



THE RESEARCH GROUP  
OF THE FEDERAL RESERVE BANK  
OF NEW YORK

2007/2008

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## 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.

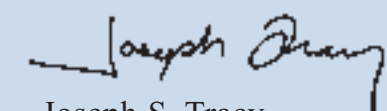
To maintain our strong research capability, we are continually adding to our team of economists. We seek to attract and retain the most highly qualified individuals by creating an environment that is rich in opportunities. We offer our economists not only direct engagement in policy at senior levels 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 functions, 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 sixty 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, twenty-nine 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:

- Leonardo Bartolini, *International Finance; Research in Economics*
- Kenneth Garbade, *Review of Derivatives Research*

*The New York Fed is an ideal place to conduct financial markets research. It gives economists the opportunity to interact on a regular basis with the Bank’s Markets Group, where trading on behalf of the Federal Reserve System occurs, and with Bank Supervision staff—while working in a rigorous academic environment.*

**Tobias Adrian, MIT**  
Capital Markets Function



*In the Research Group, I have the opportunity to combine policy work and academic research in a dynamic setting. My exposure to current economic issues and close work with established colleagues create ideal conditions for producing interesting and relevant research.*

**Gianluca Benigno**, Berkeley  
International Research Function



- Linda Goldberg, *Journal of International Economics*; *North American Journal of Economics and Finance*
- James Harrigan, *Journal of International Economics*
- Andrew Haughwout, *International Regional Science Review*; *Journal of Regional Science*
- Antoine Martin, *Journal of Money, Credit, and Banking*
- Donald Morgan, *Journal of Money, Credit, and Banking*
- Paolo Pesenti, *Journal of Money, Credit, and Banking*
- Joshua Rosenberg, *Journal of International Financial Markets, Institutions, and Money*
- Til Schuermann, *Journal of Risk*

- Wilbert van der Klaauw, *Journal of Business and Economic Statistics*; *LABOUR: Review of Labour Economics and Industrial Relations*
- 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 preeminent colleges and universities worldwide. They have given papers at the American Economic Association, the American Finance Association, the Bank for International Settlements, the International Monetary Fund, the National Bureau of Economic Research, the U.S. Treasury Department, and the world's central banks.

*What's remarkable about the New York Fed as a policy institution is its emphasis on research. Close ties to the academic community, vast resources, and direct involvement in practical policy make the Bank an exciting place for researchers interested in theoretical or practical economics.*

**Gauti Eggertsson**, Princeton  
Macroeconomic and Monetary Studies Function



*The Research Group's collegial atmosphere leads to a remarkable amount of discussion and collaboration across fields. In addition, the seminar series and visitors program are first rate and provide excellent opportunities for interaction with other economists.*

**Todd Keister**, Cornell  
Money and Payments Studies Function



### 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 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 officers.

### A Collegial Culture

The environment here fosters an extraordinary degree of collaboration and exchange. Economists regularly work together on policy initiatives, and this interaction encourages a lively team spirit that can be missing in academia. In addition, economists frequently coauthor 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 few years, the Group has cosponsored a number of conferences with Columbia, NYU, and Princeton. Fed economists frequently give seminars at these and other institutions.

*The New York Fed offers an unusually collegial environment for young economists to develop their research. I don't know of another institution that provides the same level of support—in the form of attention from senior colleagues, time for research, promotion of one's work, access to high-level data sets, and the assistance of full-time research associates.*

**Rebecca Hellerstein**, UC Berkeley  
International Research Function





*Economists looking for a dynamic and exciting work environment will be glad they joined the New York Fed. Each day brings new economic questions to answer and challenges to address, with potentially far-reaching implications.*

**Ayşegül Şahin**, University of Rochester  
Macroeconomic and Monetary Studies Function



*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. Recent teaching activities include:

- Tobias Adrian, *Princeton; Seoul National University*
- Leonardo Bartolini, *Columbia*
- Arturo Estrella, *Columbia*
- Stefano Eusepi, *NYU*
- Michael Fleming, *NYU*
- Linda Goldberg, *Princeton*
- James Harrigan, *Columbia*

- Andrew Haughwout, *Princeton*
- Rebecca Hellerstein, *NYU*
- Bart Hobijn, *NYU*
- James McAndrews, *Pennsylvania*
- Donald Morgan, *Columbia; NYU*
- Paolo Pesenti, *NYU; Princeton; University of Oslo*
- Simon Potter, *NYU*
- Til Schuermann, *Columbia; Wharton*
- Andrea Tambalotti, *Columbia; NYU*
- James Vickery, *Princeton; NYU*
- Zhenyu Wang, *Columbia*
- George Zanjani, *St. John's*

*My research here has been enriched by work on real-world policy issues. In fact, some of my best research ideas have come directly from questions raised by colleagues in Bank Supervision and from issues that have surfaced during policy debates.*

**Beverly Hirtle**, MIT  
Financial Intermediation Function



*It's a great experience working in the Research Group. You have the ability to put your own academic research to work, which stimulates participation in the policy debate and the development of new ideas.*

**Argia Sbordone**, Chicago  
Macroeconomic and Monetary Studies Function



*Sabbatical Program*

Our sabbatical program offers economists opportunities to concentrate fully on their own research. The program enables individuals pursuing a specific plan of study to devote up to 100 percent of their time to qualifying work.

Under the program, economists with four or more years of service at the Bank can apply to take between two and twelve months of leave. They receive 90 percent of their salary while on the first six months of leave and 75 percent during the next six months. Economists can also work part time while on sabbatical if the employment contributes to their professional development. For example, an economist can hold a visiting position at a university or other research institution, with limited teaching or other responsibilities.

Economists have already taken advantage of the program to work at such institutions as the Bank of Portugal, Columbia University, and New York University.

