**  
President and  
Chief Executive Officer



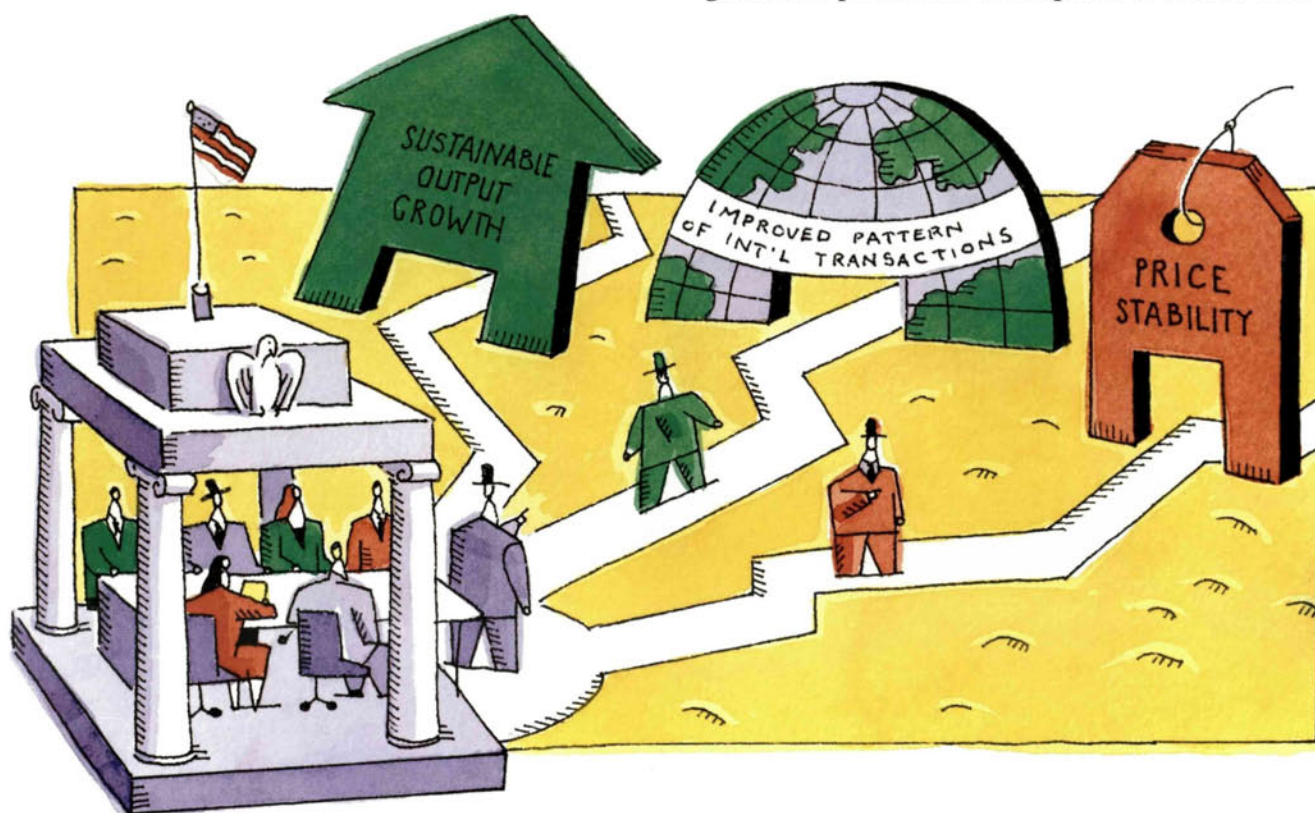
## Too Many Goals



The main monetary policymaking arm of the Federal Reserve is the Federal Open Market Committee (FOMC), which meets eight times each year to deliberate about monetary policy. After each meeting, the FOMC issues a directive, which contains instructions for policy until the next meeting, to the open market desk at the Federal Reserve Bank of New York. A portion of the directive—reaffirmed at each meeting—is a statement of what the Committee is trying to achieve through its monetary policy actions. For some years, the FOMC's policy directive has stated that the Committee "seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output..." At times, though not in the

recent past, the Committee has included the phrase "and contribute to an improved pattern of international transactions."

These short statements illustrate the main problems with the Fed's current setting of goals. First, as many as three objectives are mentioned, maybe more depending on how one interprets the phrase "pattern of international transactions." And second, the objectives are vague. How can outside observers tell if the Committee succeeded or failed to "seek conditions"? If we want to judge the FOMC based on outcomes, what is the meaning of "price stability," "sustainable output growth" and "improved pattern of international transactions"? Perhaps more important, what is the tradeoff between the various goals—to what extent is one goal to be pursued at the expense of others? These



are some of the questions being asked by those who feel it is a fundamental problem for monetary policy that the goals currently in use are too numerous and too vague.

