



# NEWS RELEASE

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

**Media Advisory**  
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**St. Louis Fed's *Review*:**  
**Economic Models of Employee Motivation**  
**A Layman's Guide to Technical Analysis in the Foreign Exchange Market**  
**The Business Cycle and Chain-Weighted GDP**  
**The Demand for Divisia Money in a Core Monetary Union**

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:

• **“Economic Models of Employee Motivation.”** While there seems to be no end to books or consultants on employee motivation, most deal with non-salary rewards. Economists Joseph A. Ritter and Lowell J. Taylor look at the link between productivity and pay, with an objective of putting economists' ideas into words that non-economists can understand. Ritter and Taylor conclude that wages are still an essential component in motivating employees and that organizations should carefully consider how — and how much — to pay them.

• **“Technical Analysis in the Foreign Exchange Market: A Layman's Guide.”**

Economists have traditionally been skeptical of the value of technical analysis, the use of past price behavior to guide trading decisions in asset markets. Instead, they have relied on the

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## **St. Louis Fed's *Review*/2**

logic of the efficient market hypothesis. Economist Christopher J. Neely briefly explains the fundamentals of technical analysis and the hypothesis of efficient markets as they apply to the foreign exchange market, evaluates the profitability of simple trading rules, and reviews recent ideas that might justify extrapolative technical analysis.

- **“The Business Cycle and Chain-Weighted GDP: Has Our Perspective Changed?”**

Economists' perspective on the U.S. economy's recent performance has been challenged by changes in the methodology used to adjust the National Income and Product Accounts for inflation. (Published by the Department of Commerce, the National Income and Products Accounts are the accounts describing gross domestic product and its components.) Michael R. Pakko surveys the changes embodied in the revised data and examines the question of whether the revisions alter our view of the overall pattern of economic fluctuations known collectively as the business cycle.

- **“The Demand for Divisia Money in a Core Monetary Union.”** Proponents of an aggregation theoretic approach to money demand argue that simple-sum measures do not capture the theoretical notion of money, especially for broad monetary aggregates. European monetary aggregation, which uses indices for monetary services, appears to be an attractive alternative because these indices can account for the imperfect substitutability between different currencies. Economist Katrin Wesche applies the aggregation theoretic framework to money holdings of European residents and compares the resulting index to simple-sum M3. She concludes that the Divisia index of European monetary services may provide additional insight into money demand during the transition to monetary union (EMU).

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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>.

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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