*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 2007-08 include:

- Robert Barro, *Harvard University*
- Alberto Bisin, *New York University*
- Alan Blinder, *Princeton 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 draws on this synergy by bringing academics and policymakers together on a regular basis to confer on important topical issues.*

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



- Wandí Bruine de Bruin, *Carnegie Mellon University*
- Markus Brunnermeier, *Princeton University*
- Edward Coulson, *Pennsylvania State University*
- Donald Davis, *Columbia University*
- Robert Dekle, *University of Southern California*
- William Dickens, *Brookings Institution*
- Jeffrey Dominitz, *RAND*
- Jonathan Eaton, *New York University*
- Hanming Fang, *Yale University*
- Douglas Gale, *New York University*
- Rod Garratt, *University of California at Santa Barbara*
- Pinelopi Goldberg, *Yale University*
- Kabir Hassan, *University of New Orleans*
- John James, *University of Virginia*
- Michael Johannes, *Columbia University*
- Eric Johnson, *Columbia University*
- Charles Jones, *Columbia University*
- Arie Kapteyn, *RAND*
- Nobuhiro Kiyotaki, *Princeton University*
- Ricardo Lagos, *New York University*
- Amaryta Lahiri, *University of British Columbia*
- John Leahy, *New York University*
- Charles Manski, *Northwestern University*
- Marc Melitz, *Princeton University*
- Lasse Pedersen, *New York University*
- Adriano Rampini, *Duke University*
- Andrew Rose, *University of California at Berkeley*
- Jesse Rothstein, *Princeton University*
- Thomas Sargent, *New York University*
- Frank Schorfheide, *University of Pennsylvania*
- Christopher Sims, *Princeton University*
- Philip Strahan, *Boston College*
- Suresh Sundaresan, *Columbia University*
- Lars Svensson, *Princeton University*
- Eric van Wincoop, *University of Virginia*
- Gianluca Violante, *New York University*
- Kenneth Wolpin, *University of Pennsylvania*
- Michael Woodford, *Columbia University*
- David Yermack, *New York University*
- Stephen Zeldes, *Columbia University*

### 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 our economists have gone on to accept faculty positions at prestigious colleges and universities, including Boston College, Brandeis, Columbia, Dartmouth, New York University, the University of British Columbia, the University of Chicago, the University of Stockholm, and the University of Virginia.

### Seminars

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 coauthors outside the Bank.

In addition, we offer a seminar series that attracts a broad group of distinguished speakers. We present several seminars a week—a clear indication of our commitment to the series.

Selected seminars in 2007 include:

- “Risk, Uncertainty, and Asset Prices,” *Geert Bekaert, Columbia University*

- “The Changing Nature of Chapter 11,” *Sreedhar Bharath, University of Michigan*
- “Market-Based Regulation and the Informational Content of Prices,” *Philip Bond, University of Pennsylvania*
- “Product Creation and Destruction: Evidence and Price Implications,” *Christian Broda, University of Chicago, and David Weinstein, Columbia University*
- “Sovereign Risk and Secondary Markets,” *Fernando Broner, Universitat Pompeu Fabra*
- “Estimating Systemic Risk in the International Financial System,” *Gregory Brown, University of North Carolina at Chapel Hill*
- “State Casket Sales Restrictions: A Pointless Undertaking?” *Judith Chevalier, Yale University*
- “Credit Scoring and the Competitive Pricing of Default Risk,” *Dean Corbae, University of Texas at Austin*
- “How Active Is Your Fund Manager? A New Measure that Predicts Performance,” *Martijn Cremers, Yale University*
- “Bank Ownership, Market Structure, and Risk,” *Gianni De Nicoló, International Monetary Fund*
- “Interdependent Durations,” *Aureo de Paula, University of Pennsylvania*

*The commitment to academic research at the Bank is outstanding. This commitment is reflected in the amount of time economists can devote to pure research as well as in the numerous seminars, distinguished visiting professors, and exceptional colleagues here.*

**David Skeie**, Princeton  
Money and Payments Studies Function





<ul style="list-style-type: none"> <li>■ “Financial Globalization and Monetary Policy,” <i>Michael Devereux, University of British Columbia</i></li> <li>■ “Do Sticky Prices Need to Be Replaced with Sticky Information?” <i>William Dupor, Ohio State University</i></li> <li>■ “Downside Risk,” <i>Robert Engle, New York University</i></li> <li>■ “Exchange Rate Fundamentals and Order Flow,” <i>Martin Evans, Georgetown University</i></li> <li>■ “The Role of Interbank Markets in Monetary Policy: A Model with Rationing,” <i>Xavier Freixas, Universitat Pompeu Fabra</i></li> <li>■ “Which Bank Is the ‘Central’ Bank?: An Application of Centrality Measures to the Canadian Large-Value Transfer System,” <i>Rod Garratt, University of California at Santa Barbara</i></li> <li>■ “Banking and Interest Rates in Monetary Policy Analysis: A Quantitative Exploration,” <i>Marvin Goodfriend, Carnegie Mellon University</i></li> <li>■ “The Non-Monotonic Relationship between Interest Rates and Exchange Rates,” <i>Viktoria Hnatkovska, University of British Columbia</i></li> <li>■ “Liquidity Traps, Learning, and Stagnation,” <i>Seppo Honkapohja, University of Cambridge</i></li> </ul>	<ul style="list-style-type: none"> <li>■ “The Young, the Old, and the Restless: Demographics and Business Cycle Volatility,” <i>Nir Jaimovich, Stanford University</i></li> <li>■ “Introduction to Markov Chain Monte Carlo Methods,” <i>Michael Johannes, Columbia University</i></li> <li>■ “Persistent Real Exchange Rates,” <i>Amartya Lahiri, University of British Columbia</i></li> <li>■ “Ability Sorting and Consumer City,” <i>Sanghoon Lee, University of British Columbia</i></li> <li>■ “Forecasting with Judgment and Models,” <i>Francesca Monti, Université Libre de Bruxelles</i></li> <li>■ “Capital Allocation,” <i>Stewart Myers, Massachusetts Institute of Technology</i></li> <li>■ “Bounding Best-Response Violations in Discriminatory Auctions with Private Values,” <i>Harry Paarsch, University of Iowa</i></li> <li>■ “Trade Adjustments and Human Capital Investment: Evidence from Indian Tariff Reform,” <i>Nina Pavcnik, Dartmouth College</i></li> <li>■ “Relating Output and Volatility across Countries,” <i>Pietro Reichlin, Libera Università Internazionale degli Studi Sociali Guido Carli</i></li> <li>■ “Measuring Changes in the Value of the Numeraire,” <i>Ricardo Reis, Princeton University</i></li> </ul>
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*With its emphasis on research and its breadth of supporting professionals, combined with its key role in formulating economic policy, the New York Fed provides a research setting like no other. It is a great place for economists to conduct independent research, derive new ideas from current policy issues, and see those ideas inform policymaking at the highest level.*

