News Release

THE FEDERAL RESERVE BANK of ST. LOUIS

LIGHT RAIL: IS THE CONVENIENCE WORTH THE COST?

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ST. LOUIS -- No one disputes that light rail transportation is energy-efficient and capable of reducing traffic congestion. Passenger revenue, however, does not cover light rail's operating expenses. Where does the extra money come from? Are U.S. taxpayers being taken for a ride?

In "Riding the Rails: A Look at Light Rail Transit," the lead article in the current issue of The Regional Economist, the St. Louis Fed's quarterly review of business and economic issues affecting the Eighth Federal Reserve District, Economist Adam M. Zaretsky examines the pros and cons of light rail transportation.

Despite problems with both low ridership and revenue, cities continue to build bigger and more sophisticated light rail systems, partly because the federal government is willing to spend money to support these projects and partly because local leaders see light rail as a way to attract new business.

(more)

According to Zaretsky, the effectiveness of a rail system depends heavily on the commuting patterns of the area and the ability of industry to locate along the rail line in the future.

"If rail construction is not carefully planned, cities will end up with little more than expensive tourist movers paid for with government dollars," adds Zaretsky.

Two additional articles complete the publication: "Demystifying Derivatives," by Economist Michelle A. Clark, who explains derivatives and "District Economic Update: Will the Sailing Remain Smooth?," by Economist Kevin L. Kliesen, who gives an update on the Eighth District economy.

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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