that the increase in stock market measures the value of the largest pool of investors, then the rate of return required to compensate investors for the risk of stock ownership would be the risk-free rate plus a premium for the risk of a limited ability to borrow and a limited ability to sell short.

It is puzzling that a large fraction of American households continue to own few or no stocks because, on average, stocks have outperformed government bonds by a large margin. In a recent issue of the Federal Reserve Bank of St. Louis' Economics Journal, I discussed several possible explanations.

• Irrational exuberance could have driven the price of stocks above their fundamental value.

• Because of the quick growth of mutual funds, American households may be more likely to invest in stocks than in some other asset such as real estate.

• The stock market boom coincided with a surge in the number of households that owned stocks—either directly or indirectly—through mutual funds, retirement accounts, and other managed assets. The accompanying chart shows the stock market participation rate rose sharply from 32 percent in 1989 to 49 percent in 1998.

• The large inflow of new investors may explain the decline in the stock market boom, as some theorists suggest that if an increase in the number of shareholders spreads the risk of stock ownership among many investors, then the rate of return required to compensate shareholders for their risk of loss would decrease. This would cause a one-time increase in the rate of return required to compensate shareholders for the risk of stock ownership.

It is tempting, then, to argue that the recent stock market participation played a significant role in the recent boom.

However, a closer examination of the data shows that most new shareholders own relatively small amounts of stocks.

The accompanying chart also shows that the rate of stock holdings held by the richest 10 percent of American households remained between 78 and 82 percent during the period between 1989–98. This suggests that the stock market boom did not significantly increase the wealth of the wealthiest 10 percent. It is ironic, the argument discussed above does not apply because even though the stock market boom created relatively small pool of wealthy investors, it absorbed most of the risk. It is intriguing to note that economists have not written much about the risk of the recent stock market boom.
Fed Updates District Telephone Systems to Improve Customer Service

A part of the ongoing initiative to improve customer service, the St. Louis Fed is making changes to its telephone systems.

The Fed has recognized a need to provide more efficient service to its many customers. While some customers have access to a contact network of various work groups, some individuals need to reachFed offices in a particular branch office. These individuals are located in the District, but not necessarily at the same location.

The new system is designed to be easier to use, even for those who are not familiar with telecommunication equipment.

FedUpdate 2001: How to Use the New Telephone System

The new telephone system provides several advantages over the old system. For example, customers can now dial toll-free numbers from their own phone, and not have to pay long-distance charges.

The new system also includes a number of advanced features, such as the ability to store speed-dial numbers, and to transfer calls to other phones.

The new system is expected to be fully implemented by the end of the year.

Go to www.stls.frb.org for more information on the new telephone system.

Check Modernization

Check Modernization represents a significant investment in System resources, and it will take several years before all of the projects are fully implemented.

Check Modernization tasks will be divided into two phases: Check Standardization and Enterprise-Wide Adjustments.

Check Standardization

Check Standardization is a System-wide effort to provide consistent, standard hardware and software for check processing across the entire Federal Reserve System. This will enable all of the Federal Reserve Banks to process checks in a uniform manner.

The System will implement a new check processing platform, which will be used to process checks from all Federal Reserve Banks. The new platform will be based on industry standards and will be compatible with other financial systems.

The new check processing platform will be fully implemented by the end of the year.

Enterprise-Wide Adjustments

Enterprise-Wide Adjustments will move check adjustments to a shared platform across the System. This will enable all of the Federal Reserve Banks to process check adjustments in a uniform manner.

The new platform will be implemented in phases, with the first phase scheduled for the end of the year. The remaining phases will be implemented over the next few years.

Check Modernization Update

Check Modernization is expected to be fully implemented by the end of the year.

The new check processing platform will be based on industry standards and will be compatible with other financial systems.

The new platform will be implemented in phases, with the first phase scheduled for the end of the year. The remaining phases will be implemented over the next few years.

The Fed will provide updates on the progress of Check Modernization as it becomes available.

Check Modernization Update

Check Modernization is expected to be fully implemented by the end of the year.

The new check processing platform will be based on industry standards and will be compatible with other financial systems.

The new platform will be implemented in phases, with the first phase scheduled for the end of the year. The remaining phases will be implemented over the next few years.

The Fed will provide updates on the progress of Check Modernization as it becomes available.

Check Modernization Update

Check Modernization is expected to be fully implemented by the end of the year.

The new check processing platform will be based on industry standards and will be compatible with other financial systems.

The new platform will be implemented in phases, with the first phase scheduled for the end of the year. The remaining phases will be implemented over the next few years.