**Tanju Yorulmazer, NYU**  
Financial Intermediation Function



- “Does Mentoring Reduce Turnover and Improve the Effectiveness of New Teachers? Evidence from New York City,” *Jonah Rockoff, Columbia University*
- “A Stable International Monetary System Emerges: Inflation Targeting Is Bretton Woods, Reversed,” *Andrew Rose, University of California at Berkeley*
- “Auctioning Financial Assets: Discriminatory versus Uniform, Which Method Is Preferred?” *Orly Sade, Hebrew University of Jerusalem*
- “The Effect of Judicial Bias in Chapter 11 Reorganization,” *Antoinette Schoar, Massachusetts Institute of Technology*
- “Foreign Banks in Mexico: New Conquistadors or Agents of Change?” *Heiner Schulz, University of Pennsylvania*
- “Does Improved Market Access Raise Plant-Level Productivity?” *Daniel Trefler, University of Toronto*
- “Incomplete Information Processing: A Solution to the Forward Discount Puzzle,” *Eric van Wincoop, University of Virginia*
- “Gasoline Prices and Grocery Purchases: Revisiting the Income Effect,” *Sofia Berto Villas-Boas, University of California at Berkeley*
- “Mortality, Mass Layoffs, and Career Outcomes: An Analysis Using Administrative Data,” *Till von Wachter, Columbia University*

*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**  
Financial Intermediation Function



### Conferences

Over the past few years, the Research Group has hosted many well-received research conferences addressing a diverse set of topics, including systemic risk, 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.

### A Rich Computing Environment

Economists can take advantage of the Research Group’s state-of-the-art computing environment and enjoy access to a broad spectrum of real and financial data sources.

- The main elements of the computing infrastructure include:
- *Two interconnected networks.* The highly flexible Research Accessible Network (RAN) and the Bank’s highly secure internal network are available to economists. The RAN was designed for the exclusive use of researchers, our visitors, and external collaborators. It provides liberal access to outside resources, such as the Internet, while offering external collaborators and coauthors more convenient access to RAN resources from outside the Bank. The Bank’s network can be used to conduct confidential and classified policy work and provides access to Bankwide resources such as Federal Reserve System Intranet applications and websites.



- *Robust data storage and backup solutions.* An expandable terabytes storage area network platform allows for a range of data storage capabilities on the Bank’s network.
- *A high-performance environment of Linux clusters.* Roughly sixty processors enable parallel computing in Research, complemented by additional Linux servers on the Bank network as well as on the RAN.
- *Convenient remote access.* An array of automated tools are on hand to assist economists at home or abroad; BlackBerry devices are also available for mobile communication.
- *Versatile workstation options.* Desktop and laptop solutions can be combined to meet economists’ research needs; a dual-workstation option enables simultaneous access to the Bank network and the RAN.

### 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, fifteen RAs have gone on to top-five Ph.D. programs while another twenty have entered top-twenty programs. Among this group, six RAs have been awarded National Science Foundation fellowships.

### Wide Internet Exposure

Personal web pages on the New York Fed’s site, [www.newyorkfed.org/research/economists/](http://www.newyorkfed.org/research/economists/), heighten economists’ visibility in the academic, policy, and business communities.

The pages feature the economist’s biography and field of interest as well as links to curricula vitae, publications, and working papers. These are among the most visited pages on the Research Group’s website.

### Census Research Data Center

The Research Group, on behalf of the New York Fed, helped establish a U.S. Census Bureau Research Data Center in New York City. The

Bank is a founding member of the consortium that supports the facility, joining other leading universities and research organizations in New York State.

The presence of the Research Data Center in the New York area supports an important strand of empirical research in the Bank and the region. At the Data Centers, researchers who have completed a rigorous project review process can access in a secure facility selected confidential economic and demographic micro-data gathered by the U.S. Census Bureau.

The New York Fed’s consortium membership entitles Research Group economists to use the facility to conduct research with no additional lab fees or the need to travel.

*The New York Fed is unique in its emphasis on academic research and policy research. Ample resources—including excellent computing support, the assistance of dedicated research associates, multiple seminar series, and a rich visitors program—provide an ideal research environment. In addition, the opportunities for relating academic research to practical policy and real-world applications make the experience here all the more exciting and fruitful.*

**Rajashri Chakrabarti**, Cornell  
Microeconomic and Regional Studies Function



*The New York Fed offers a unique combination of interaction with top economists and exposure to interesting policy questions. It’s a great place to work, especially for economists whose research ideas are inspired by real-world issues.*

**Antoine Martin**, University of Minnesota  
Money and Payments Studies Function



# RESIDENT AND JUNIOR RESIDENT SCHOLARS PROGRAMS

## Resident Scholars Program

The Research and Statistics Group’s Program for Resident Scholars attracts to the Bank outstanding researchers with an international reputation. We are happy to announce that Mark Gertler will continue to serve as resident scholar.

