



THE
RESEARCH
GROUP

OF
THE



FEDERAL
RESERVE
BANK

OF
NEW
YORK



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Contents

To Prospective Job Candidates	1
A Vast Portfolio of Research Assets	3
Resident Scholars Program	9
Our Economists at a Glance: Current Research	11
The Research Group's Policy Work	12
Research Functions and Personnel	
<i>Director of Research Joseph S. Tracy</i>	15
<i>Banking Studies</i>	16
<i>Capital Markets</i>	18
<i>International Research</i>	21
<i>Macroeconomic and Monetary Studies</i>	24
<i>Microeconomic and Regional Studies</i>	27
<i>Payments Studies</i>	29
Federal Reserve Bank of New York Research Series	31

To Prospective Job Candidates:

We are pleased that you are interested in joining the Federal Reserve Bank of New York's Research and Statistics Group.

The New York Fed stands at the center of the national and world economies, playing a major role in the formulation and execution of monetary policy, the operation of payments systems, and the supervision and oversight of financial institutions and markets. To perform to the highest standards in this demanding environment, we look to our superb group of economists to provide analysis and advice based on rigorous research and a comprehensive knowledge of the issues.

To maintain our strong research capability, we are continually adding to our team of economists. We seek to attract and retain the most highly qualified individuals by creating an environment that is rich in opportunities. We offer our economists not only direct engagement in policy at senior levels but also broad flexibility to pursue independent research. We have in place—and are committed to maintaining—a distinguished academic research program that sets a high value on publication in the top professional journals. We also encourage participation in conferences and frequent collaboration with the broader academic and policy communities.

We are excited by the challenges and opportunities that the New York Fed offers. We are sure that you will share in that excitement if you join our research team.



Timothy F. Geithner
President
and Chief Executive Officer



Joseph S. Tracy
Executive Vice President
and Director of Research

A Vast Portfolio of Research Assets

The New York Fed's Research and Statistics Group combines leading-edge academic research with rigorous policy analysis in an intellectually dynamic and collegial environment.

This brochure offers an overview of our research and policy work and describes the distinctive culture and resources of the Group. It also details the responsibilities of our six divisions, identifies our current staff of economists, and highlights the economists' research interests and recent publications.

A First-Rate Research Community

Our most important asset is our more than fifty Ph.D. economists, a concentration of expertise far larger than that of most university economics departments. Recognized as leading researchers in their fields, these individuals bring breadth and depth to their work in macroeconomics, banking, payments, finance, applied microeconomics, and international economics.

Our economists have compiled an impressive record of publishing in the most highly regarded economics and finance journals. Since 2001, eighteen articles by New York Fed economists have appeared in the *American Economic Review*, the *Journal of Finance*, the *Journal of Financial Economics*, the *Journal of Political Economy*, the *Quarterly Journal of Economics*,

and the *Review of Financial Studies*.

Our economists' work is also extensively represented in the top field journals and in other important outlets.

New York Fed economists complement their publishing activity by serving on a variety of editorial boards. Current and recent assignments include:

- Linda Goldberg, *Journal of International Economics*; *North American Journal of Economics and Finance*
- James Harrigan, *Journal of International Economics*
- Antoine Martin, *Journal of Money, Credit, and Banking*
- Donald Morgan, *Journal of Money, Credit, and Banking*
- Paolo Pesenti, *Journal of Money, Credit, and Banking*

The New York Fed's research environment is truly exceptional. We have strong researchers with diverse interests, great professional support, and an atmosphere that fosters camaraderie and teamwork.

Linda Goldberg, Princeton
International Research Function



New York City is the financial capital of the world, and the New York Fed's location here makes it an ideal place for conducting research in economics and finance. In particular, the Bank offers a great setting to pursue my work on regional public finance issues.

Andrew Haughwout, Pennsylvania
Microeconomic and Regional Studies Function



- Joshua Rosenberg, *Journal of Computational Finance; Journal of International Financial Markets, Institutions, and Money*
- Asani Sarkar, *Emerging Markets Review*
- Zhenyu Wang, *Annals of Economics and Finance; Journal of Empirical Finance; Journal of International Financial Markets, Institutions, and Money; Management Science*

Our economists are also highly visible in the profession, presenting research at:

- the American Economic Association,
- the American Finance Association,
- the Brookings Institution,
- the Centre for Economic Policy Research,
- the European Central Bank,
- the International Monetary Fund, and
- the National Bureau of Economic Research.

They also present at the country's preeminent colleges and universities.

A First-Year Plan Focusing on Research and Publication

The Research Group recognizes how important it is for young economists to get their research agenda under way as quickly as possible. For new Ph.D. hires, the primary goal in the first year is to produce research and to publish in the major journals. To that end, we have designed a first-year plan that allows new economists

to devote 90 percent of their time to developing publishable work. We provide additional support in the form of state-of-the-art computing capabilities, ready access to a wide range of economic data, and the assistance of highly trained research associates.

In the first year, new Ph.D. economists also familiarize themselves with the New York Fed's policy missions by interacting with economists in their area and with other professionals Bankwide. They may contribute to a team working on a policy issue or help prepare a briefing on economic developments for the Bank's president and senior managers.

Extensive Professional Support

A superb group of administrative, computer, editorial, and library professionals help economists meet their research objectives.

Joining this group of support personnel are roughly two dozen research associates, who offer skilled and energetic assistance in gathering data, conducting statistical analysis, and preparing materials for presentations. Our RAs are typically recent college graduates who intend to pursue a Ph.D. in economics. Indeed, since 2001, twelve RAs have gone on to top-five Ph.D. programs while another eleven have entered top-twenty Ph.D. programs. Among this group, six RAs have been awarded prestigious National Science Foundation fellowships.

Our visiting and resident scholars programs give you access to the top researchers in their fields. New York Fed conferences and seminars complement these programs by exposing you to issues at the forefront of the policy agenda—many of which have not been examined before.

Hamid Mehran, North Carolina
Capital Markets Function



A Collegial Culture

The environment here fosters an unusual degree of collaboration and exchange. Economists regularly work together on policy projects, and this interaction encourages a lively team spirit that can be missing in academic departments. In addition, economists frequently co-author articles and make joint presentations.