One might counter that the Fed is a creation of the federal government and, further, that the policy directive can only reflect the fact that Congress, most recently through the Humphrey-Hawkins legislation of 1978, has assigned the Fed multiple goals. To some extent, that is exactly the point: The problem of numerous objectives for monetary policy arises in part because the legislation addressing this issue is vague, ill-defined and somewhat dated. From time to time in recent years, legislation has been introduced in Congress that would give the Fed a single long-run goal of price stability. But the main argument here concerns not the politics of the situation, but the appropriateness of the Fed's current goals.

The first, and overriding, problem is that there are too many goals. The Fed implements virtually all monetary policy decisions through a single type of action: The open market desk adds or removes reserves from the banking system. As common sense suggests, it is difficult to try to achieve multiple goals with a single policy lever. And furthermore, from a macroeconomic point of view, the Federal Reserve's only power in the long run lies in its ability to control the monetary base, which in turn is a major influence on the monetary aggregates, nominal demand growth and the

price level. Both cross-country studies and the U.S. historical record demonstrate that, in the long run, inflation reflects the past, present and expected future growth of the money supply. Short-term fluctuations around the trend rate of inflation typically correspond to such unusual factors as weather, natural disasters and oil embargoes. Although these factors can significantly affect prices, their effects tend to be transitory, ending when supply returns to normal.

**Fig. 1** The Close Relationship Between Money and Inflation (1960-93)

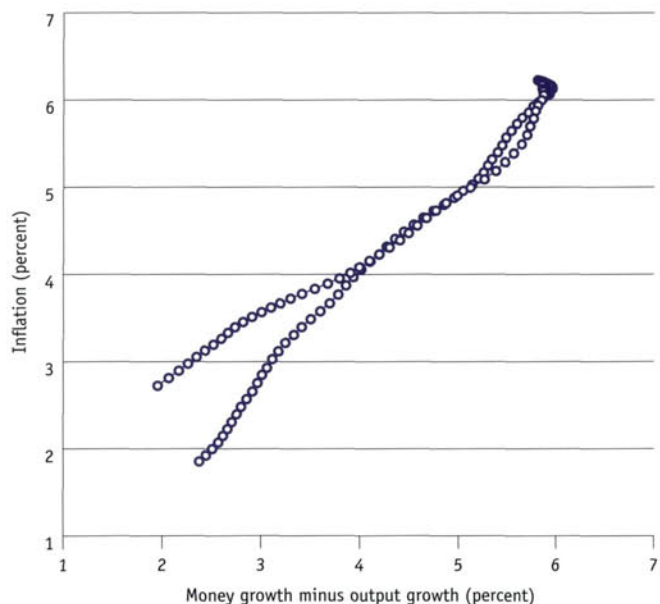


Figure 1 illustrates the long-run connection between the M2 measure of money and inflation. In this figure, money growth minus output growth is on the horizontal axis and inflation is on the vertical axis. Both the inflation and money growth data are moving averages so that they are free of the influence of factors that only temporarily



influence the inflation rate. This figure illustrates an important fact: Higher inflation tends to be associated with higher money growth. Money growth, in turn, is influenced by the Fed's decisions concerning the supply of base money. Economists often cite evidence like that in the chart to argue that, in the long run, the inflation a country experiences is determined by policy actions that influence money growth.

**The Fed implements virtually all monetary policy decisions through a single type of action: The open market desk adds or removes reserves from the banking system.**

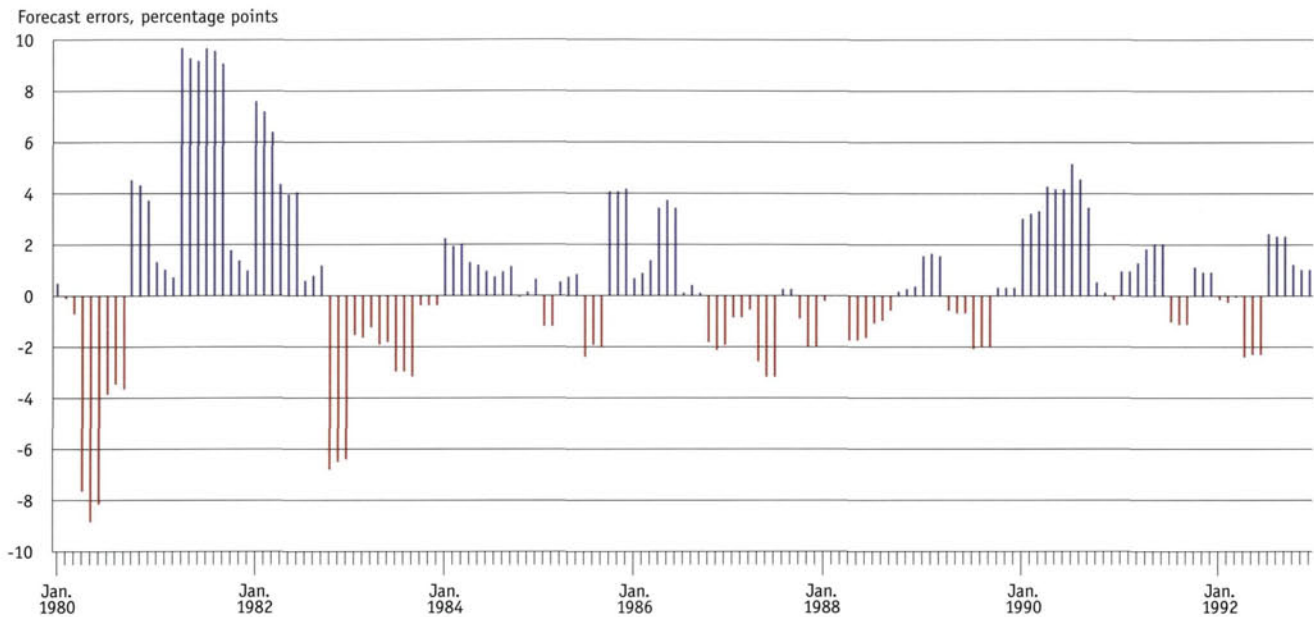
While this evidence suggests that a central bank like the Fed has considerable control over long-run inflation trends, there is much less evidence that a central bank can reliably influence real output growth, the other goal most consistently mentioned in FOMC directives.