Professor Gertler, the Henry and Lucy Moses Professor of Economics at New York University and Chair of NYU’s Economics Department, is known for his research on macroeconomic theory, monetary economics, and finance. He has published extensively, coauthoring with Ben Bernanke, Glenn Hubbard, and Mark Watson, and his work has appeared in the *American Economic Review*, the *Journal of Political Economy*, the *Quarterly Journal of Economics*, and the *Review of Economic Studies*. Professor Gertler is a coeditor of the *American Economic Review* and has been on the editorial boards of the *Journal of Money, Credit, and Banking*, *Economics Letters*, the *NBER Macroeconomics Annual*, and the *Journal of Financial Intermediation*.

In addition, he is a Fellow of the Econometric Society and has been a visiting scholar at the Federal Reserve Bank of New York on and off since 1994.

Resident scholars, selected from the top academic and policy institutions in areas related to the Bank’s broad policy interests, join the Bank for a stay of at least six months. They are considered members of the Research Group, and are offered access to resources on the same basis as other key Bank staff.

The scholars pursue their own research agendas 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. Resident 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.

Previous resident scholars are:

- Nobuhiro Kiyotaki, *Professor of Economics, Princeton University*,
- Suresh M. Sundaresan, *Chase Manhattan Bank Foundation Professor of Financial Institutions, Columbia Business School*,
- Jiang Wang, *Mizuho Professor of Finance, MIT Sloan School of Management*.

## Junior Resident Scholars Program

The Junior Resident Scholars Program brings to the Bank recent Ph.D. recipients who are at an early stage of their career. The Research Group began the program in 2007 to give these individuals, whose research interests are closely aligned with the Group’s mission, exposure to the policy process at the New York Fed.

Emi Nakamura and Jon Steinsson are the program’s first junior resident scholars, joining the Group’s Macroeconomic and Monetary Studies Function. Emi and Jon received their Ph.D.s from Harvard in 2007, and will take positions as assistant professors at Columbia in 2008. Their research focuses on such topics as the measurement of price rigidity using microdata and the macroeconomic implications of price rigidity.

Junior resident scholars work as staff economists for up to a year before beginning their tenure in academia. During that time, they are expected to pursue their own research agendas and collaborate with our economists on policy-related issues. The junior scholars present their own work as well as attend Research Group seminars. They are also given opportunities to contribute to the Bank’s main policymaking mission.

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

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



*The Junior Resident Scholars Program has been an intellectually exciting experience. The New York Fed is a great place to conduct research and to get feedback from a remarkable group of economists as well as from the many academic visitors from New York area universities such as Columbia, NYU, Princeton, and Yale.*

**Emi Nakamura**, Harvard Junior Resident Scholar



# OUR ECONOMISTS AT A GLANCE: CURRENT RESEARCH

- Our economists engage in a variety of innovative research projects. Here are just a few examples:
- *Adam Ashcraft*—Empirical research on the monetary policy transmission mechanism, the market’s ability to discipline banks, and the impact of credit derivatives on financial volatility and the credit supply.
  - *Arturo Estrella*—Research on the cyclical behavior of labor productivity growth, using frequency domain techniques.
  - *Todd Keister*—Theoretical research on bank runs and financial crises; research on money, banking, and the implementation of monetary policy.
  - *Donghoon Lee*—Empirical research on the evolution of labor market dynamics, income inequality, and simulation-based methods of estimation.
  - *Antoine Martin*—Theoretical research on money, banking, and payments, including currency competition, redistributive aspects of monetary policy, and central bank intraday credit policies.
  - *Donald Morgan*—Theoretical and empirical research aimed at defining and detecting predatory lending by banks.
  - *Paolo Pesenti*—Open-economy simulation models for policy analysis; productivity, product varieties, and net exports; protectionism and current account adjustment.

- *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.
- *Joshua Rosenberg*—Research on risk management when risks are skewed and fat-tailed; research on asset pricing and hedging when volatility is stochastic.
- *João Santos*—Theoretical research on the determinants of systemic risk in the banking sector and on the design of regulation to account for systemic risk; empirical research on the implications of mixing banking and commerce in the United States.
- *Andrea Tambalotti*—The use of dynamic stochastic general equilibrium models to identify fluctuations in potential output and the natural rate of interest.
- *Wilbert van der Klaauw*—Empirical research on the effect of social security reform on savings and retirement behavior, welfare reform, family structure dynamics, and child development.
- *Tanju Yorulmazer*—Theoretical research on banking and financial stability, including liquidity, various channels of systemic risk, and financial crises and their resolution.

# 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 research functions’ policy work suggests the wide range of our responsibilities and the breadth of expertise that we bring to them.

*Capital Markets* works closely with the Bank’s Trading Desk on market monitoring, policy implementation, and Treasury financing issues, and advises senior Bank management on market developments and the information content of financial market prices. Recent work includes analyses of dealer positioning and leverage and their relationship to market behavior, assessments of liquidity in fixed-income markets, and studies of inflationary expectations embedded in financial market prices.

The *Financial Intermediation* staff conducts research and policy-oriented analysis on a wide range of issues relating to financial intermediation and financial markets, including the behavior and health of financial institutions, innovations in financial markets, and the development of appropriate supervisory tools and techniques. Economists in the function examine these issues from both a macroeconomic and microeconomic perspective, with a focus on the

performance and stability of financial markets and core institutions. Recently, they have studied the impact of bank failures on the local economy, the effectiveness of market discipline of financial institutions, hedge funds and systemic risk, the industrial organization of U.S. banking, the interaction between banking and commerce, credit derivatives and other financial innovation topics, the pricing of catastrophe insurance and the organizational composition of the insurance industry, and risk management and corporate governance issues.