Adding to the collegial nature of the Research Group is the lack of a divide between senior and junior staff; there is virtually no hierarchy setting new economists apart from their more experienced colleagues.

An Environment Where Ideas Flourish

The Research Group benefits greatly from the New York Fed's proximity to top-tier universities. Over the past several years, the Group has cosponsored a number of conferences with Princeton, Columbia,

and NYU. Fed economists frequently give seminars at these and other institutions.

Teaching Activity

Economists also enjoy the opportunity to teach while on staff—whether they take a leave of absence from the Bank or teach part-time while working here. Below are some of their current and recent teaching activities:

- Leonardo Bartolini, *Columbia*
- Arturo Estrella, *Columbia*
- Linda Goldberg, *Princeton*
- James Harrigan, *Columbia*
- Andrew Haughwout, *Princeton*
- Bart Hobijn, *NYU*
- James McAndrews, *Pennsylvania*
- Margaret McConnell, *NYU*
- Donald Morgan, *Columbia; NYU*
- Paolo Pesenti, *IMF Institute; NYU*

The New York Fed provides a great environment where policy research and academic research come together, and the Visiting Scholars Program lets me be a part of those conversations.

Mark Gertler, Henry and Lucy Moses Professor of Economics, New York University; Visiting Scholar, Federal Reserve Bank of New York



- Simon Potter, *NYU*
- Til Schuermann, *Columbia*
- Dorothy Sobol, *Johns Hopkins*
- Kevin Stiroh, *Wesleyan*
- Andrea Tambalotti, *NYU*
- George Zanjani, *St. John's*

Visiting Scholars Program

To help maintain a stimulating and supportive environment for staff economists, the Research Group regularly invites economists from major research institutions to be visiting scholars at the Bank. The visitors present their own work and make themselves available to discuss our economists' current research.

Visiting scholars in 2005-06 include:

Franklin Allen, *University of Pennsylvania*
 Joseph Altonji, *Yale University*
 Patrick Bayer, *Yale University*
 Alan Blinder, *Princeton University*
 Markus Brunnermeier, *Princeton University*
 Luis Cabral, *New York University*
 Stephen Cecchetti, *Brandeis University*
 Giancarlo Corsetti, *University of Rome III*
 William Dickens, *Brookings Institution*
 Francis Diebold, *University of Pennsylvania*
 Jonathan Eaton, *New York University*
 Michael Fishman, *Northwestern University*
 Douglas Gale, *New York University*

Mark Gertler, *New York University*
 Robert Hall, *Stanford University*
 Joel Houston, *University of Florida*
 J. Bradford Jensen, *Institute for International Economics*
 Charles Jones, *Columbia University*
 John Leahy, *New York University*
 Ross Levine, *University of Minnesota*
 Robert Marquez, *University of Maryland*
 Philippe Martin, *Université Paris I Panthéon-Sorbonne*
 Christopher Mayer, *Columbia University*
 Frederic Mishkin, *Columbia University*
 Alexei Onatski, *Columbia University*
 Lasse Pedersen, *New York University*
 Monika Piazzesi, *University of Chicago*
 Rafael Repulo, *Centro de Estudios Monetarios y Financieros*
 Andrew Rose, *University of California, Berkeley*
 Thomas Sargent, *New York University*
 Christopher Sims, *Princeton University*
 Jeremy Stein, *Harvard University*
 Philip Strahan, *Boston College*
 Wilbert van der Klaauw, *University of North Carolina at Chapel Hill*
 Dimitri Vayanos, *London School of Economics*
 Gianluca Violante, *New York University*
 Ross Watts, *University of Rochester*
 Michael Woodford, *Columbia University*
 David Yermack, *New York University*

The New York Fed is a key player in the formulation of monetary policy, and many leading scholars in monetary economics live in or around New York City. The Visiting Scholars Program exploits this synergy by bringing academics and policymakers together on a regular basis to confer on important issues of the day.

Thomas Sargent, William R. Berkeley
 Professor of Economics and Business, New York University;
 Visiting Scholar, Federal Reserve Bank of New York



Working at the New York Fed has been a terrific experience. The interactions with my colleagues are very valuable, the support is outstanding, and the setting is ideal for the development of my research.

Giorgio Topa, Chicago
 Microeconomic and Regional Studies Function



A Gateway to Academia

The scope and seriousness of our research environment are reflected in our relationship with academia.

The Group has hired many of its more senior economists from university economics and finance faculties. In turn, a number of economists in the Group have gone on to accept faculty positions at prestigious colleges and universities, including

- Boston College,
- Brandeis,
- Columbia,
- Dartmouth,
- New York University,
- UCLA,
- the University of British Columbia,
- the University of Chicago,
- the University of Stockholm, and
- the University of Virginia.

Seminars and Conferences

The Research Group actively encourages participation in seminars and conferences. Ample funds are available for economists to travel to conferences in the United States and abroad. The Bank also provides travel support for those wishing to work with co-authors outside the Bank.

In addition, we sponsor a seminar series at the Bank that attracts a broad group of distinguished speakers. We offer three to four seminars a week—a clear indication of our financial commitment to this series.

Over the past few years, we have also hosted many well-received research conferences addressing a diverse set of topics, including disclosure requirements and market discipline of financial firms, monetary policy and the money market, policy options for affordable housing, and strategies for improving the measurement of economic and financial market performance.

The policy work here—informed by rigorous theoretical thinking and empirical research—is really stimulating and rewarding. And because it often ties in to my own research, it also gives me opportunities to contribute to the ongoing policy debates in my academic field.

Til Schuermann, Pennsylvania
 Banking Studies Function



The New York Fed enables me to be near the financial markets and work on issues of direct importance to the operation of the U.S. financial system. The Bank strongly encourages innovative theory and critical thinking, and my fellow economists are a great resource for insight into monetary policy and open market operations.

Zhenyu Wang, University of Minnesota
Capital Markets Function



Census Research Data Center

The Research Group has spearheaded the establishment of a Census Research Data Center in New York City that is scheduled to open in the fourth quarter of 2005.

As a founding member of the consortium that supports the facility, the New York Fed joins Baruch, Columbia, Cornell, CUNY, Fordham, NBER, NYU, Pace, Princeton, Russell Sage Foundation, Rutgers, SUNY Albany, SUNY Stony Brook, and Yale in this major effort. There are only eight other Census Research Data Centers in the country.