Some argue that the goal of "sustainable growth in real output" can be attained by enacting a stabilization policy. The notion is that when real output is expected to grow at less than its trend pace, the Fed should pursue an easier policy—lowering short-term nominal interest rates, hopefully encouraging investment and consumer spending and causing real output to grow more rapidly. The opposite tack would be taken when output is expected to grow faster than its trend pace. Importantly, in conducting such a stabilization policy, it is *expected* growth in output that

matters because lags between monetary policy actions and their effects on real output growth are typically thought to be anywhere from six months to a year. This creates a key problem with the stabilization approach to monetary policy: It causes policymakers to rely heavily on forecasts of future real activity. Unfortunately, such forecasts are notoriously inaccurate.

The notion that we do not have sufficient information to implement a successful stabilization policy is an old one, and the fact that forecasts are poor is often acknowledged, but just as often ignored. So it might be useful to ponder for a moment the question of the accuracy of real output growth forecasts from quarter to quarter.

Figure 2 shows forecast errors for real GDP growth, two quarters ahead, in *Blue Chip Economic Indicators*, a monthly newsletter that summarizes the forecasts of 50 or so top prognosticators of the U.S. economy. In the figure, the date of the forecast, which ranges from January 1980 through December 1992, is given on the horizontal axis. Plotted points represent the forecast error associated with the two-quarter ahead "consensus," or average, forecast of the Blue Chip group. The main point is simple: These errors can be very large. It is not unusual for them to exceed 3 percentage points, for example, and some of the largest errors exceed 9 percentage points. What is worse, the largest errors occur around times of recession, such as 1980-82 and 1990-91,

**Fig. 2** Errors in Blue Chip Forecasts of Real Output Growth*Errors calculated as forecast minus actual.*

just the points when a stabilization approach to policy relies most on the accuracy of the forecast as a guide to policymaking. Because forecasts can be quite inaccurate, one should place a near-zero reliance on them in making policy; yet stabilization policy requires heavy use of such forecasts.

**Perhaps the most persuasive argument against the stabilization approach to monetary policy is that it is simply unwise to direct single-lever monetary policies at multiple variables.**

But perhaps the most persuasive argument against the stabilization approach to monetary policy is that it is simply unwise to direct single-lever monetary policies at multiple variables. It is also unwise to direct policy at variables over which the Fed has no long-run control, like real interest rates, unemployment and real GDP growth. There

is essentially no systematic long-run relationship between any of these variables and either monetary factors or the price level. Moreover, examples abound of how the price level can be destabilized when monetary policy is directed toward such inappropriate objectives. During both world wars, for instance, efforts to keep interest rates unduly low fueled inflation. Similar efforts to keep interest rates low in the late 1970s, to lower unemployment and cushion financial institutions from disintermediation, backfired: Monetary growth and inflation accelerated, causing nominal interest rates to rise to unprecedented heights.

These arguments suggest that output stabilization is an unwise goal for monetary policy. It is a difficult goal to achieve, and the likely gains to U.S. citizens are small. Moreover, such a policy can easily end up causing more harm than good.



## Why Price Stability?



A comforting feature of a single long-run goal of price stability for monetary policy is that achieving the goal is feasible.

The evidence that, in the long run, countries have considerable control over their trend inflation rates is abundant and clear. But achievable goals are not desirable per se. A long-run goal of price stability, however, has added benefits, in part because higher inflation is often more uncertain inflation. By allowing markets to function without confusing price signals caused by uncertainty about inflation, the Federal Reserve can act to raise the welfare of participants in the economy.