*International Research* monitors developments in the global economy that affect the United States, tracking the performance of industrialized countries and developments in U.S. external imbalances. The staff has recently analyzed the sustainability of U.S. current account deficits, international capital flows and financial developments, the micro- and macro-economic effects of U.S. exchange rate movements, and the impact of globalization on product, labor, and financial markets and its implications for monetary policy.

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, they have studied rising

*The New York Fed stands at the crossroads of policymaking and important academic research. It offers economists a unique chance to conduct research on key policy issues as well as to broaden their own research interests through policy work.*

**Wilbert van der Klaauw**, Brown  
Microeconomic and Regional Studies Function





home prices and their possible implications for the economy; the impact of higher oil prices on economic growth, inflation, and 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. Economists in the function have recently conducted analyses of inflation experiences and expectations, the information content of the Federal Reserve's business surveys, and the fiscal status of state and local governments.

*Money and Payments Studies* researches and analyzes 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 alternative strategies 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.

Martin Lettau, Sydney Ludvigson, and Charles Steindel, writing in our *Economic Policy Review*, examined the consumption response to changes in consumer wealth. Their study 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, they also reach 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 7,000, is geared toward a broad audience that includes the general public as well as decision makers in business and government.

Both publications attract many website visitors and receive frequent press attention, making them valuable outlets for work that combines our economists' research and policy interests.

## 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.

In August 1996, Joe joined the Bank 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.

# CAPITAL MARKETS

The Capital Markets Function specializes in research on asset pricing, market microstructure, and other financial market topics, focusing on such issues as market liquidity, announcement effects, the links between financial markets and economic fundamentals, and technical aspects of pricing and trading securities and derivatives. A close working relationship with the Bank’s Trading Desk, well-established contacts with market participants, and strong ties to business school finance departments create a unique environment to conduct financial markets research. A recent conference organized by Capital Markets examined 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,
- the information content of Federal Open Market Committee (FOMC) minutes,
- the effect of FOMC announcements on the U.S. Treasury market,
- the role of liquidity in explaining corporate bond credit spreads,
- estimation of risk premia in stock and bond markets,
- price discovery in the foreign currency spot and futures markets,
- analysis of Treasury dealer position management,
- the tail risk of hedge funds and other financial institutions, and
- the link between financial institutions’ balance sheets and financial market liquidity.

### Capital Markets Staff

- Tobias Adrian**  
*Ph.D., MIT, 2003*  
Interests: Asset pricing; financial intermediation; monetary policy.
- Arturo Estrella**  
*Ph.D., Harvard, 1983*  
Interests: Macroeconomics and finance; monetary policy; financial regulation; econometrics.
- Michael Fleming**  
*Ph.D., Harvard, 1994*  
Interests: Fixed-income markets; market microstructure; repurchase agreement market.
- Anthony Rodrigues**  
*Ph.D., UC Berkeley, 1984*  
Interests: Yield curve modeling; credit risk models; risk management; applied econometrics; asset price and volatility models.

**Joshua Rosenberg**  
*Ph.D., UC San Diego, 1996*  
Interests: Asset pricing; risk management; financial econometrics; derivatives; volatility modeling.

**Asani Sarkar**  
*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.

### Recent Publications and Papers

- Tobias Adrian.** “Stock Returns and Volatility: Pricing the Short-Run and Long-Run Components of Market Risk,” with Joshua Rosenberg. *Journal of Finance*, forthcoming.
- Arturo Estrella.** “Dynamic Inconsistencies: Counterfactual Implications of a Class of Rational Expectations Models,” with Jeffrey C. Fuhrer. *American Economic Review* 92, no. 4 (2002).
- “Why Does the Yield Curve Predict Output and Inflation?” *Economic Journal* 115, no. 505 (2005).

**Michael Fleming.** “Dealer Behavior in the Specials Market for U.S. Treasury Securities,” with Kenneth Garbade. *Journal of Financial Intermediation* 16, no. 2 (2007).

**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* 79, no. 3 (2006).

“The Impact of CEO Turnover on Equity Volatility,” with Matthew Clayton and Jay Hartzell. *Journal of Business* 78, no. 5 (2005).

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

“Market Sidedness: Insights into Motives for Trade Initiation,” with Robert A. Schwartz. *Journal of Finance*, forthcoming.

# FINANCIAL INTERMEDIATION

*The Financial Intermediation Function conducts research and policy-oriented analysis on a wide range of issues relating to financial intermediation and financial markets, including the behavior and health of financial institutions, innovations in financial markets, and the development of appropriate supervisory tools and techniques. Financial Intermediation economists examine these issues from both a macroeconomic and a microeconomic perspective, with a focus on the performance and stability of financial markets and core institutions.*

**Recent research topics include:**

- financial market innovations,
- banks and the business cycle,
- financial stability,
- risk management and measurement,
- regulatory capital requirements,
- design of financial systems, institutions, and contracts, and
- restructuring and deregulation.

## Financial Intermediation Staff

- Adam Ashcraft**  
*Ph.D., MIT, 2001*  
Interests: Monetary policy and the transmission mechanism; bank capital regulation; market discipline; causal methods in econometrics; labor economics.

**Nicola Cetorelli**  
*Ph.D., Brown, 1996*  
Interests: Banking; industrial organization; corporate finance; bank finance and real activity.

- Beverly Hirtle**  
*Ph.D., MIT, 1986*  
Interests: Retail banking and bank branching; risk management and measurement; banks’ dividend and stock repurchase behavior; disclosure; bank capital.