At the Data Center, researchers who have completed a rigorous project review process can access individual and firm-level data collected by the Census Bureau. Our consortium membership entitles our economists to use the facility to conduct research with no additional lab fees or the need to travel. We expect that the presence of the Data Center in the New York area will support an important new strand of empirical research in the Bank and the region.

The commitment to pure research extends to the highest levels of the Bank's management. There is an ongoing effort to ensure that we maintain our strong ties to the academic community and that we have the time and resources to produce high-quality research.

James Kahn, MIT
Macroeconomic and Monetary Studies Function



Resident Scholars Program

The Research and Statistics Group is pleased to welcome Nobuhiro Kiyotaki and Suresh M. Sundaresan to our Program for Resident Scholars for 2005-06. We also thank Jiang Wang, the Nanyang Technological University Professor of Finance at MIT's Sloan School of Management, for serving as our resident scholar for 2004-05.

Professor Kiyotaki, the Cassel Professor of Economics at the London School of Economics, is renowned for his research on monetary theory and business cycles. He is the recipient of the Yrjo Jahnsson Award in Economics and the JEA-Nakahara Prize. He has published in the *American Economic Review*, the *Journal of Political Economy*, the *Quarterly Journal of Economics*, and the *Review of Economic Studies*, as well as in a range of scholarly

volumes. Professor Kiyotaki is a fellow of the British Academy; a council member of the Econometric Society, the European Economic Association, and the Royal Economic Society; and an associate editor of *Economic Letters*.

Professor Sundaresan is the Chase Manhattan Bank Foundation Professor of Financial Institutions at Columbia Business School. He has written on such topics as Treasury auctions, asset pricing, and risk management, and his work has appeared in numerous journals, including the *Journal of Business*, the *Journal of Finance*, the *Journal of Political Economy*, and the *Review of Financial Studies*. He has contributed articles to the *Financial Times* and to World Bank conferences, and is the author of *Fixed-Income Markets and Their Derivatives* (Thomson South-

The Resident Scholars Program gives me a unique opportunity to learn more about monetary policymaking. This experience will inform my future work on the development of a unified theory of money, business cycles, and monetary policy.

Nobuhiro Kiyotaki, Professor of Economics, London School of Economics;
Resident Scholar, Federal Reserve Bank of New York



Western, 2002). Professor Sundaresan is an associate editor of the *Journal of Finance* and the *Review of Derivatives Research*. His current research focuses on default risk and its effect on asset pricing and sovereign debt securities.

The Research Group established its Program for Resident Scholars to attract to the Bank, for a stay of at least one year, outstanding researchers with an international reputation. The scholars are selected from the top academic and policy institutions in areas related to the Bank's broad policy interests. They are considered members of the Research Group and are offered access to resources on the same basis as other key Bank staff.

Resident scholars pursue their own research while providing intellectual leadership by advising and collaborating with our economists on an ongoing basis. They present their own work as well as attend Research Group seminars. The scholars also work closely with the director of research, and have the opportunity to contribute to the Bank's main policymaking discussions on such topics as monetary policy and macroeconomics, international economics, banking supervision and regulation, capital markets, financial stability, and applied microeconomics with an emphasis on regional and national issues.

Our Economists at a Glance: Current Research

Our economists engage in a variety of innovative research projects. Here are a few examples:

- *Arturo Estrella*—Research on the cyclical behavior of labor productivity growth, using frequency domain techniques.
- *James Kahn and Margaret McConnell*—Theoretical research on the role of inventories in reducing GDP volatility since the early 1980s.
- *Donald Morgan*—Theoretical and empirical research aimed at defining and detecting predatory lending by banks.
- *Paolo Pesenti*—Multicountry dynamic stochastic general equilibrium models; studies of the benefits and spillovers of structural reforms, optimal stabilization policy in closed and open economies, and macroeconomic interdependencies between advanced economies and emerging markets.
- *Robert Rich and Joseph Tracy*—Empirical research using survey data on inflation expectations to examine the relationship between forecast accuracy, forecast dispersion, and forecast uncertainty.
- *João Santos*—Theoretical and empirical research on corporate funding choices and bank lending policies over the business cycle.
- *Kevin Stiroh*—Empirical research on the contribution of information technology to the resurgence of U.S. productivity growth.
- *Andrea Tambalotti*—Use of dynamic stochastic general equilibrium models to identify fluctuations in potential output and the natural rate of interest.

Economists in the Research Group study a number of topics that complement my own research interests, such as liquidity provision, auction bidding strategies, commercial bank regulation, and credit risk. I look forward to continuing my collaboration with the economists and beginning my tenure as resident scholar.

Suresh M. Sundaresan, Professor of Financial Institutions, Columbia Business School; Resident Scholar, Federal Reserve Bank of New York



Coming to the New York Fed from NYU's Stern Business School, I found the environment especially welcoming to academics. Most important, I'm able to focus a great deal of my time on academic research.

Joshua Rosenberg, UC San Diego
Capital Markets Function



The Research Group's Policy Work

Ongoing Responsibilities and Recent Initiatives

The New York Fed's unique role in the Federal Reserve System enables economists to take part in important policy projects. A description of our six research functions' policy work suggests the wide range of our responsibilities and the breadth of expertise that we bring to them.

The *Banking Studies* area analyzes the behavior and performance of banks, the structure of the U.S. banking system, and the interaction between financial institutions and the real economy. Recently, the area has studied the impact of bank failures on the local economy, the effectiveness of market discipline of financial institutions, the industrial organization of U.S. banking, the interaction between banking and commerce, the importance of retail banking, and risk management issues.

In *Capital Markets*, economists assess and study stock, bond, and credit market risks; links between financial markets and economic fundamentals; performance and vulnerabilities of financial markets and institutions; and technical aspects of pricing and trading securities and derivatives.

Recent work includes analyses of dealer positioning and leverage and their relationship to market behavior, assessments of liquidity risk in fixed-income markets, and a study of inflationary expectations embedded in financial market prices.

