



NEWS RELEASE

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

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**St. Louis Fed's *Regional Economist*:
Debate on ATM Surcharges
Critiquing the CPI
Economic Summary on 8th District Real Estate Activity**

The July 1997 edition of *The Regional Economist*, the Federal Reserve Bank of St. Louis' quarterly journal of economic and business issues, features the following articles:

- **“What Price Convenience: The ATM Surcharge Debate.”** Millions of Americans are hooked on the convenience of automated teller machines (ATMs), but getting cash out of them is getting more expensive, as surcharges are being tacked on. Consumer groups and politicians claim surcharges are bad for the consumer and put smaller financial institutions at a competitive disadvantage. Economist Michelle Clark Neely finds that surcharges may not necessarily lead to large-scale cutbacks in how consumers use ATMs and that the evidence is not clear that surcharges will lead to lessened competition.
- **“Critiquing the CPI.”** The Senate Finance Committee released a report last year that claimed the consumer price index (CPI) overstated the actual rate of price inflation by a little more than 1 percentage point a year. Economists have known for some time that the CPI overstates inflation — and, therefore, the changes in the cost of living — but the question is:

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What can be done to improve the CPI, the best known measure of inflation? Economist Kevin L. Kliesen looks at the CPI's strengths and weaknesses, as well as some alternative proposals to measuring the cost of goods and services.

• **“Economic Briefing: Permits, Contracts and Closings in the Fed’s 8th District.”** A strong economy and low mortgage rates were a boon for residential construction in 1996 in the Federal Reserve’s Eighth District. Although housing affordability (median income vs. median home prices) in three of the District’s major metropolitan areas — St. Louis, Little Rock and Memphis — worsened a bit, economist Adam M. Zaretsky says that the growth in median home prices also meant an increase in household wealth.

Subscriptions to *The Regional Economist* are free and can be obtained by calling (314) 444-8809. The publication is also available on the Bank’s website: <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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