**John Kambhu**  
*Ph.D., NYU, 1981*  
Interests: Market liquidity; risk management; economics of information.

**Hamid Mehran**  
*Ph.D., University of North Carolina, 1990*  
Interests: Corporate finance.

**Donald Morgan**  
*Ph.D., Wisconsin, 1989*  
Interests: Judging and pricing bank risk; geographic diversification at banks; bank credit standards and economic activity.

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

- João Santos**  
*Ph.D., Boston University, 1994*  
Interests: Corporate finance; banking; banking regulation and the design of financial systems, institutions, and contracts.

**Til Schuermann**  
*Ph.D., Pennsylvania, 1993*  
Interests: Financial institutions; risk measurement and management; capital markets; financial econometrics.

**James Vickery**  
*Ph.D., MIT, 2004*  
Interests: Banking and financial institutions; corporate finance; consumer finance; development finance.

**Zhenyu Wang**  
*Ph.D., University of Minnesota, 1995*  
Interests: Risk management; asset pricing; financial econometrics; investment management.

**Chenyang Wei**  
*Ph.D., NYU, 2006*  
Interests: Empirical finance; corporate governance; credit risk; fixed-income investment.

**Tanju Yorulmazer**  
*Ph.D., NYU, 2003*  
Interests: Financial stability; information flows in financial markets; applied game theory.

**George Zanjani**  
*Ph.D., Chicago, 2000*  
Interests: Insurance; financial institutions; corporate finance.

## 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* 61, no. 1 (2006).

**Beverly Hirtle.** “The Impact of Network Size on Bank Branch Performance.” *Journal of Banking and Finance*, forthcoming.

**John Kambhu.** “Trading Risk, Market Liquidity, and Convergence Trading in the Interest Rate Swap Spread.” Federal Reserve Bank of New York *Economic Policy Review* 12, no. 1 (2006).

**Hamid Mehran.** “The Economics of Conflicts of Interest in Financial Institutions,” with René Stulz. *Journal of Financial Economics* 85, no. 2 (2007).

**Donald Morgan.** “Bank Integration and the Business Cycle,” with Philip Strahan and Bertrand Rime. *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.** “The American Keiretsu and Universal Banks: Investing, Voting, and Sitting on Nonfinancials’ Corporate Boards,” with Adrienne Rumble. *Journal of Financial Economics* 80, no. 2 (2006).

“Bank Loans, Bonds, and Information Monopolies across the Business Cycle,” with Andrew Winton. *Journal of Finance*, forthcoming.

**Til Schuermann.** “A General Approach to Integrated Risk Management with Skewed, Fat-Tailed Risks,” with Joshua Rosenberg. *Journal of Financial Economics* 79, no. 3 (2006).

“Managing Bank Liquidity Risk: How Deposit-Loan Synergies Vary with Market Conditions,” with Evan Gatev and Philip Strahan. *Review of Financial Studies*, forthcoming.

**James Vickery.** “(How and Why) Do Small Firms Manage Interest Rate Risk? Evidence from Commercial Loans.” *Journal of Financial Economics*, forthcoming.

**Zhenyu Wang.** “A Shrinkage Approach to Model Uncertainty and Asset Allocation.” *Review of Financial Studies* 18, no. 4 (2005).

“Y2K Options and the Liquidity Premium in Treasury Bond Markets,” with Suresh Sundaresan. *Review of Financial Studies*, forthcoming.

**Chenyang Wei.** “Governance Mechanisms and Bond Prices,” with K. J. Martijn Cremers and Vinay B. Nair. *Review of Financial Studies*, forthcoming.

**Tanju Yorulmazer.** “Information Contagion and Bank Herding,” with Viral Acharya. *Journal of Money, Credit, and Banking*, forthcoming.

**George Zanjani.** “Regulation, Capital, and the Evolution of Organizational Form in U.S. Life Insurance.” *American Economic Review* 97, no. 3 (2007).

# INTERNATIONAL RESEARCH

*The International Research Function conducts research and policy analysis in international economics, examining issues in macroeconomics, trade, financial globalization, 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:

- globalization, inflation, and monetary policy,
- capital mobility and financial integration,
- current account sustainability and global rebalancing,
- international business cycles,
- outsourcing and foreign direct investment,
- currency invoicing of international trade,
- causes and consequences of exchange rate movements,
- macroeconomic spillovers and policy interdependence,
- currency and financial crises,
- exchange rate pass-through to prices,
- determinants of international trade,
- comparisons of international money markets,
- international productivity and price differences, and
- European and Japanese economic issues.

## International Research Staff

**Mary Amiti**  
*Ph.D., London School of Economics and Political Science, 1997*  
Interests: Trade policy; new economic geography; industrial agglomerations; industrial organization; firm location decisions; regional development.

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

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

**Gianluca Benigno**  
*Ph.D., Berkeley, 2000*  
Interests: International finance; international macroeconomics; monetary policy.

**Linda Goldberg**  
*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.

**James Harrigan**

*Ph.D., UCLA, 1991*

Interests: International trade; the testing of trade theory; economic geography; the Japanese economy.

**Rebecca Hellerstein**

*Ph.D., UC Berkeley, 2003*

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

**Thomas Klitgaard**

*Ph.D., Stanford, 1985*

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

**Paolo Pesenti**

*Ph.D., Yale, 1991*

Interests: Multicountry simulation models for policy analysis; global macroeconomic adjustment; financial and currency crises.

**Recent Publications and Papers**

**Mary Amiti.** “Trade and Industrial Location with Heterogeneous Labor,” with Christopher Pissarides. *Journal of International Economics* 67, no. 2 (2005).

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

**Leonardo Bartolini.** “Money Market Integration,” with Spence Hilton and Alessandro Prati. *Journal of Money, Credit, and Banking*, forthcoming.

**Gianluca Benigno.** “Designing Targeting Rules for International Monetary Policy Cooperation,” with Pierpaolo Benigno. *Journal of Monetary Economics* 53, no. 3 (2006).

