

The Research Group of the Federal Reserve Bank of New York

2008/2009





CONTENTS

To Prospective Job Candidates3

A Vast Portfolio of Research Assets5

Resident and Junior Resident Scholars Programs15

Our Economists at a Glance: Current Research17

The Research Group’s Policy Work19

Research Functions and Personnel

Director of Research Joseph S. Tracy.....22

Capital Markets23

Financial Intermediation25

International Research27

Macroeconomic and Monetary Studies.....29

Microeconomic and Regional Studies.....32

Money and Payments Studies34

Federal Reserve Bank of New York Research Series36

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. This leadership position has been especially evident in recent months, as the Bank has moved aggressively to manage the ongoing financial crisis. To perform to the highest standards in such a 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, thirty-three 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*, the *Review of Economic Studies*, 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:

- Marco Del Negro, *Economic Inquiry*
- 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



The New York Fed is a great place for economists who want to combine their research with policy work. It provides an opportunity to interact with the most renowned academics in the world through the Visiting Scholars Program and seminars, as well as access to the policy decision-making process.

Mary Amiti, London School of Economics and Political Science
International Research Function



- Linda Goldberg, *Journal of International Economics*
- Andrew Haughwout, *International Regional Science Review; Journal of Regional Science*
- Todd Keister, *Macroeconomic Dynamics*
- Antoine Martin, *Journal of Money, Credit, and Banking*
- Donald Morgan, *Journal of Money, Credit, and Banking*
- Paolo Pesenti, *Journal of Money, Credit, and Banking*
- Simon Potter, *Macroeconomic Dynamics*
- Joshua Rosenberg, *Journal of International Financial Markets, Institutions, and Money*
- João Santos, *Journal of Financial Services Research*

- Asani Sarkar, *Journal of Emerging Markets*
- 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.

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



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 academic departments. 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.

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



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



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 institutions such as Columbia, Harvard, NYU, and Princeton. 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. Recent teaching activities include:

- Tobias Adrian, *Princeton; Seoul National University*
- Gauti Eggertsson, *Yale*
- Stefano Eusepi, *NYU*

- Andrea Ferrero, *NYU*
- Michael Fleming, *NYU*
- Linda Goldberg, *Princeton*
- Andrew Haughwout, *Princeton*
- Rebecca Hellerstein, *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*
- Tanju Yorulmazer, *NYU*

The New York Fed is an ideal workplace for young economists who want to conduct academic research and gain valuable insight into economic policy decision-making processes and the workings of financial markets. The Bank provides excellent resources in the form of ample research time, computing facilities, and opportunities to interact with an outstanding group of colleagues and distinguished academic visitors.

Emanuel Moench, Humboldt University, Berlin
Capital Markets Function



Recent events on Wall Street will shape academic research and public policy on financial markets and institutions for decades. Economists joining the New York Fed can benefit from its unique mix of resources, experience, and opportunities, and potentially play a leadership role in policy and academia.

Adam Ashcraft, MIT
Financial Intermediation Function



Economists have 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 2008-09 include:

- Guido Ascari, *University of Pavia*
- Robert Barro, *Harvard University*
- Jess Benhabib, *New York University*