International Research economists monitor developments in the global economy that affect the United States, tracking the performance of industrialized countries and developments in U.S. external imbalances. Recently, the staff has analyzed the sustainability of U.S. current account imbalances, international capital flows, the micro- and macroeconomic implications of U.S. exchange rate movements, the design of exchange rate regimes, models of international transmission of disturbances, and developments in international financial markets.

In *Macroeconomic and Monetary Studies*, economists monitor and analyze current national economic, fiscal, and monetary conditions; provide forecasts of GDP growth and inflation; and advise senior Bank management on monetary policy. Recently, the staff has studied rising home prices and their possible implications for the economy; the impact of higher oil prices on economic growth, inflation, and

In a policymaking environment, your work often focuses on the interpretation and application of economic data, which in turn offers you new ways to understand the data. That fresh perspective is extremely useful in shaping your empirical research.

Margaret McConnell, Ohio State
Macroeconomic and Monetary Studies Function



monetary policy; the measurement of risks to GDP growth and inflation; the effect of economic and financial market data on future inflation expectations; and the interaction of financial markets and monetary policy.

Economists in *Microeconomic and Regional Studies* track developments in four areas of specific interest for monetary policy: the labor market; cities and regions, with an emphasis on the Second Federal Reserve District; the public sector; and industries of particular interest, such as the information technology sector. Recent work includes analysis of New York City's recovery from 9/11 and the role of structural change in affecting national employment change.

Staff in *Payments Studies* research and analyze domestic and international payments issues, with the goals of increasing efficiency, lowering costs, and reducing risks associated with payments and securities settlement. Recent work includes research on large-value payments, examination of fraud risks in retail payments,

and analysis of different alternatives for mitigating risk in payments.

The Interplay of Research and Policy

Academic research and policy analysis can give rise to great synergies at the New York Fed. Many of our economists conduct research on policy-related topics; others find that their policy work suggests new lines of inquiry for their research.

For example, Michael Fleming's research on the microstructure of the U.S. Treasury securities market—appearing in the *Journal of Finance* and elsewhere—was precipitated by policy interest in overseas trading of Treasury securities and an opportunity to work in the Bank area responsible for this activity.

Margaret McConnell and Gabriel Perez-Quiros published in the *American Economic Review* one of the first papers to document the decline in GDP volatility in the early 1980s. This study began as a research project at the New York Fed.

I've found great inspiration in the synergies between my research and my participation in international working groups led by the Bank for International Settlements and the European Central Bank.

Morten Bech, UC Santa Barbara
Payments Studies Function



The Research Group is a terrific environment for conducting asset pricing research. My interactions with the New York Fed's Trading Floor and involvement in FOMC-related topics offer an ongoing source of ideas and inspiration for my work on financial markets.

Tobias Adrian, MIT
Capital Markets Function



The commitment to academic research at the New York Fed is outstanding. I really enjoy all of the time that I'm able to dedicate to my research.

David Skeie, Princeton
Payments Studies Function



Martin Lettau, Sydney Ludvigson, and Charles Steindel, writing in our *Economic Policy Review*, examined the consumption response to changes in consumer wealth. Their study, as well as a related paper in the *American Economic Review* by Lettau and Ludvigson, was motivated by policy concerns about the spending effects of the stock market boom in the second half of the 1990s.

James McAndrews' theoretical research on incentives in payments systems—appearing in the *Journal of Money, Credit, and Banking*—has been used to analyze the likely effects of changes to payments system design.

New economists in the Research Group have many opportunities to pursue other connections between research and policy work. In doing so, they will find that the more experienced members of the Group are available to mentor them and to help identify synergies between their academic interests and policy responsibilities.

Policy-Oriented Research Publications

While economists are encouraged to publish in external journals, their research also reaches a large and influential audience through two New York Fed publications that address policy-related economic and financial market issues.

- The *Economic Policy Review*, the Bank's flagship research publication, has 8,000 subscribers, including policymakers, business and banking professionals, and academics.
- *Current Issues in Economics and Finance*, with a readership of 11,000, is geared toward a broad audience that includes the general public as well as decision makers in business and government.

Both publications receive frequent press attention and have proven to be valuable outlets for work that combines the research and policy interests of our economists.

The New York Fed's publications provide a timely venue for applied, policy-oriented research. They reach a wide audience of academics, policymakers, and business people, and are frequently cited in other research studies and incorporated into university curricula.

Michael Fleming, Harvard
Capital Markets Function



Research Functions and Personnel

Director of Research Joseph S. Tracy

Joseph S. Tracy was named the director of research and an executive vice president of the Bank in December 2004. He had been the acting director of research since February 2004.

Joe served as a senior vice president of the Bank from 2003 to 2004, as a vice president from 1999 to 2002, and as an assistant vice president from 1998 to 1999. During his tenure, he has headed the Research and Statistics Group's Domestic Research and Research Support areas and has served as the Group's senior administrative officer.

Joe joined the Bank in August 1996 as a research officer in Domestic Research. Previously, he was an associate professor of economics at Columbia University and Yale University as well as the Olin Fellow at the National Bureau of Economic Research.

Joe has published in a range of economic and business journals, including the *American Economic Review* ("Strikes and Holdouts in Wage Bargaining: Theory and Data," with Peter Cramton, 1992) and the *Journal of Political Economy* ("The Structure of Local Public Finance and the Quality of Life," with Joseph Gyourko, 1991). His work in scholarly volumes includes "Unions, Bargaining, and Strikes" (in *International Handbook of Trade Unions*, ed. J. T. Addison and C. Schnabel, 2003) and "Quality of Life and Environmental Comparisons" (with Joseph Gyourko and Matthew Kahn, in *Handbook of Regional and Urban Economics*, vol. 3, ed. P. Cheshire and E. Mills, 1999).

Joe holds a bachelor's degree in political economy from the University of Missouri and a doctorate in economics from the University of Chicago.

Banking Studies

The Banking Studies Function conducts research and analyzes a wide range of issues relating to the behavior and performance of banks, the structure of the U.S. banking system, and the interaction between financial institutions and the real economy.

Recent research topics include:

- banks and the business cycle,
- the assessment of risk at financial institutions,
- judging and pricing bank risk,
- regulatory capital requirements for financial institutions,
- the design of financial systems, institutions, and contracts,
- restructuring and deregulation of the financial services industry,
- the mingling of banking and commerce,
- retail banking and consumer welfare, and
- banking competition.

