



NEWS RELEASE

The Federal Reserve Bank of St. Louis
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**St. Louis Fed's *Regional Economist*:
"Rational Index" Ranking of U.S. Metro Area: Voting with Your Feet
Asset Prices and Market Speculation
Is the Bloom Off the Rose for Eighth District Farmers?
Evansville, Ind.: An Overlooked Market Gets Noticed**

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

- **"'Voting with Your Feet' and Metro-Area Livability."** Lists of the best places to live in the United States are as controversial and subjective as the lists of Oscar nominees. Economist Howard J. Wall has developed what he calls the "rational index" ranking of 59 U.S. metropolitan areas whose populations exceed 1 million. The index, an alternative to rankings by publications such as *Money* magazine and the *Places Rated Almanac*, is based on a simple economic principle that makes its rankings more objective and reflective of the average person's views.
- **"Bubble, Bubble, Toil and Trouble: Asset Prices and Market Speculation."** The Dow's breaking 10,000 points has made investors everywhere positively giddy. But is this stock market surge justified by market fundamentals or something less concrete like a

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“bubble”? Economist Adam M. Zaretzky explored movements in asset prices by describing how economists think assets should be priced and what the current thinking is about bubbles. He found that many economists believe that bursting bubbles, which had formed in some previous bull markets, caused the well-known crashes in the stock and real estate markets. But he also found that other economists argue that investors knew market fundamentals were not driving these asset price movements, but chose to remain in the market and speculate. Zaretzky concludes with the point that investors' awareness of when market fundamentals are no longer driving asset prices is probably most important — and anecdotal information suggests that in certain market sectors they currently are not.

- **“Is the Bloom Off the Rose for the Eighth District's Farmers?”** After prospering at record rates for 1996 and 1997, farmers experienced a sobering setback in '98. The four states in the Fed's Eighth District that experienced the largest drop in cash receipts for pork, corn and soybeans last year were Arkansas, Illinois, Indiana and Missouri. Economist Kevin L. Kliesen found that while those states may experience further declines in '99, the decreases will probably be modest and the longer-term outlook is likely to be more upbeat.
- **“An Overlooked Market Gets Noticed.”** It was only about a decade ago that the Evansville, Ind., economy was in a slump. These days, however, it's the darling of the state. How did the turnaround come about? Jeryldine Tully, a senior editor for the St. Louis Fed, charts Evansville's hard work to become an economic success in this article, the first in a series by *The Regional Economist* to examine the economy of specific District communities.

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