NEWS RELEASE

The Federal Reserve Bank of St. Louis
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<u>Media Advisory</u> (5/1/97) **Contact: Charles B. Henderson (314) 444-8311**

The Regional Economist Looks at Generational Accounting, District Banks' Profits and the Economics of Traffic Congestion

The April 1977 edition of ***The Regional Economist***, the Federal Reserve Bank of St. Louis' quarterly journal of economic and business issues, features the following articles:

• **"Assessing the Generational Gap in Future Living Standards Through Generational Accounting."** Paying more taxes isn't attractive to anyone, but would you consider doing so if it meant that future generations, including your children, would perhaps pay less? That could be a possibility if policymakers analyzed the country's fiscal policies using "generational accounting." Weighing the advantages and shortcomings of generational accounting, economist Kevin L. Kliesen finds that even its critics don't dispute its fundamental point: Maintaining current fiscal policy indefinitely means that future generations will have to bear a larger tax burden than those of us living today, even under more optimistic growth assumptions.

•**"Are District Banks Losing Their Profit Edge?"** Last year was a banner year for banks across the United States, including those in the Eighth District, which posted a record return on average assets (ROA). U.S. peer banks, however, are beginning to record higher ROA figures than District banks, reversing a decades-long trend. Andrew P. Meyer and Mark D. Vaughan, economists in the Banking Supervision & Regulation Division at the Federal

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Reserve Bank of St. Louis, look at data which reveal that overhead expenses in general and personnel expenses in particular are the reasons for this reversal. They find valid reasons for these greater expenses: the strength of the Midwestern economy, including low unemployment, which has put upward pressure on wages; a shift in banking activity in the District from urban to rural areas; and increased consolidation in the banking industry.

• **"Rush-Hour Horrors: How Economics Tackles Congestion."** If it seems to be taking you longer to drive to work these days, you're probably right. More and more drivers want to get from here to there at the same time on limited road space. Adam M. Zaretsky, an economist at the Federal Reserve Bank of St. Louis, offers a solution: tolls. He argues that putting tolls on roads may be the best solution to congestion because they would better allocate the limited space and force drivers to realize the true cost of their commutes.

Subscriptions to ***The Regional Economist*** are free and can be obtained by calling (314) 444-8809. The publication is also available on the Internet: http://www.stls.frb.org.

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, southern Illinois, western Kentucky, western Tennessee and northern Mississippi. In addition to serving as a bank for depository institutions and the U.S. government, each Reserve Bank supervises state-chartered member banks and bank holding companies, monitors economic conditions in the District and participates in formulating monetary policy.

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