Since the time of Adam Smith, economists have used the term “invisible hand” to describe how markets change relative prices to signal resource

allocation. Inflation disrupts this market process and makes it less efficient. It is difficult for a participant in the economy, seeing a rise in a particular price, to discern whether that price change is due to changing supply and demand conditions for that good or to a change in the overall level of prices. By masking the signals given by changes in relative prices, inflation distorts decisions about where to use resources, what to produce, what to consume, where to invest, what to save, what to throw away, even what to study—the substantive decisions on which economic well-being depends.

But it is not just inflation uncertainty that is the problem. Even correctly anticipated inflation can cause economic duress. An example of this is the U.S. tax code. Because the code is not fully

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### EVOLUTION TOWARD A PRICE STABILITY OBJECTIVE

The U.S. Constitution gives Congress the responsibility for both taxation and the monetary standard, the latter having been delegated to the Federal Reserve System under Congressional oversight. This delegation occurred in 1914 with the founding of the Fed.

At the time the Federal Reserve was created, the United States was on a gold standard and the price level was determined by factors affecting the demand for

and supply of gold. Although the price level was stable over the long run, there were substantial short- and medium-term fluctuations. The Federal Reserve was created to provide an elastic source of currency, to smooth out extreme seasonal and cyclical fluctuations, within limits, by freely exchanging gold for currency at a fixed price.

The gold standard provided the anchor for long-term price

stability. During the 1930s, the gold standard was abandoned by almost every nation, and much of the history of monetary policy since then has been a search for a new standard to anchor the value of money. The post-World War II Bretton Woods agreement was an attempt to return to a modified gold standard, with the U.S. dollar tied to gold and other currencies tied to the dollar; that system was abandoned in the 1970s as inflation accelerated in

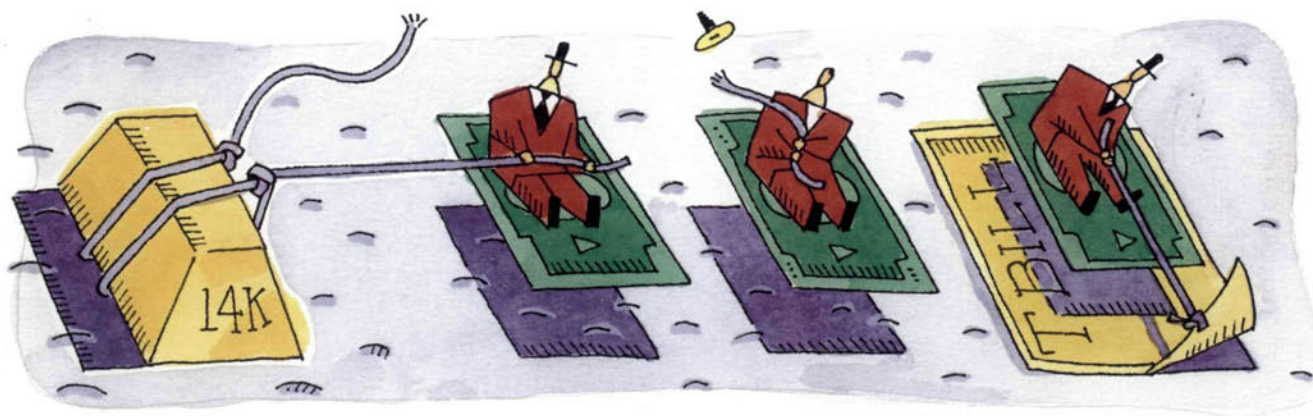
the United States and the overhang of foreign-held dollars made the existing exchange rates untenable.

On an unbacked paper money standard, the price level is determined by the way the central bank supplies the paper money. Understanding this, Milton Friedman, among others, advocated stabilizing the growth rate of the money supply around the growth rate of the real economy as a way of stabilizing the price level.

**A long-run goal of price stability has added benefits, in part because higher inflation is often more uncertain inflation.**

indexed for inflation, even moderate inflation can double effective tax rates on capital. The effect of the interaction between taxes and inflation is so large that many people advocate indexing the tax rate on capital, and such indexing has been widespread in countries with high rates of inflation. In the United States, indexation of the tax rate on capital gains has been slow in coming, but more to the point, indexation is an example of a policy change—made at the cost of considerable political resources—that is simply a response to another policy. If inflation were zero—and were credibly expected to remain zero—adjustments such as indexation would not be needed.

Anticipated inflation also wastes resources by creating activity that would not occur in the absence of inflation. For instance, with high inflation and high interest rates, buyers have an incentive to delay their payments while sellers have an incentive to speed them up. Both expend resources to overcome the efforts of the other. Resources are also hired to predict inflation and its effects. In the 1960s and 1970s, financial institutions sometimes found that predicting inflation correctly was as important as predicting the profitability of individual projects or the creditworthiness of individual borrowers. The end result was that firms paid less attention to the economic fundamentals in their industries and more attention to government policy.



