



WHAT EFFECTS WILL INTERSTATE BRANCHING HAVE ON THE EIGHTH DISTRICT?

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ST. LOUIS -- Congress is about to pass legislation that will permit nationwide interstate branching in the United States beginning in 1997. What effect will this have on U.S. consumers, businesses and the banking industry?

In "Going Interstate: A New Dawn for U.S. Banking," the lead article in the summer issue of The Regional Economist, the St. Louis Fed's quarterly review of business and economic issues affecting the Eighth Federal Reserve District, Economist Michelle A. Clark examines the pros and cons of nationwide interstate branching.

As geographic barriers to interstate branching are eliminated, the composition of local banking markets and the services offered will change. How much things will change is still unknown.

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"What is known is that markets located in states with already liberalized banking and branching laws will experience little change," says Clark.

"On the other hand, in states like Arkansas and Missouri--with limited branching and regional reciprocal interstate banking laws--a lot of change could occur."

"Nevertheless, the perceived benefits of interstate branching--to consumers, businesses and the banking industry--outweigh its perceived costs and banks should emerge leaner and meaner after nationwide interstate branching is enacted," adds Clark.

Two additional articles complete the publication: "Commodity Price Indexes: Can They Predict Inflation?," by Kevin L. Kliesen, who discusses what commodity prices tell us about future inflation rates and "Letting the Good Times Roll on Riverfront Casinos," by Adam M. Zaretsky, who examines the economic effect gambling will have on the Eighth Federal Reserve District.

The Federal Reserve Bank of St. Louis has branches in Little Rock, Louisville and Memphis. It serves the Eighth Federal Reserve District, which includes all of Arkansas, eastern Missouri, southern Indiana and Illinois, western Kentucky and Tennessee, and northern Mississippi.

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