- Bruno Biais, *University of Toulouse*
- Alan Blinder, *Princeton University*
- Philip Bond, *University of Pennsylvania*
- Marco Bonomo, *Getulio Vargas Foundation*
- Leif Brubakk, *Norges Bank*
- Markus Brunnermeier, *Princeton University*
- Andrew Caplin, *New York University*
- Giancarlo Corsetti, *European University Institute*
- Donald Davis, *Columbia University*
- William Dickens, *Brookings Institution*
- Jonathan Eaton, *New York University*
- Michael Elsby, *University of Michigan*
- Mark Flannery, *University of Florida*
- Douglas Gale, *New York University*
- Mark Gertler, *New York University*
- Paul Glasserman, *Columbia University*
- Marvin Goodfriend, *Carnegie Mellon University*
- Helios Herrera, *Columbia University*
- John James, *University of Virginia*
- Charles Jones, *Columbia University*
- Amit Khandelwal, *Columbia University*
- Nobuhiro Kiyotaki, *Princeton University*
- Per Krusell, *Princeton University*
- Ricardo Lagos, *New York University*
- Ross Levine, *Brown University*
- Philippe Martin, *Université Paris 1 Panthéon-Sorbonne*
- Christopher Mayer, *Columbia University*
- Marc Melitz, *Princeton University*
- Virgiliu Midrigan, *New York University*
- Francesca Monti, *University of Brussels*
- Andrea Moro, *Vanderbilt University*
- Toshihiko Mukoyama, *University of Virginia*
- Emi Nakamura, *Columbia University*
- Federico Ravenna, *University of California at Santa Cruz*
- Sergio Rebelo, *Northwestern University*
- Jesse Rothstein, *Princeton University*
- Thomas Sargent, *New York University*
- Frank Schorfheide, *University of Pennsylvania*
- Hyun Song Shin, *Princeton University*
- Christopher Sims, *Princeton University*
- Richard Startz, *University of Washington*

- Jón Steinsson, *Columbia University*
- Philip Strahan, *Boston College*
- Suresh Sundaresan, *Columbia University*
- Cédric Tille, *Graduate Institute of International and Development Studies*
- Gianluca Violante, *New York University*
- Andrew Winton, *University of Minnesota*
- Michael Woodford, *Columbia University*
- David Yermack, *New York University*
- Motohiro Yogo, *University of Pennsylvania*
- 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 2008 include:

- “Product Quality and Trade with Homothetic Demand,” *Francisco Alcalá, New York University*
- “Market Penetration Costs and Trade Dynamics,” *Costas Arkolakis, Yale University*
- “Constructing State and Metropolitan Area Price Levels,” *Bettina Aten, Bureau of Economic Analysis*
- “On the Need for a New Approach to Analyzing Monetary Policy,” *Andrew Atkeson, University of California at Los Angeles*
- “Bretton Woods and the Great Inflation,” *Michael Bordo, Rutgers University*
- “Finance and Development: A Tale of Two Sectors,” *Francisco Buera, Northwestern University*

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 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



- “Price Dispersion with Directed Search,” *Gabriele Camera, University of Iowa*
- “Inflation Targeting versus Price-Level-Path Targeting in the GEM: Some Open Economy Considerations,” *Donald Coletti, René Lealonde, and Dirk Muir, Bank of Canada*
- “Heterogeneity and Trade,” *Arnaud Costinot, University of California at San Diego*
- “Stock Market Insider Trading in Continuous Time with Dynamic Information,” *Albina Danilova, University of Oxford*
- “Tariff Cuts, Wages, and Firm Heterogeneity: Theory and Evidence,” *Donald Davis, Columbia University (with Mary Amiti)*
- “Tiebout Sorting and Inefficiency,” *Dennis Epple, Carnegie Mellon University*
- “Family Migration and Labor Market Outcomes,” *Ahu Gemici, New York University*
- “A Gap-Filling Theory of Corporate Debt Maturity Choice,” *Robin Greenwood, Harvard University*
- “Intermediary Asset Pricing,” *Arvind Krishnamurthy, Northwestern University*
- “Testing Efficient Risk Sharing with Heterogeneous Risk Preferences,” *Maurizio Mazzocco, University of California at Los Angeles*
- “Investment Cycles, Strategic Delay, and Self-Correcting Cascades,” *James Peck, Ohio State University*
- “Protection Reduction and Diversion: PTAs and the Incidence of Antidumping Disputes,” *Thomas Prusa, Rutgers University*
- “Identifying Government Spending Shocks: It’s All in the Timing,” *Valerie Ramey, University of California at San Diego*
- “Blissful Ignorance? Evidence from a Natural Experiment on the Effect of Individual Feedback on Performance,” *Imran Rasul, University College London*
- “Reference Prices and Nominal Rigidities,” *Sergio Rebelo, Northwestern University*
- “The Geography of Trade and Multinational Production,” *Andrés Rodríguez-Clare, Pennsylvania State University*
- “Fair-Value Accounting in Illiquid Markets,” *Katherine Schipper, Duke University*
- “Estimating the Demand for Credit Cards: A Regression Discontinuity Approach,” *Wei Tan, State University of New York at Stony Brook*
- “How Far Are We from the Slippery Slope? The Laffer Curve Revisited,” *Harald Uhlig, University of Chicago*