For a time, it was widely thought that stabilizing the growth rate of money would

stabilize the price level. Despite the downward trend in inflation in the 1980s and

early 1990s, dissatisfaction with the usefulness of short-term monetary targets

has led the FOMC to de-emphasize them.



# What Do We Want from Monetary Policy?



The ultimate goal of economic policy is to achieve the highest standard of living possible for American citizens. But the Fed's

direct influence over the long-term trends in output and employment is negligible. These trends instead depend largely on population and technology growth, the skill and education levels of the work force and the accumulation of capital. The only lasting contribution monetary policy can make to the real output growth trend is to create an environment conducive to growth, one in which relative price signals are clear and markets

are not distorted by high and variable inflation. So what we want from monetary policy is both a lower and a more predictable inflation rate. There is a growing consensus among policymakers around the world that the long-run objective of monetary policy is appropriately price stability.

A series of inflation targets would provide information to the public about the intentions of monetary policymakers. Since 1978, that information has been transmitted in the announcement of the annual monetary targets in the Humphrey-Hawkins testimony. The FOMC was able to use

## THE MOVE TOWARD INFLATION TARGETING IN OTHER COUNTRIES

Since 1990, several countries, including New Zealand, the United Kingdom and Canada, have directed their central banks to make inflation control their main objective. Other countries, like France, and Italy, have moved toward less formal "quantified inflation objectives." Although the details differ from country to country, there are common threads in the more formal plans.

In each country, the central bank has announced a low target range for inflation—typically zero to 2 percent—as well as the pace by which inflation will be reduced. By announcing its target, the central bank firmly commits itself to a course of action, while helping the public plan

for the future by reducing uncertainty.

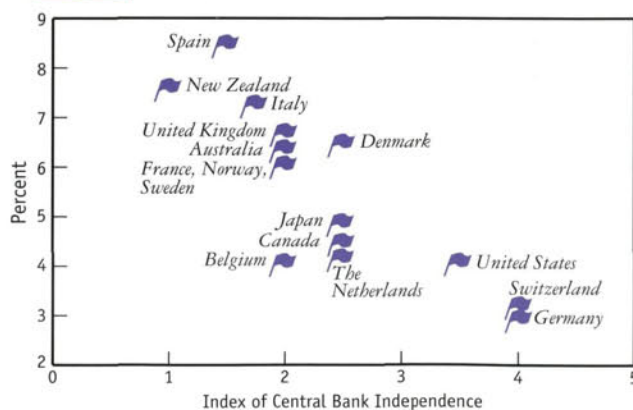
A central bank's commitment to long-term price stability can be strengthened by permitting a temporary suspension of the inflation targets in the face of extreme events, like oil price shocks. In such circumstances, a temporary increase in inflation is tolerated only until the crisis has passed. By permitting such flexibility, the policy of achieving price stability over the long run is made more credible.

In New Zealand, the United Kingdom and other countries, inflation targeting has been accompanied by increased central bank independence. In a democracy, there is always a tension between the

policymaking institutions accountable to the public and the necessity to insulate their decisions from short-term political pressure. Policymakers must be able to look beyond the next six months, or the next election, in controlling inflation. As Figure 3 below illustrates,

countries with the best records in controlling inflation are typically those with independent central banks, like Germany, Switzerland and the United States. When the central bank is an arm of the Treasury or is otherwise political, inflation rates are usually higher.

**Fig. 3** Average Inflation: 1955-88



SOURCE: Alesina and Summers (1993)

these monetary targets to stop the acceleration of inflation and eventually reduce the level to the current range. The intentions implied by the monetary targets, however, became much less clear as they were de-emphasized in setting policy over the last decade or so. As a result, since the early 1980s, further progress toward price stability has been slow. In addition, there is uncertainty about the FOMC's policy intentions.

Under the current regime, there is a commitment to price stability at some unspecified time in the future. But the public isn't buying it: Opinion surveys show long-term inflation expectations

well above current inflation rates. And market-based signals, such as long-term bond yields, continue to include a substantial premium for expected inflation as far out as 30 years.

A commitment to a long-term objective is needed to reduce the welfare loss that accompanies unpredictable changes in the trend rate of inflation. Credibility is paramount if the Fed is to reduce long-term interest rates and remove the risk premium that investors require because the long-term inflation rate is uncertain. One way to enhance credibility is by committing to a price-level objective.

Of course, even the best monetary policy can be foiled by irresponsible fiscal policy. If the government can't pay its bills, it may be tempted to force the central bank to pump out money to fund budget deficits or finance the operations of state-owned enterprises. To reduce this threat, and to lend credibility to inflation control, countries often adopt budgetary reforms.

The nations that have chosen to pursue inflation targeting have given their central banks an explicit mandate to control inflation as well as the independence to act as needed to achieve the objective. Central bank officials are held accountable for meeting the inflation targets. In New Zealand, for example, the

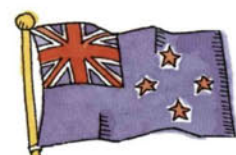
governor of the central bank can be dismissed if he fails to meet the inflation objective.

