



NEWS RELEASE

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

Media Advisory
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**St. Louis Fed's *Regional Economist*:
The "New" Economy and Productivity;
Banks Cope With Deposit Shortages;
Auctions and Economic Theory**

ST. LOUIS — The January 1998 edition of *The Regional Economist*, the Federal Reserve Bank of St. Louis' quarterly journal of economic and business issues, features the following articles:

- **"A Brave New World? The Productivity Puzzle."** Many economists, pundits and policymakers are proclaiming that the record low inflation, low unemployment and strong economic growth experienced recently by the United States are the results of a new economic paradigm brought about by growth. St. Louis Fed economist Kevin L. Kliesen argues that it's too early to tell if the good productivity gains that the country has enjoyed in the last year are permanent or temporary, and concludes that an increase in productivity by itself will not be enough to keep inflation low or stable.

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- **“Both a Lender and a Borrower Be: Banks Face a Deposit Shortage.”** Faced with a shortage of deposits, an increasing number of banks in the Eighth District are finding that they can get “instant liquidity” through wholesale funding sources like the Federal Home Loan Bank (FHLB) system. Michelle Clark Neely, an economist at the St. Louis Fed, cautions that although the banking industry is well-capitalized and liquidity is readily available, there are some causes for concern if credit quality deteriorates unexpectedly or returns on loan portfolios start to fall.

- **“Going Once, Going Twice, Sold: Auctions and the Success of Economic Theory.”** In 1994, for the first time, the Federal Communications Commission (FCC) auctioned electromagnetic spectrum bandwidth to firms interested in using it for personal communications services. Since then, the FCC has raised more than \$23 billion. Economist Adam M. Zaretsky uses the FCC’s success with the auction to help explain game theory, an area of economics that looks at the strategic interaction and decision-making behavior of players in a game. He suggests that the FCC’s success with auctions could potentially be extended to other areas, such as oil and mineral rights, foreclosed homes and even landing rights at airports.

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>.

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