



NEWS RELEASE

The Federal Reserve Bank of St. Louis
St. Louis Little Rock Louisville Memphis

Media Advisory (2/11/97)

St. Louis Fed's *Review* Considers the Federal Reserve's Involvement in the Retail Payments System and the FOMC's Goal of Price Stability

Contact: Charles B. Henderson (314) 444-8311

The latest edition of *Review*, the Federal Reserve Bank of St. Louis' bimonthly journal of economic and business issues, features the following articles:

- **“Clearing and Settlement of U.S. Dollar Payments: Back to the Future?”** Since 1980, when Congress required the Federal Reserve System to begin charging for its financial services to depository institutions, the Federal Reserve Banks' share of U.S. dollar payments has declined. Although economists Bruce J. Summers and R. Alton Gilbert conclude that this trend is not likely to lead to the kind of inefficiencies in the payments system that existed before the Fed was created, they show how the Reserve Banks must continue to provide certain services to fulfill the central bank's obligation to ensure the safety of the payments system.
- **“The FOMC in 1995: A Step Closer to Inflation Targeting?”** For several years, monetary policy actions by the Federal Reserve have appeared to reflect an objective of stabilizing the rate of inflation around a 3 percent trend. Economist William T. Gavin

(more)

St. Louis Fed Advisory/2

reviews the actions of the FOMC in 1995 against a backdrop of a declining role for monetary targets and a growing emphasis on the Federal Reserve's objective to control inflation.

- **“Price Stability and the Efficiency of the Retail Payments System.”** Fostering price stability and maintaining the integrity and efficiency of the payments system are two of the Federal Reserve's most important policy mandates, but they are rarely discussed together. Economist William R. Emmons illustrates how price stability could lower nominal interest rates and reduce the incentive to choose float-intensive — and costly — payment instruments.

- **“Are Prices Countercyclical? Evidence from East Asian Countries.”** Recent controversy in macroeconomic research concerns the cyclical behavior of prices. Using quarterly data for Korea and Taiwan, economist Yang Woo Kim shows that the price level has moved countercyclically in both countries, while the inflation rate has been procyclical.

###