Thus far, the governor of the Bank of New Zealand has kept his job. Indeed, the experiments in New Zealand, Canada and the United Kingdom seem to have been quite successful in bringing down inflation. These countries have recently enjoyed lower rates of underlying inflation and higher output growth than the average OECD country.

Perhaps because of its long history of poor inflation performance (see figure), New Zealand has taken the most serious measures to commit to its inflation targeting policy. Today, the Bank of New Zealand is probably

the most independent central bank in the world. Although the country's inflation target is set by the government under the Reserve Bank Act, the government is forbidden from instructing the Bank on the operation of monetary policy. New Zealand has also implemented fiscal reforms to reduce its deficit, and thereby lessen the likelihood that its central bank will be called upon to finance government expenditures.

How successful has it been since these reforms were instituted? New Zealand's inflation rate declined precipitously in 1991 during a severe recession that saw unemployment rise. After the fall of inflation, however, long- and short-term interest



rates fell, output began to recover and unemployment began to fall again. Currently, New Zealand is enjoying the best of both worlds, with underlying inflation below 2 percent and very strong output growth.



## *An Objective for the Outcome, Not a Rule for Behavior*



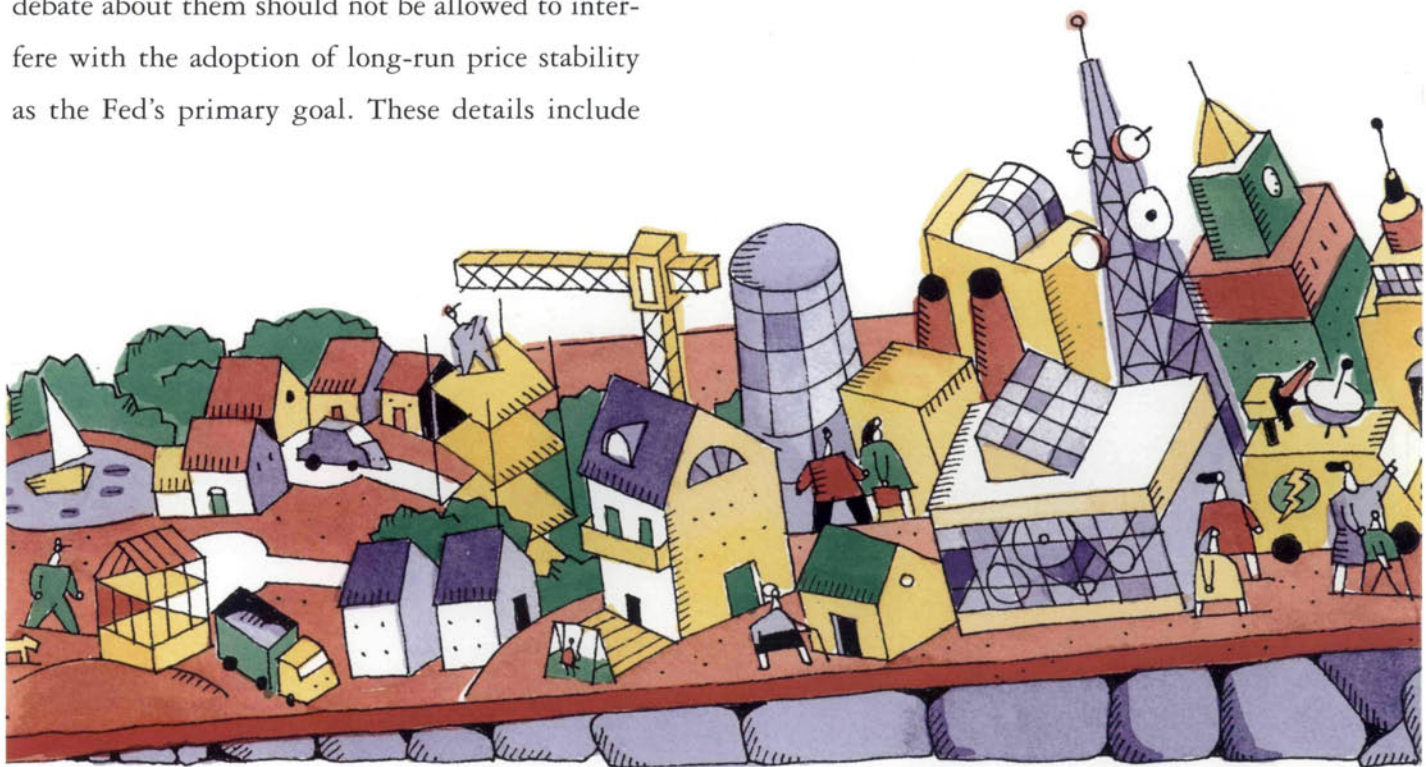
Because the term “price stability” does not have the same meaning to all interested observers, an explicit price-level objective would remove ambiguity.