Banking Studies Staff

Kevin Stiroh

*Assistant Vice President and Function Head
Ph.D., Harvard, 1995*

Interests: Production and efficiency of financial institutions; information technology, productivity, and growth.

Adam Ashcraft

*Economist
Ph.D., MIT, 2001*

Interests: Monetary policy and the transmission mechanism; bank capital regulation; market discipline; causal methods in econometrics; labor economics.

Nicola Cetorelli

*Senior Economist
Ph.D., Brown, 1996*

Interests: Banking; industrial organization; corporate finance; bank finance and real activity.

Astrid Dick

*Economist
Ph.D., MIT, 2002*

Interests: Industrial organization; banking; e-commerce.

Beverly Hirtle

*Vice President
Ph.D., MIT, 1986*

Interests: Retail banking and bank branching; risk management and measurement; banks' dividend and stock repurchase behavior; disclosure; bank capital.

Donald Morgan

*Research Officer
Ph.D., Wisconsin, 1989*

Interests: Judging and pricing bank risk; geographic diversification at banks; bank credit standards and economic activity.

Stavros Peristiani

*Research Officer
Ph.D., Columbia, 1984*
Interests: Banking and finance; real estate finance; theoretical and applied econometrics.

João Santos

*Research Officer
Ph.D., Boston University, 1994*

Interests: Corporate finance; banking; banking regulation and the design of financial systems, institutions, and contracts.

Til Schuermann

*Research Officer
Ph.D., Pennsylvania, 1993*
Interests: Financial institutions; risk measurement and management; capital markets; applied econometrics.

James Vickery

*Economist
Ph.D., MIT, 2004*
Interests: Banking and financial institutions; corporate finance; financial innovation; development economics.

Recent Publications and Papers

Adam Ashcraft. "Are Banks Really Special? New Evidence from the FDIC-Induced Failure of Healthy Banks." *American Economic Review* 95, no. 5 (2005).

Nicola Cetorelli. "Finance as a Barrier to Entry: Bank Competition and Industry Structure in Local U.S. Markets," with Philip Strahan. *Journal of Finance*, forthcoming.

Astrid Dick. "Nationwide Branching and Its Impact on Market Structure, Quality, and Bank Performance." *Journal of Business*, forthcoming.

Beverly Hirtle. "Stock Market Reaction to Financial Statement Certification by Bank Holding Company CEOs." *Journal of Money, Credit, and Banking*, forthcoming.

Donald Morgan. "Bank Integration and the Business Cycle," with Philip Strahan and Bertrand Rimes. *Quarterly Journal of Economics*, forthcoming.

Stavros Peristiani. "The Role of Bank Advisors in Mergers and Acquisitions," with Linda Allen, Julapa Jagtiani, and Anthony Saunders. *Journal of Money, Credit, and Banking* 36, no. 2 (2004).

João Santos. "Alternative Forms of Mixing Banking with Commerce: Evidence from American History," with Joseph Haubrich. *Financial Markets, Institutions, and Instruments* 12, no. 2 (2003).

Til Schuermann. "Macroeconomic Dynamics and Credit Risk: A Global Perspective," with M. Hashem Pesaran, Björn-Jakob Treutler, and Scott M. Weiner. *Journal of Money, Credit, and Banking*, forthcoming.

Kevin Stiroh. "A Portfolio View of Banking with Interest and Noninterest Activities." *Journal of Money, Credit, and Banking*, forthcoming.

James Vickery. "How and Why Do Small Firms Manage Interest Rate Risk? Evidence from Commercial Loans." Federal Reserve Bank of New York *Staff Reports*, no. 215, August 2005.

Capital Markets

The Capital Markets Function specializes in research on domestic and international capital markets, focusing on such issues as credit and market risks, links between financial markets and economic fundamentals, the performance and vulnerabilities of financial markets and institutions, and technical aspects of pricing and trading securities and derivatives. A close working relationship with the Bank's Trading Desk and well-established contacts with market participants create an unmatched opportunity to gain a practical understanding of how different financial markets operate. Recent conferences organized by Capital Markets have covered such issues as corporate governance in the banking and financial services industries and the interaction between market liquidity and funding liquidity in financial markets and institutions.

Recent research topics include:

- the term structure of interest rates as a predictor of the business cycle in developed countries,
- the effect of macroeconomic announcements on the U.S. Treasury market,
- executive compensation, pay-performance sensitivity, and incentives for risk taking,
- behavioral finance and real investment,
- corporate bond credit spreads and liquidity,
- estimating risk premia in stock and bond markets,
- empirical pricing kernels,
- mortgage-backed derivatives and prepayments,
- the effects of regulation on trading dynamics,
- the impact of hedging on short-term yield curve dynamics,
- market structure and organizational form in insurance markets,
- the effect of institutional money managers on asset prices, and
- trading risk and market liquidity.

Capital Markets Staff

John Kambhu

Vice President and Function Head

Ph.D., NYU, 1981

Interests: Market liquidity; risk management; economics of information.

Tobias Adrian

Economist

Ph.D., MIT, 2003

Interests: Asset pricing; macroeconomics and finance; international finance.

Arturo Estrella

Senior Vice President

Ph.D., Harvard, 1983

Interests: Macroeconomics and finance; monetary policy; financial regulation; econometrics.

Michael Fleming

Assistant Vice President

Ph.D., Harvard, 1994

Interests: Fixed-income markets; market microstructure; repurchase agreement market.

Kenneth Garbade

Vice President

Ph.D., Princeton, 1975

Interests: U.S. Treasury and corporate securities; risk management; relative value analysis.

Hamid Mehran

Assistant Vice President

Ph.D., University of North Carolina, 1990

Interests: Corporate finance.

Anthony Rodrigues

Senior Economist

Ph.D., UC Berkeley, 1984

Interests: Yield curve modeling; credit risk models; risk management; applied econometrics; asset price and volatility models.

Joshua Rosenberg

Research Officer

Ph.D., UC San Diego, 1996

Interests: Derivatives pricing and hedging; stochastic volatility models; financial econometrics.