**Linda Goldberg.** “Exchange Rate Pass-Through into Import Prices,” with José Manuel Campa. *Review of Economics and Statistics* 87, no. 4 (2005).

**James Harrigan.** “Distance, Time, and Specialization: Lean Retailing in General Equilibrium,” with Carolyn Evans. *American Economic Review* 95, no. 1 (2005).

**Rebecca Hellerstein.** “Is There a Dead Spot? New Evidence on FOMC Votes before Elections.” *Journal of Money, Credit, and Banking*, forthcoming.

**Thomas Klitgaard.** “Recycling Petrodollars,” with Matthew Higgins and Robert Lerman. Federal Reserve Bank of New York *Current Issues in Economics and Finance* 12, no. 9 (2006).

**Paolo Pesenti.** “Productivity, Terms of Trade, and the ‘Home Market Effect,’” with Giancarlo Corsetti and Philippe Martin. *Journal of International Economics* 73, no. 1 (2007).

**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 and effects on consumer spending, and
- trends in labor force participation.

**Macroeconomic and Monetary Studies Staff**

**Carlos Carvalho**

*Ph.D., Princeton, expected 2008*

Interests: Macroeconomics; monetary economics; international macroeconomics.

**Vasco Cúrdia**

*Ph.D., Princeton, 2007*

Interests: Macroeconomics; monetary economics; international finance.

**Marco Del Negro**

*Ph.D., Yale, 1998*

Interests: Estimation and evaluation of dynamic stochastic general equilibrium models; factor models; international macroeconomics and finance.

**Gauti Eggertsson**

*Ph.D., Princeton, 2004*

Interests: Macroeconomics; monetary economics; international finance; political economy.

**Stefano Eusepi**

*Ph.D., University of Warwick, U.K., 2004*

Interests: Macroeconomics; monetary economics; nonlinear dynamics.

**Andrea Ferrero**  
*Ph.D., NYU, 2006*  
Interests: Macroeconomics; monetary economics; international finance.

**Bart Hobijn**  
*Ph.D., NYU, 2000*  
Interests: Technological progress and growth; time series analysis; price index measurement.

**James Kahn**  
*Ph.D., MIT, 1986*  
Interests: Empirical business cycle analysis; labor markets; growth and productivity.

**Jonathan McCarthy**  
*Ph.D., Wisconsin, 1992*  
Interests: Macroeconomics; inventories; investment; housing; consumption.

**Emanuel Moench**  
*Ph.D., Humboldt University, Berlin, 2006*  
Interests: Financial economics; macroeconomics; applied econometrics.

**Richard Peach**  
*Ph.D., Maryland, 1983*  
Interests: Housing and real estate finance; federal fiscal policy.

**Simon Potter**  
*Ph.D., Wisconsin, 1990*  
Interests: Time series econometrics; macroeconomics; Bayesian statistics.

**Robert Rich**  
*Ph.D., Brown, 1988*  
Interests: Macroeconomics; time series econometrics.

**Ayşegül Şahin**  
*Ph.D., University of Rochester, 2002*  
Interests: Macroeconomics; labor economics.

**Argia Sbordone**  
*Ph.D., Chicago, 1993*  
Interests: Macroeconomics; monetary economics; inflation dynamics.

**Charles Steindel**  
*Ph.D., MIT, 1977*  
Interests: Macroeconomics; consumer behavior.

**Andrea Tambalotti**  
*Ph.D., Princeton, 2004*  
Interests: Macroeconomics; monetary economics.

**Recent Publications and Papers**

**Carlos Carvalho.** “Heterogeneity in Price Stickiness and the Real Effects of Monetary Shocks.” *Frontiers of Macroeconomics* 2, no. 1 (2006).

**Vasco Cúrdia.** “An Estimated DSGE Model for Sweden with a Monetary Regime Change,” with Daria Finocchiaro. Institute for International Economic Studies Seminar Paper no. 740 (2005).

**Marco Del Negro.** “On the Fit of New Keynesian Models,” with Frank Schorfheide, Frank Smets, and Raf Wouters. 2006 JBES Invited Lecture. *Journal of Business and Economic Statistics*, forthcoming.

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

**Stefano Eusepi.** “Learnability and Monetary Policy: A Global Perspective.” *Journal of Monetary Economics* 54, no. 4 (2007).

**Andrea Ferrero.** “Fiscal and Monetary Rules for a Currency Union.” European Central Bank Working Paper no. 502 (2005).

**Bart Hobijn.** “Menu Costs at Work: Restaurant Prices and the Introduction of the Euro,” with Federico Ravenna and Andrea Tambalotti. *Quarterly Journal of Economics* 121, no. 3 (2006).

**James Kahn.** “Tracking the New Economy: Using Growth Theory to Detect Changes in Trend Productivity,” with Robert Rich. *Journal of Monetary Economics* 54, no. 6 (2007).

**Jonathan McCarthy.** “Inventory Dynamics and Business Cycles: What Has Changed?” with Egon Zakrajšek. *Journal of Money, Credit, and Banking*, forthcoming.

**Emanuel Moench.** “Towards a Monthly Business Cycle Chronology for the Euro Area,” with Harald Uhlig. *Journal of Business Cycle Measurement and Analysis* 2, no. 1 (2005).

**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.** “Estimating and Forecasting in Models with Multiple Breaks,” with Gary Koop. *Review of Economic Studies* 74, no. 3 (2007).

“Re-examining the Consumption-Wealth Relationship: The Role of Model Uncertainty,” with Gary Koop and Rodney Strachen. *Journal of Money, Credit, and Banking*, forthcoming.

**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* 87, no. 4 (2005).

**Ayşegül Şahin.** “Costs of Business Cycles for Unskilled Workers,” with Toshihiko Mukoyama. *Journal of Monetary Economics*, forthcoming.