The Fed will provide updates on the progress of Check Modernization as it becomes available.

Check Modernization Update

Check Modernization is expected to be fully implemented by the end of the year.

The new check processing platform will be based on industry standards and will be compatible with other financial systems.

The new platform will be implemented in phases, with the first phase scheduled for the end of the year. The remaining phases will be implemented over the next few years.

The Fed will provide updates on the progress of Check Modernization as it becomes available.

Check Modernization Update

Check Modernization is expected to be fully implemented by the end of the year.

The new check processing platform will be based on industry standards and will be compatible with other financial systems.

The new platform will be implemented in phases, with the first phase scheduled for the end of the year. The remaining phases will be implemented over the next few years.

The Fed will provide updates on the progress of Check Modernization as it becomes available.

Check Modernization Update

Check Modernization is expected to be fully implemented by the end of the year.

The new check processing platform will be based on industry standards and will be compatible with other financial systems.

The new platform will be implemented in phases, with the first phase scheduled for the end of the year. The remaining phases will be implemented over the next few years.

The Fed will provide updates on the progress of Check Modernization as it becomes available.

Check Modernization Update

Check Modernization is expected to be fully implemented by the end of the year.

The new check processing platform will be based on industry standards and will be compatible with other financial systems.

The new platform will be implemented in phases, with the first phase scheduled for the end of the year. The remaining phases will be implemented over the next few years.

The Fed will provide updates on the progress of Check Modernization as it becomes available.

Check Modernization Update

Check Modernization is expected to be fully implemented by the end of the year.

The new check processing platform will be based on industry standards and will be compatible with other financial systems.

The new platform will be implemented in phases, with the first phase scheduled for the end of the year. The remaining phases will be implemented over the next few years.

The Fed will provide updates on the progress of Check Modernization as it becomes available.

Check Modernization Update

Check Modernization is expected to be fully implemented by the end of the year.

The new check processing platform will be based on industry standards and will be compatible with other financial systems.

The new platform will be implemented in phases, with the first phase scheduled for the end of the year. The remaining phases will be implemented over the next few years.

The Fed will provide updates on the progress of Check Modernization as it becomes available.

Check Modernization Update

Check Modernization is expected to be fully implemented by the end of the year.

The new check processing platform will be based on industry standards and will be compatible with other financial systems.

The new platform will be implemented in phases, with the first phase scheduled for the end of the year. The remaining phases will be implemented over the next few years.

The Fed will provide updates on the progress of Check Modernization as it becomes available.

Check Modernization Update

Check Modernization is expected to be fully implemented by the end of the year.

The new check processing platform will be based on industry standards and will be compatible with other financial systems.

The new platform will be implemented in phases, with the first phase scheduled for the end of the year. The remaining phases will be implemented over the next few years.

The Fed will provide updates on the progress of Check Modernization as it becomes available.

Check Modernization Update

Check Modernization is expected to be fully implemented by the end of the year.

The new check processing platform will be based on industry standards and will be compatible with other financial systems.

The new platform will be implemented in phases, with the first phase scheduled for the end of the year. The remaining phases will be implemented over the next few years.

The Fed will provide updates on the progress of Check Modernization as it becomes available.

Check Modernization Update

Check Modernization is expected to be fully implemented by the end of the year.

The new check processing platform will be based on industry standards and will be compatible with other financial systems.

The new platform will be implemented in phases, with the first phase scheduled for the end of the year. The remaining phases will be implemented over the next few years.

The Fed will provide updates on the progress of Check Modernization as it becomes available.

Check Modernization Update

Check Modernization is expected to be fully implemented by the end of the year.

The new check processing platform will be based on industry standards and will be compatible with other financial systems.

The new platform will be implemented in phases, with the first phase scheduled for the end of the year. The remaining phases will be implemented over the next few years.

The Fed will provide updates on the progress of Check Modernization as it becomes available.

Check Modernization Update

Check Modernization is expected to be fully implemented by the end of the year.

The new check processing platform will be based on industry standards and will be compatible with other financial systems.

The new platform will be implemented in phases, with the first phase scheduled for the end of the year. The remaining phases will be implemented over the next few years.

The Fed will provide updates on the progress of Check Modernization as it becomes available.

Check Modernization Update

Check Modernization is expected to be fully implemented by the end of the year.

The new check processing platform will be based on industry standards and will be compatible with other financial systems.

The new platform will be implemented in phases, with the first phase scheduled for the end of the year. The remaining phases will be implemented over the next few years.

The Fed will provide updates on the progress of Check Modernization as it becomes available.