Asani Sarkar

Senior Economist

Ph.D., Pennsylvania, 1989

Interests: Market microstructure of futures, stock, and fixed-income markets; international finance; linkages between stock and bond markets; linkages between the macroeconomy and financial markets; corporate bond credit spreads and liquidity.

Zhenyu Wang

Vice President

Ph.D., University of Minnesota, 1995

Interests: Asset pricing; investment management; risk management.

George Zanjani

Economist

Ph.D., Chicago, 2000

Interests: Insurance; financial institutions.

Recent Publications and Papers

Tobias Adrian. “Stock Returns and Volatility: Pricing the Permanent and Transitory Components of Market Risk,” with Joshua Rosenberg. Working paper, 2005.

Arturo Estrella. “Dynamic Inconsistencies: Counterfactual Implications of a Class of Rational Expectations Models,” with Jeffrey C. Fuhrer. *American Economic Review* 92, no. 4 (2002).

Michael Fleming. “Are Larger Treasury Issues More Liquid? Evidence from Bill Reopenings.” *Journal of Money, Credit, and Banking* 34, no. 3 (2002).

Kenneth Garbade. *Pricing Corporate Securities as Contingent Claims*. Cambridge: MIT Press, 2001.

John Kambhu. “Trading Risk, Market Liquidity, and Convergence Trading in the Interest Rate Swap Spread.” Federal Reserve Bank of New York *Economic Policy Review*, forthcoming.

Hamid Mehran. “The Effect of Changes in Ownership Structure on Performance: Evidence from the Thrift Industry,” with Rebel A. Cole. *Journal of Financial Economics* 50, no. 3 (1998).

Anthony Rodrigues. “How Stable Is the Predictive Power of the Yield Curve? Evidence from Germany and the United States,” with Arturo Estrella and Sebastian Schich. *Review of Economics and Statistics* 85, no. 3 (2003).

Joshua Rosenberg. “A General Approach to Integrated Risk Management with Skewed, Fat-Tailed Risks,” with Til Schuermann. *Journal of Financial Economics*, forthcoming.

Asani Sarkar. “An Empirical Analysis of Stock and Bond Market Liquidity,” with Tarun Chordia and Avanimidhar Subrahmanyam. *Review of Financial Studies* 18, no. 1 (2005).

Zhenyu Wang. “A Shrinkage Approach to Model Uncertainty and Asset Allocation.” *Review of Financial Studies* 18, no. 2 (2005).

George Zanjani. “Pricing and Capital Allocation in Catastrophe Insurance.” *Journal of Financial Economics* 65, no. 2 (2002).

International Research

The International Research Function conducts research and policy analysis in international economics, examining issues in macroeconomics, trade, and economic development. The area also oversees the tracking of industrialized countries for the Bank. Staff research is published in academic journals and Federal Reserve publications and is designed to contribute to the Bank’s overall perspective on international issues.

Recent research topics include:

- financial architecture and currency crises,
- currency invoicing of international trade,
- causes and consequences of exchange rate movements,
- models of macroeconomic inter-dependence and monetary transmission,
- exchange rate pass-through into prices,
- current account sustainability and global rebalancing,
- international business cycles and policy design,
- outsourcing and foreign direct investment,
- determinants of international trade,
- comparisons of international money markets,
- international productivity and price differences, and
- the Japanese economy.

International Research Staff

Linda Goldberg
Vice President and Function Head
Ph.D., Princeton, 1988
Interests: International banking; exchange rate effects on prices, labor markets, and investment; foreign direct investment; currency invoicing of international trade; market reactions to economic news.

Roc Armenter
Economist
Ph.D., Northwestern, 2004
Interests: Macroeconomics; fiscal and monetary policy credibility; exchange rate regimes.

Leonardo Bartolini
Senior Vice President
Ph.D., Princeton, 1991
Interests: International financial markets; monetary policy implementation; interbank markets.

James Harrigan
Research Officer
Ph.D., UCLA, 1991
Interests: International trade; the testing of trade theory; economic geography; the Japanese economy.

Rebecca Hellerstein

Economist

Ph.D., UC Berkeley, 2003

Interests: Exchange rate pass-through; cross-border vertical contracts; applied econometrics; international trade.

Thomas Klitgaard

Research Officer

Ph.D., Stanford, 1985

Interests: European economic issues; capital flows; international trade; exchange rates.

Miklós Koren

Economist

Ph.D., Harvard, 2005

Interests: Risk and specialization in international trade; trade and firm productivity; trade costs and international relative prices.

Paolo Pesenti

Assistant Vice President

Ph.D., Yale, 1991

Interests: Simulation models for policy analysis; macroeconomic interdependence; financial and currency crises.

Dorothy Sobol

Vice President and Head of Publications Function

Ph.D., Tufts, 1979

Interests: Emerging markets; currency crises; financial sector developments.

Cédric Tille

Senior Economist

Ph.D., Princeton, 1998

Interests: International transmission mechanisms; exchange rate movements and wealth transfers; design of international monetary policy; currency invoicing of international trade.

Recent Publications and Papers

Roc Armenter. “A General Theory (and Some Evidence) of Expectation Traps in Monetary Policy.” Working paper, 2005.

Leonardo Bartolini. “Cross-Country Differences in Monetary Policy Execution and Money Market Rates’ Volatility,” with Alessandro Prati. *European Economic Review*, forthcoming.

Linda Goldberg. “Exchange Rate Pass-Through into Import Prices,” with José Campa. *Review of Economics and Statistics*, forthcoming.

James Harrigan. “Specialization and the Volume of Trade: Do the Data Obey the Laws?” In E. Kwan Choi and James Harrigan, eds., *Handbook of International Trade*. Oxford: Blackwell, 2003.

Rebecca Hellerstein. “Who Bears the Cost of a Change in the Exchange Rate? The Case of Imported Beer.” Federal Reserve Bank of New York *Staff Reports*, no. 179, February 2004.

Thomas Klitgaard. “Exchange Rate Changes and Net Positions of Speculators in the Futures Market,” with Laura Weir. Federal Reserve Bank of New York *Economic Policy Review* 10, no. 1 (2004).

Miklós Koren. “Technological Diversification,” with Silvana Tenreyro. Federal Reserve Bank of Boston Working Paper no. 05-1, 2005.

