



# Editor's Introduction

Howard J. Wall

## BRANCHING OUT

**T**he Federal Reserve Bank of St. Louis has recently embarked on an initiative called Branching Out, which will increase the Bank's participation in the geographic region of the Federal Reserve System's Eighth District. Specifically, the St. Louis Fed will make greater contributions to the development of the economies of its branch cities—Little Rock, Louisville, and Memphis—and the surrounding region.

### CRE8

As part of this initiative, the Research Division of the St. Louis Fed established its Center for Regional Economics—8th District (CRE8) in January 2005. CRE8 will provide and facilitate rigorous economic analysis of policy issues affecting local, state, and regional economies—particularly those in the Eighth District. In addition to producing its own research, CRE8 will organize policy forums, conferences, and symposia that highlight economic research done outside the St. Louis Fed. These events will inform and initiate discussion among policymakers in our region's communities.

### BERG

The goals of Branching Out are also being accomplished through another channel: the newly established consortium known as the Eighth District Business and Economics Research Group (BERG). BERG is composed of CRE8 and

university-based centers for business and economics research in the states of the Eighth District:

Institute for Economic Advancement,  
University of Arkansas at Little Rock  
Center for Business and Economic Research,  
University of Arkansas at Fayetteville  
Center for Business Development and Economic  
Research, Jackson State University, Mississippi  
Sparks Bureau of Business and Economic  
Research, University of Memphis  
Center for Business and Economic Research,  
University of Tennessee, Knoxville  
Center for Business and Economic Research,  
University of Kentucky  
Economic and Policy Analysis and Research  
Center, University of Missouri at Columbia  
Louisville Economic Monitor,  
University of Louisville  
Center for Economic and Business Research,  
Southeast Missouri State University  
Delta Center for Economic Development,  
Arkansas State University  
Business and Economic Research Center,  
Middle Tennessee State University  
Simon Center for Regional Forecasting,  
Saint Louis University

BERG's purpose is to create a forum for researchers who have a detailed knowledge of the sub-areas of the Eighth District. The St. Louis

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## Wall

Fed will benefit from BERG's valuable sources of information on the economic trends and conditions within the District. BERG members will benefit from the network of organizations and its presentations, discussions, and comparisons of state- and local-level research.

## **REGIONAL ECONOMIC DEVELOPMENT**

The primary channel for organizing and distributing the research generated from these varied sources and events is our newly formed journal, *Regional Economic Development*. With the CRE8 staff as the editorial board, this journal will publish the proceedings from these events on the St. Louis Fed's Research Division web site: <http://research.stlouisfed.org/publications>. Although the contents of the journal will be accessible to a wide audience, beyond purely academic circles, it will nevertheless offer serious economic analysis, addressing and solving practical policy issues.

Upcoming events whose proceedings will be published in *Regional Economic Development* include a symposium on November 4, 2005, which CRE8 is co-hosting with the Wiedenbaum Center at Washington University in St. Louis, titled "Challenges to Public Education Financing Facing Missouri and the Nation." Also, on March 29 and 30, 2006, CRE8 will co-host "TED2006," a conference on transportation and economic development organized by the Institute for Economic Advancement at the University of Arkansas at Little Rock.

This inaugural issue of *Regional Economic Development* contains the proceedings of the first annual conference of BERG, held in St. Louis on May 6, 2005. The first three articles of this issue discuss recent and ongoing trends in the Eighth District. Jeremy Piger, Michael Owyang, and Howard Wall of the St. Louis Fed look at the recent business cycle experience of the seven states that lie wholly or partly in the District (Arkansas, Illinois, Indiana, Kentucky, Mississippi, Missouri, and Tennessee). Paul Coomes and Nan-Ting Cho of the University of Louisville use

several different indicators to describe the experience of the Louisville economy since 1990, while David Penn of Middle Tennessee State University discusses the booming economy of Middle Tennessee and the challenges faced by local governments in expanding their services to keep up with growth.

The fourth and fifth articles in this volume are both concerned with income inequality. Bruce Domazlicky of Southeast Missouri State University describes how income inequality decreased in southeast Missouri between 1990 and 2000 and estimates the effects of various factors in determining the level of inequality. Cross-county variation in income inequality in Arkansas is the focus of the article by John Shelnett of the Arkansas Department of Finance and Administration and Vincent Yao of the Institute for Economic Advancement of the University of Arkansas at Little Rock. They also compare the different sets of variables that explain differences in inequality in MSAs versus non-MSAs.

The penultimate article, by William Hoyt, John Garen, and Anna Stewart of the University of Kentucky, compares the cost of government services in Kentucky to that of neighboring states. Among their many findings is that there are substantial economies of scale in the provision of government services and that the importance of scale economies differs across types of government service. In the last article, David Rapach and Jack Strauss of Saint Louis University examine a variety of different approaches to forecasting employment growth in Missouri. They conclude that simple combining methods offer a low-cost way of generating reliable forecasts.

I would like to acknowledge the help and suggestions of the authors, referees, and conference participants in putting together this conference volume. In addition, I would like to thank the managing editor, George Fortier, and his staff, Lydia Johnson and Donna Stiller, for their fine work in putting the issue together in record time. Finally, I would like to thank Sandra Butler for all of her help in organizing the conference.