**Argia Sbordone.** “Inflation Persistence: Alternative Interpretations and Policy Implications.” *Journal of Monetary Economics*, forthcoming.

**Charles Steindel.** “How Worrisome Is a Negative Saving Rate?” Federal Reserve Bank of New York *Current Issues in Economics and Finance* 13, no. 4 (2007).

**Andrea Tambalotti.** “Menu Costs at Work: Restaurant Prices and the Introduction of the Euro,” with Bart Hobijn and Federico Ravenna. *Quarterly Journal of Economics* 121, no. 3 (2006).

“An Investigation of the Gains from Commitment in Monetary Policy,” with Ernst Schaumburg. *Journal of Monetary Economics* 54, no. 2 (2007).



# 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:

- selection and income distribution dynamics,
- simulated maximum likelihood estimation for discrete choice models,
- the empirical content of models with multiple equilibria,
- informal hiring networks and labor market outcomes,
- statistical discrimination in labor markets,
- social insurance and the savings and labor supply behavior of U.S. households,
- design of educational reforms and their impact on student performance,
- manufacturing and the national economy,
- spatial and temporal variation in vacant land prices, and
- the design of public disaster insurance.

### Microeconomic and Regional Studies Staff

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

**Rajashri Chakrabarti**  
*Ph.D., Cornell, 2004*  
Interests: Public economics and public policy; labor economics and economics of education; applied microeconomics; applied econometrics.

**Andrew Haughwout**  
*Ph.D., Pennsylvania, 1993*  
Interests: Public finance; urban and regional economics.

**Donghoon Lee**  
*Ph.D., Pennsylvania, 2001*  
Interests: Labor economics; applied econometrics; estimation of general equilibrium models.

**James Orr**  
*Ph.D., Pennsylvania, 1979*  
Interests: Regional economics; urban development.

**Giorgio Topa**  
*Ph.D., Chicago, 1996*  
Interests: Labor markets; networks and local spillovers; urban unemployment; neighborhood dynamics; spatial econometrics.

**Wilbert van der Klaauw**  
*Ph.D., Brown, 1992*  
Interests: Labor economics; public policy; applied 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* 87, no. 4 (2005).

**Rajashri Chakrabarti.** “Can Increasing Private School Participation and Monetary Loss in a Voucher Program Affect Public School Performance? Evidence from Milwaukee.” *Journal of Public Economics*, forthcoming.

**Andrew Haughwout.** “Exogenous Shocks and the Dynamics of City Growth: Evidence from New York,” with Bess Rabin. Federal Reserve Bank of New York *Economic Policy Review* 11, no. 2 (2005).

**Donghoon Lee.** “Accounting for Wage and Employment Changes in the U.S. from 1968-2000: A Dynamic Model of Labor Market Equilibrium.” *Journal of Econometrics*, forthcoming.

**James Orr.** “Challenges Facing the New York Metropolitan Area Economy,” with Giorgio Topa. Federal Reserve Bank of New York *Current Issues in Economics and Finance* 12, no. 1 (2006).

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

**Wilbert van der Klaauw.** “The Effect of Disability Insurance on Labor Supply of Older Individuals in the 1990s,” with Susan Chen. *Journal of Econometrics*, forthcoming.

# MONEY AND PAYMENTS STUDIES

The Money and Payments Studies Function 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. Money and 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 operational events and the risk of fraud in new and emerging payments systems,
- analyzing the possible effects of paying interest on bank reserves,
- studying the effects of new Federal Reserve policies relating to the provision of daylight credit and the cash services made available to banks,
- characterizing the topology of large-value payments flows across banks, and
- providing support for the Federal Reserve’s management of its wholesale payments services.

**Money and Payments Studies Staff**

**Olivier Armantier**  
*Ph.D., University of Pittsburgh, 1999*  
Interests: Industrial organization; econometrics; experimental economics; applied microeconomics; game theory.

**Morten Bech**  
*Ph.D., UC Santa Barbara, 2002*  
Interests: Payments system theory and design.

**Kenneth Garbade**  
*Ph.D., Princeton, 1975*  
Interests: U.S. Treasury securities; risk management; relative value analysis.

**Todd Keister**  
*Ph.D., Cornell, 1998*  
Interests: Macroeconomics; banking; liquidity; coordination failures.

**Antoine Martin**  
*Ph.D., University of Minnesota, 2001*  
Interests: Monetary economics; payment economics; financial intermediation; banking.

**James McAndrews**  
*Ph.D., University of Iowa, 1988*  
Interests: Industrial organization of financial markets.

**David Skeie**  
*Ph.D., Princeton, 2004*  
Interests: Corporate finance; banking; contract theory.

## Recent Publications and Papers

**Olivier Armantier.** “Estimation and Comparison of Treasury Auction Formats When Bidders Are Asymmetric,” with Erwann Sbai. *Journal of Applied Econometrics*, forthcoming.

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

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

**Todd Keister.** “Optimal Fiscal Policy with Multiple Equilibria,” with Huberto M. Ennis. *Journal of Monetary Economics* 52, no. 8 (2005).

**Antoine Martin.** “Optimality of the Friedman Rule in an Overlapping Generations Model with Spatial Separation,” with Joseph Haslag. *Journal of Money, Credit, and Banking*, forthcoming.

**James McAndrews.** “Alternative Arrangements for the Distribution of Intraday Liquidity.” Federal Reserve Bank of New York *Current Issues in Economics and Finance* 12, no. 3 (2006).

**David Skeie.** “Payment Networks in a Search Model of Money,” with Antoine Martin and Michael Orlando. *Review of Economic Dynamics*, forthcoming.

# 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; available only online.
- ***Research Update***—a quarterly newsletter describing the Group’s current research; available only online.
- ***Publications and Other Research***—an annual catalogue of the Group’s research output.