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



- “Wage Rigidity and Job Creation,” *Thijs van Rens, Universitat Pompeu Fabra*
- “A Preferred-Habitat Model of the Term Structure of Interest Rates,” *Dimitri Vayanos, London School of Economics and Political Science*
- “Analyzing a New Forecast Survey: The Bank of England Survey of External Forecasters,” *Kenneth Wallis, University of Warwick*
- “Using Labor Market Information to Identify Teacher Productivity,” *Matthew Wiswall, New York University*
- “How RePEc Measures the Impact of Economists’ Written Work,” *Christian Zimmerman, University of Connecticut*

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.

What has struck me most about my first year at the New York Fed is the extraordinary degree of intellectual excitement here. My colleagues work on the most challenging and topical policy issues and are eager to debate ideas. Stimulating seminars and presentations are offered nearly daily, and visitors from New York University, Princeton, and Columbia contribute richly to the discourse.

Marco Del Negro, Yale
Macroeconomic and Monetary Studies Function



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 makes possible simultaneous access to the Bank network and the RAN.

Extensive Professional Support

A superb group of administrative, computer, editorial, design, 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, twenty RAs have gone on to top-five Ph.D. programs while another twenty-four have entered top-twenty programs. Among this group, seven 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/, 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.

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. Eric Ghysels and John Leahy are our current resident scholars.

Professor Ghysels is serving as our resident scholar through June 2009; Professor Leahy's term runs through the end of 2008.

Professor Ghysels is the Edward M. Bernstein Distinguished Professor of Economics at the University of North Carolina at Chapel Hill as well as a professor of finance at the university's Kenan-Flagler Business School. A renowned researcher on time series econometrics and finance, he has published in the *Journal of the American Statistical Association*, the *Journal of Econometrics*, the *Journal of Finance*, the *Journal of Financial Economics*, the *Review of Economics and Statistics*, and the *Review of Financial Studies*. Professor Ghysels is a former coeditor of the *Journal of Business and Economic Statistics* and currently coeditor of the *Journal of Financial Econometrics*. He has served on the editorial boards of several other academic journals, chaired the Business and Economic Statistics Section of the American Statistical Association, and is the founding co-

president of the Society for Financial Econometrics. For the past fifteen years, Professor Ghysels has been a visiting scholar at the Board of Governors of the Federal Reserve System and at the Federal Reserve Bank of New York.

Professor Leahy is a professor of economics at New York University. He has also held teaching positions at Boston University and Harvard University and served as a visiting scholar at the Federal Reserve Banks of Kansas City, New York, and Philadelphia. Professor Leahy is well known for his research on macroeconomics, economic theory, and behavioral economics. His work has appeared in the *American Economic Review*, the *Journal of Political Economy*, the *Quarterly Journal of Economics*, and the *Review of Economics and Statistics*. He is an associate editor of the *American Economic Review* and the *Review of Economics and Statistics*. In addition, Professor Leahy is a research associate at the National Bureau of Economic Research and was a research fellow of the Alfred P. Sloan Foundation.

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

The Resident Scholars Program provides a unique opportunity for academics to interact with an outstanding research department, to eyewitness the formulation and implementation of monetary policy and financial market interventions, and to benefit tremendously from the synergies that emerge from these interactions, observations, discussions, and collaborations.

Eric Ghysels, Edward M. Bernstein Distinguished Professor of Economics,
University of North Carolina at Chapel Hill;
Resident Scholar, Federal Reserve Bank of New York



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 at Research Group seminars and attend presentations by others. 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.