A price-level objective would offer a form of long-run commitment. If such a policy is credible, then long-term interest rates will reflect only the expected real rate of return to capital, plus the expected inflation rate; in other words, there will be no inflation uncertainty premium. If, in addition, the expected long-run rate of inflation is near zero, real interest rates will be as low as they can be, consistent with real factors, simply because both the expected inflation component and the expected variability of inflation will be near zero.

The details of such a plan can be important, but debate about them should not be allowed to interfere with the adoption of long-run price stability as the Fed’s primary goal. These details include

choosing an appropriate index to target and an exact numerical goal, deciding how to handle unforeseen contingencies, and developing tactics to achieve the long-run objective.

An explicit long-term objective could still provide a framework within which to apply judgment and discretion. Discretion is needed because strict rules cannot be optimal in all situations. But a commitment to a long-term objective is also needed to inform people about policy intentions so that policy can be flexible when new and unexpected situations arise. The idea is to increase the incentive for policymakers to keep an eye on the long-run objective, even as they respond to special circumstances, thus leading to better policy and enhanced credibility.





## Let's Return to Low Long-Term Interest Rates



In the long run, monetary policy is the principal determinant of the price level. Because both inflationary trends in the price level and uncertainty about future price levels cause distortions in market price signals and waste resources, the Federal Reserve should not only use its influence to stabilize the price level in the long run but also announce precisely its long-term price level objective. That the federal government has paid as much as 8 percent interest on long-term

borrowing in the past year is a measure of considerable market uncertainty about future inflation. In the early 1960s, a time of quite low inflation, the federal government borrowed long term at about 4 percent. Monetary policymakers need to re-establish that kind of credibility.

**The Federal Reserve should not only use its influence to stabilize the price level in the long run but also announce precisely its long-term price level objective.**

Announcing a long-term price stability objective and then directing monetary policy toward achieving it represents the best that monetary policy can do to provide an economic environment within which labor, credit and goods markets can function effectively to generate jobs, saving and growing standards of living.





*Statement of Condition* (thousands of dollars)

	December 31, 1994	December 31, 1993
<b>ASSETS</b>		
Gold certificate account <sup>(1)</sup> .....	\$ 429,000	\$ 392,000
Special Drawing Rights certificate account <sup>(2)</sup> .....	168,000	168,000
Coins .....	22,548	21,650
Loans to depository institutions .....	89,244	1,250
Securities:		
Federal agency obligations .....	144,632	163,772
U.S. government securities .....	14,496,995	11,722,725
Total Securities .....	<u>\$14,641,627</u>	<u>\$11,886,497</u>
Cash items in process .....	194,541	246,352
Bank premises (net) .....	30,097	30,861
Other assets .....	815,347	783,320
Interdistrict settlement account .....	4,307,572	1,856,794
Total Assets .....	<u>\$20,697,976</u>	<u>\$15,386,724</u>
<b>LIABILITIES</b>		
Federal Reserve notes .....	\$19,229,277	\$14,005,725
Deposits:		
Depository institutions .....	940,714	906,693
Foreign banks .....	3,079	3,183
Other deposits .....	22,461	9,254
Total Deposits .....	<u>\$ 966,254</u>	<u>\$ 919,130</u>
Deferred availability credit items .....	157,555	214,670
Other liabilities .....	175,340	98,533
Interdistrict settlement account .....	0	0
Total Liabilities .....	<u>\$20,528,426</u>	<u>\$15,238,058</u>
<b>CAPITAL ACCOUNTS</b>		
Capital paid in .....	\$ 84,775	\$ 74,333
Surplus .....	84,775	74,333
Total Capital Accounts .....	<u>\$ 169,550</u>	<u>\$ 148,666</u>
Total Liabilities and Capital .....	<u>\$20,697,976</u>	<u>\$15,386,724</u>

<sup>(1)</sup>This Bank's share of gold certificates deposited by the U.S. Treasury with the Federal Reserve System

<sup>(2)</sup>This Bank's share of Special Drawing Rights certificates deposited by the U.S. Treasury with the Federal Reserve Bank of New York

