



NEWS RELEASE

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

Media Advisory
May 8, 1998

Contact:
Charles B. Henderson (314) 444-8311

St. Louis Fed's *Regional Economist*:
The Commercial Paper Market: Who's Minding the Shop?
How Susceptible is the United States to the Asian Flu?
With Tailwinds Blowing, District Economy Sails On

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

• **“The Commercial Paper Market: Who's Minding the Shop?”** In 1997, Mercury Finance Co., a major player in the automobile lending business, surprised financial markets by defaulting on \$315 million in commercial paper — 60 percent of its outstanding commercial paper and 30 percent of its outstanding debt. That caused some observers to wonder if financial markets today could withstand the kind of shock created by the “meltdown” of the Penn Central Railroad in 1970, when it defaulted on \$82 million in commercial paper. Dusan Stojanovich and Mark D. Vaughan, economists in the Banking Supervision & Regulation Division of the St. Louis Fed, conclude that because no Penn Central-sized crisis has occurred in the past 27 years, the market remains essentially untested.

(more)

St. Louis Fed Advisory/2

- **“How Susceptible Is the United States to the Asian Flu?”** The main question to arise from Asia’s recent financial problems is whether their weaker currencies and weaker economies will slow the growth of the U.S. economy. Weighing the various factors and potential scenarios, Kevin L. Kliesen, an economist with the St. Louis Fed, concludes that any escalation of the trade deficit brought on by Asia’s financial woes is likely to be temporary.
- **“With Tailwinds Blowing, the District Economy Sails On.”** Gross state product has been very strong among the seven states in the Federal Reserve’s Eighth District in the last several years, with the region’s output growth outpacing the national average. Evaluating the latest data on the region, St. Louis Fed economist Adam M. Zaretsky finds that although the District economy has done remarkably well, employment growth in the region is slowing, which means that the District may not be able to maintain its current pace of output growth.

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>.

###