Paolo Pesenti. “International Dimensions of Optimal Monetary Policy,” with Giancarlo Corsetti. *Journal of Monetary Economics* 52, no. 2 (2005).

Dorothy Sobol. “Foreign Ownership of U.S. Treasury Securities: What the Data Show and Do Not Show.” Federal Reserve Bank of New York *Current Issues in Economics and Finance* 4, no. 5 (1998).

Cédric Tille. “The Welfare Effect of International Asset Markets Integration under Nominal Rigidities.” *Journal of International Economics*, forthcoming.

Macroeconomic and Monetary Studies

Economists in the Macroeconomic and Monetary Studies Function conduct scholarly research on topics in macroeconomics and monetary policy for publication in academic journals and Bank periodicals. They also provide rigorous analysis of current national economic, fiscal, and monetary conditions as well as advise senior Bank management on monetary policy.

- Recent research topics include:
- monetary policy transmission,
 - monetary policy and the zero bound,
 - monetary policy and learning,
 - sources of inflation dynamics,
 - changes in the inflation-unemployment relationship,
 - goods and services price inflation,
 - methods of determining trend and cyclical productivity growth,
 - the reduction in the volatility of economic fluctuations,
 - changes in inventory dynamics and business cycles,
 - the yield curve and recessions,
 - forecasting using large macroeconomic panels,
 - analysis of recent housing price trends,
 - trends in labor force participation, and
 - tax changes and consumer spending.

Macroeconomic and Monetary Studies Staff

- Simon Potter**
Assistant Vice President and Function Head
Ph.D., Wisconsin, 1990
Interests: Time series econometrics; macroeconomics; Bayesian statistics.
- Gauti Eggertsson**
Economist
Ph.D., Princeton, 2004
Interests: Macroeconomics; monetary economics; international finance; political economy.
- Stefano Eusepi**
Economist
Ph.D., University of Warwick, U.K., 2004
Interests: Macroeconomics; monetary economics; nonlinear dynamics.
- James Kahn**
Vice President
Ph.D., MIT, 1986
Interests: Empirical business cycle analysis; labor markets; growth and productivity.
- Todd Keister (1/06)**
Senior Economist
Ph.D., Cornell, 1998
Interests: Macroeconomics; banking; liquidity; coordination failures.

- Jonathan McCarthy**
Senior Economist
Ph.D., Wisconsin, 1992
Interests: Macroeconomics; inventories; investment; housing; consumption.
- Margaret McConnell**
Research Officer
Ph.D., Ohio State, 1997
Interests: Output fluctuations and inventory investment; cyclical behavior of labor markets; empirical macroeconomics and monetary policy.
- Richard Peach**
Vice President
Ph.D., Maryland, 1983
Interests: Housing and real estate finance; federal fiscal policy.
- Robert Rich**
Research Officer
Ph.D., Brown, 1988
Interests: Macroeconomics; time series econometrics.

- Argia Sbordone**
Senior Economist
Ph.D., Chicago, 1993
Interests: Macroeconomics; inflation.
- Charles Steindel**
Senior Vice President
Ph.D., MIT, 1977
Interests: Productivity growth; consumer behavior.
- Andrea Tambalotti**
Economist
Ph.D., Princeton, 2004
Interests: Macroeconomics; monetary economics.

Recent Publications and Papers

Gauti Eggertsson. “Policy Options in a Liquidity Trap,” with Michael Woodford. *American Economic Review* 94, no. 2 (2004).

Stefano Eusepi. “Does Central Bank Transparency Matter for Economic Stability?” Working paper, 2003.

James Kahn. “What Inventory Behavior Tells Us about Business Cycles,” with Mark Bils. *American Economic Review* 90, no. 3 (2000).

Todd Keister. “Optimal Fiscal Policy with Multiple Equilibria,” with Huberto M. Ennis. *Journal of Monetary Economics*, forthcoming.

Jonathan McCarthy. “Are Home Prices the Next ‘Bubble’?” with Richard W. Peach. Federal Reserve Bank of New York *Economic Policy Review* 10, no. 3 (2004).

Margaret McConnell. “Output Fluctuations in the United States: What Has Changed since the Early 1980s?” with Gabriel Perez-Quiros. *American Economic Review* 90, no. 5 (2000).

Richard Peach. “After the Refinancing Boom: Will Consumers Scale Back Their Spending?” with Margaret M. McConnell and Alex Al-Haschimi. Federal Reserve Bank of New York *Current Issues in Economics and Finance* 9, no. 12 (2003).

Simon Potter. “Forecasting Recessions Using the Yield Curve,” with Marcelle Chauvet. *Journal of Forecasting* 24, no. 2 (2005).

Robert Rich. “Using Regional Economic Indexes to Forecast Tax Bases: Evidence from New York,” with Jason Bram, Andrew Haughwout, James Orr, Rae Rosen, and Rebecca Sela. *Review of Economics and Statistics*, forthcoming.

Argia Sbordone. “Price and Unit Labor Costs: A New Test of Price Stickiness.” *Journal of Monetary Economics* 49, no. 2 (2002).

Charles Steindel. “The Predictive Abilities of the New York Fed’s *Empire State Manufacturing Survey*,” with Richard Deitz. Federal Reserve Bank of New York *Current Issues in Economics and Finance* 11, no. 1 (2005).

Andrea Tambalotti. “An Investigation of the Gains from Commitment in Monetary Policy,” with Ernst Schaumburg. *Journal of Monetary Economics*, forthcoming.

Microeconomic and Regional Studies

The Microeconomic and Regional Studies Function engages in rigorous analysis of microeconomic issues of interest to the nation and the Second Federal Reserve District in support of the Bank’s primary missions in monetary policy and regulation of the financial system. In addition, economists conduct long-term research in theoretical as well as applied areas of microeconomics and regional economics.

Recent research topics include:

- economic restructuring and employment growth,
- inflation inequality in the United States,
- market imperfections and the cost of business cycles,
- informal hiring networks and labor market outcomes,
- statistical discrimination in labor markets,
- commuting in the New York metropolitan area,
- the economic effects of 9/11, and
- fiscal interactions within U.S. metropolitan areas.