## Income and Expenses (thousands of dollars)

	December 31, 1994	December 31, 1993
<b>EARNINGS</b>		
Interest on loans to depository institutions .....	\$ 2,163	\$ 692
Interest on government securities .....	737,666	537,604
Earnings on foreign currency .....	19,592	28,783
Revenue from priced services .....	31,044	30,570
All other income .....	173	210
Total Current Income .....	<u>\$790,638</u>	<u>\$597,859</u>
<b>CURRENT EXPENSES</b>		
Current operating expenses .....	\$ 88,200	\$ 80,832
Less reimbursables .....	(11,156)	(10,541)
Current net operating expenses .....	\$ 77,044	\$ 70,291
Cost of earnings credits .....	4,865	3,603
Current net expenses .....	<u>\$ 81,909</u>	<u>\$ 73,894</u>
Current net income .....	<u>\$708,729</u>	<u>\$523,965</u>
<b>PROFIT AND LOSS</b>		
Additions to current net income:		
Profit on sale of government securities (net) .....	\$ 0	\$ 1,226
Profit on foreign exchange transactions (net) .....	52,906	6,080
All other additions .....	0	0
Total Additions .....	<u>\$ 52,906</u>	<u>\$ 7,306</u>
Deductions from current net income:		
Loss on sale of government securities (net) .....	\$ 988	\$ 0
Loss on foreign exchange transactions (net) .....	0	0
All other deductions .....	\$ 7	\$ 31,391
Total Deductions .....	<u>\$ 995</u>	<u>\$ 31,391</u>
Net additions or deductions .....	51,911	(24,085)
Cost of unreimbursed Treasury service .....	(1,821)	(1,774)
Assessment by Board of Governors:		
Expenditures .....	(3,224)	(3,187)
Federal Reserve currency costs .....	(14,994)	(14,141)
Net Income Available for Distribution .....	<u>\$740,601</u>	<u>\$480,778</u>
<b>DISTRIBUTION OF NET INCOME</b>		
Dividends paid .....	\$ (4,765)	\$ (4,293)
Payment to the U.S. Treasury		
(interest on Federal Reserve notes) .....	(725,338)	(472,140)
Transferred to surplus .....	10,498	4,345
Surplus, January 1 .....	\$ 74,277*	\$ 69,932
Surplus, December 31 .....	<u>\$ 84,775</u>	<u>\$ 74,277*</u>

\*The 1993 Surplus amount on the Statement of Condition (\$74,333) differs from the amount shown on the Income and Expenses statement (\$74,277) by \$56,000. This amount represents cancellation of Federal Reserve Stock that should have occurred in 1993. Notification, however, was not received until January 1994.



## Operating Statistics

OPERATIONS	Number of Pieces Handled		Dollar Amount (thousands)	
	1994	1993	1994	1993
<b>SERVICES TO DEPOSITORY INSTITUTIONS</b>				
Check Services:				
U.S. government checks.....	28,815,000	29,055,000	22,650,000	22,760,000
Postal money orders .....	200,060,000	191,950,000	23,764,000	22,207,000
Commercial checks .....	648,181,000	611,673,000	385,435,000	390,836,000
ACH Services:				
Commercial .....	135,249,000	115,076,000	526,357,934	480,344,000
U.S. government.....	28,952,000	26,683,000	67,882,000	62,959,000
U.S. Government Coupons Paid .....	14,494	23,348	5,869	10,903
Currency Received and Counted .....	834,639,000	772,778,000	12,178,573	9,771,590
Wire Transfer of Funds .....	3,494,343	3,322,167	4,603,192,000	4,452,005,000
Loans to Depository Institutions .....	1,000	570	1,602,000	900,000
<b>SERVICES TO U.S. TREASURY</b>				
Transfer of Government Securities.....	163,686	158,219	245,548,000	315,931,000
Food Stamps Redeemed .....	275,644,000	267,666,000	1,371,881	1,348,243

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Conway, Arkansas

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M. A. Shelton Farming Company  
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Trust Company  
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Legal Director  
Louisville & Jefferson County  
Metropolitan Sewer District  
Louisville, Kentucky

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University of Missouri  
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Senior Vice President

Joan P. Cronin  
Senior Vice President

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Senior Vice President

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Senior Vice President, General  
Counsel & Secretary

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Vice President

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Michael D. Renfro  
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Assistant Vice President

John W. Block  
Assistant Vice President

Timothy A. Bosch  
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Secretary to the Board

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Thomas R. Callaway  
Assistant Vice President

Marilyn K. Corona  
Operations Officer

### **LOUISVILLE BRANCH**

W. Howard Wells  
Vice President & Manager

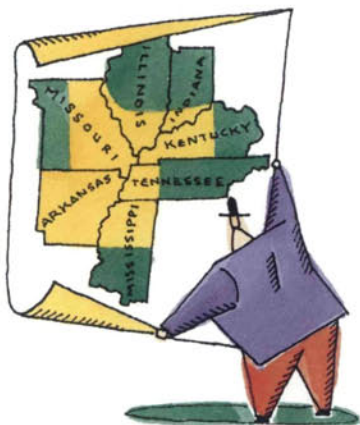
Thomas A. Boone  
Assistant Vice President

Thomas O. Short  
Assistant Vice President

### **MEMPHIS BRANCH**

John P. Baumgartner  
Vice President & Manager

Michael R. Sinnett  
Assistant Vice President



*Eighth Federal Reserve District*

**FEDERAL RESERVE BANK  
OF ST. LOUIS**

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Louisville, Kentucky 40202  
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**MEMPHIS BRANCH**

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