



NEWS RELEASE

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

Media Advisory
October 28, 1997

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St. Louis Fed's *Review*:
Credible Monetary Policy to Sustain Growth
The FOMC in 1996: "Watchful Waiting"
The Rich and the Poor: Demographics of U.S. Wealth Distribution
Do Inventories Moderate Fluctuations in Output

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

- **"Credible Monetary Policy to Sustain Growth."** In a reprint of a speech delivered in June of this year to a group of bankers, Thomas C. Melzer, the president and chief executive officer of the Federal Reserve Bank of St. Louis, responds to the critics of the Fed's monetary policy and outlines some ideas for maintaining sustainable, noninflationary economic growth. Credibility, Melzer contends, is a key aspect of successful monetary policy.
- **"The FOMC in 1996: "Watchful Waiting."** Reviewing the policy actions of the Federal Open Market Committee (FOMC) last year, economists Michael J. Dueker and Andreas M. Fischer conclude that the FOMC intended to insure that inflation was contained near 3

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percent in 1996, but did not intend to bring down the trend rate of inflation. In addition, they argue that the United States will probably not achieve long-term price stability until the Federal Reserve establishes a timetable to get there.

- **“The Rich and the Poor: Demographics of the U.S. Wealth Distribution.”** Extending the previous articles he wrote for the *Review* in 1995 and 1996, economist John C. Weicher examines the distribution of wealth in the United States to present a detailed look at the demographics of the richest and poorest households. His interesting and provocative conclusions are: The national hand-wringing over who is rich and who is poor should be tempered by the apparent fact that “the rich” are a changing group, even over short periods of time; most of the nation’s rich, in the American tradition, are entrepreneurs; less than 8 percent of the net worth of households in the richest 1 percent comes from inheritance and more than half of the richest households didn’t inherit anything of significant financial value.

- **“Do Inventories Moderate Fluctuations in Output?”** Inventories are widely believed to serve as a buffer stock against unexpected fluctuations in demand, allowing firms to plan their production more efficiently. If so, we would expect production to vary less than sales and inventory to move in the opposite direction of sales. Research by economist Donald S. Allen, however, finds that production varies more than sales, and that there is a positive correlation between changes in inventory and changes in sales. His findings imply that inventories are not being used to smooth production and don’t serve as a buffer for uncertain demand.

Subscriptions to *Review* 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>.

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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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