Microeconomic and Regional Studies Staff

Andrew Haughwout
Research Officer and Function Head
Ph.D., Pennsylvania, 1993
Interests: Public finance; urban and regional economics.

Jason Bram
Economist
M.B.A., NYU, 1992
Interests: Regional economics; consumer behavior and demographics; urban development.

Erica Groshen
Assistant Vice President
Ph.D., Harvard, 1986
Interests: Labor economics; role of employers in market outcomes; structural changes and the jobless recovery; international comparison of the causes and consequences of wage rigidity.

Bart Hobijn

Senior Economist
Ph.D., NYU, 2000

Interests: Technological progress and growth; time series analysis; price index measurement.

Andrea Moro

Economist
Ph.D., Pennsylvania, 1998

Interests: Applied microeconomics; theoretical and empirical analysis of statistical discrimination; public policy; political economy.

James Orr

Research Officer
Ph.D., Pennsylvania, 1979

Interests: Regional economics; urban development.

Ayşegül Şahin

Economist
Ph.D., University of Rochester, 2002

Interests: Macroeconomics; labor economics.

Giorgio Topa

Senior Economist
Ph.D., Chicago, 1996

Interests: Labor markets; networks and local spillovers; urban unemployment; neighborhood dynamics; spatial econometrics.

Recent Publications and Papers

Jason Bram. “Using Regional Economic Indexes to Forecast Tax Bases: Evidence from New York,” with Andrew Haughwout, James Orr, Robert Rich, Rae Rosen, and Rebecca Sela. *Review of Economics and Statistics*, forthcoming.

Erica Groshen. “Real and Nominal Wage Rigidity: Analysis of Micro-Data from Thirteen Countries,” with William Dickens, Steinar Holden, Julian Messina, Mark Schweitzer, Jarkko Turunen, and Melanie Ward-Warmedinger. *Journal of Economic Perspectives*, forthcoming.

Andrew Haughwout. “Local Revenue Hills: Evidence from Four U.S. Cities,” with Robert Inman, Steven Craig, and Thomas Luce. *Review of Economics and Statistics* 86, no. 2 (2004).

Bart Hobijn. “Cross-Country Technology Adoption: Making the Theories Face the Facts,” with Diego Comin. *Journal of Monetary Economics* 51, no. 1 (2004).

Andrea Moro. “Persistent Distortionary Policies with Asymmetric Information,” with Matthew F. Mitchell. *American Economic Review*, forthcoming.

James Orr. “New York and New Jersey Poised for Modest Job Growth in 2005,” with Rae Rosen. *Federal Reserve Bank of New York Current Issues in Economics and Finance* 10, no. 12 (2004).

Ayşegül Şahin. “Repeated Moral Hazard with Persistence,” with Toshihiko Mukoyama. *Economic Theory* 25, no. 4 (2005).

Giorgio Topa. “Estimating Dynamic Local Interactions Models,” with Timothy G. Conley. *Journal of Econometrics*, forthcoming.

Payments Studies

The Payments Studies Function provides a conceptual and empirical basis for policy-making in payments systems and communicates with the public on issues affecting the economics of payments. It conducts research on the economics of payments system design and performance as well as on bank and consumer behavior. Payments systems of particular interest include the Fedwire Funds and Fedwire Securities Services and the Clearing House Interbank Payments System. Payments Studies works closely with other areas of the Bank and with other official agencies, including the Board of Governors of the Federal Reserve System, the Bank for International Settlements, and foreign central banks. Staff members, who have backgrounds in economics, business, and public policy, also represent the Bank in various payments industry groups.

Recent projects and research themes include:

- examining the design of new payments systems that are part of large-value payments systems to determine their use of liquidity and their risk characteristics,
- clarifying the relationships between debit card use, credit constraints, and other economic variables,
- analyzing the role of collateral in securing intraday central bank payment credit,
- characterizing the regularities in large-value payments flows across banks, and
- providing support for the Federal Reserve’s management of its wholesale payments services.

Payments Studies Staff

James McAndrews

Vice President and Function Head
Ph.D., University of Iowa, 1988
Interests: Industrial organization of financial markets.

Morten Bech

Economist
Ph.D., UC Santa Barbara, 2002
Interests: Payments system theory and design.

Michele Braun

Financial Specialist
M.S., Carnegie Mellon University, 1979
Interests: Payments system policy; retail payments; emerging payments.

Antoine Martin

Economist

Ph.D., University of Minnesota, 2001

Interests: Monetary economics; banking; financial intermediation; payment economics.

David Skeie

Economist

Ph.D., Princeton, 2004

Interests: Corporate finance; banking; contract theory.

Recent Publications and Papers

Morten Bech. “The Intraday Liquidity Management Game,” with Rod Garrett. *Journal of Economic Theory* 109, no. 2 (2003).

Michele Braun. “Improving Business Payments by Asking What Corporations Really Want,” with Sandy Krieger. Federal Reserve Bank of New York *Current Issues in Economics and Finance* 11, no. 5 (2005).

Antoine Martin. “Currency Competition: A Partial Vindication of Hayek,” with Stacey Schreft. *Journal of Monetary Economics*, forthcoming.

James McAndrews. “Money Is Privacy,” with Charles Kahn and William Roberds. *International Economic Review* 46, no. 2 (2005).

David Skeie. “Money and Modern Bank Runs.” Working paper, 2004.

Federal Reserve Bank of New York Research Series

The Research and Statistics Group produces a wide range of publications:

- The *Economic Policy Review*—a policy-oriented journal focusing on economic and financial market issues.
- *EPR Executive Summaries*—online versions of selected *Economic Policy Review* articles, in abridged form.
- *Current Issues in Economics and Finance*—concise studies of topical economic and financial issues.
- *Second District Highlights*—a regional supplement to *Current Issues*.
- *Staff Reports*—technical papers intended for publication in leading economic and finance journals.
- *Research Update*—a quarterly newsletter describing the Group’s current research.
- *Publications and Other Research*—an annual catalogue of the Group’s research output.

To learn more about joining the Research Group:
www.newyorkfed.org/careers/phd.html

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of New York is an equal opportunity employer.

For more information on the Research Group,
visit our website:

www.newyorkfed.org/research