Former resident scholars are:

- Mark Gertler, *Henry and Lucy Moses Professor of Economics, New York University,*
- Nobuhiro Kiyotaki, *Professor of Economics, Princeton University,*
- Suresh M. Sundaresan, *Chase Manhattan Bank Foundation Professor of Financial Institutions, Columbia Business School, and*
- Jiang Wang, *Mizuho Financial Group Professor, 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 introduced the program 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.

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 at Research Group seminars and participate in other seminar discussions. They are also given opportunities to contribute to the Bank's main policymaking mission.

Former scholars are Emi Nakamura, assistant professor of economics and business, and Jón Steinsson, assistant professor of economics—both at Columbia University.

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 and theoretical research on the accuracy of credit ratings for structured credit instruments, the informational frictions in the securitization of mortgage credit, the role of the Federal Home Loan Bank System as lender of last resort, and the impact of credit derivatives trading on credit supply.
- *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.
- *Emanuel Moench*—Empirical research on the interaction of macroeconomic and asset price dynamics, with a focus on the term structure of interest rates and the cross section of stock returns.
- *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.

Serving as resident scholar not only enables me to contribute to the policymaking process, it also allows me to bring my perspective to the research undertaken at the Bank. My discussions with fellow economists in turn provide a rich source of ideas that often inform my own work.

John Leahy, Professor of Economics, New York University;
Resident Scholar, Federal Reserve Bank of New York



What I find especially rewarding here is that my theoretical and empirical research can have important implications for the Bank's policy work. Furthermore, my exposure to the policymaking process shapes my own contributions to the policy debates in my academic field.

João Santos, Boston University
Financial Intermediation Function



- *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 issues, 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 six research functions’ policy work suggests the wide range of our responsibilities and the breadth of expertise that we bring to them.

Capital Markets contributes to monetary policy formulation, monetary policy implementation, and market monitoring by developing analytical tools and providing rigorous analyses to senior Bank management. Recent work by the staff analyzes dealer positioning, liquidity in fixed-income markets, the pricing of the term structure of interest rates, inflationary expectations embedded in financial market prices, risk spillovers in risk management and capital allocation practices, and the Federal Reserve’s new liquidity facilities.

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 frictions in the mortgage securitization process, bank funding patterns, the role of central bank liquidity provision, credit derivatives and other financial innovation topics, 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 macroeconomic 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 trends in home prices and their possible implications for the economy; the impact of oil prices on economic growth, inflation, and monetary policy;

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



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. The function has 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 issues in short-term money markets and in payments and settlement systems. Recent work includes assisting in the design and evaluation of the Federal Reserve's new lending facilities, including the Term Auction Facility; drafting policy proposals for paying interest on commercial banks' reserve balances; and analyzing the stability of repo and other short-term funding markets. The function has also studied the potential impact of introducing liquidity-saving mechanisms in large-value payments systems and analyzed alternative strategies for mitigating risk in payments and settlement systems.

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 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 spurred by policy interest in Treasury market behavior and his work on the Bank's Trading Desk. Similarly, Tobias Adrian's policy work monitoring financial institutions has prompted a series of papers—one of which is forthcoming in the *Journal of Financial Intermediation*—that explore the effects of investment banks' leveraging practices on asset price movements, real economic activity, and monetary policy.

While policy assignments can stimulate new research, the relationship is a reciprocal one: an economist's research findings will find many applications in his or her policy work. In the past year in particular, economists have had many opportunities to contribute their expertise to the Bank's efforts to understand and resolve problems in the credit and housing markets.

Til Schuermann, for example, has taken on a year-long assignment leading the credit risk monitoring efforts of the New York Fed's Bank Supervision Group. In this role, he is drawing on his investigation of credit- and liquidity-risk management in studies that have appeared in the *Journal of Banking and Finance* and the *Review of Financial Studies*.

Andrew Haughwout, Richard Peach, and Joseph Tracy have examined the sources of mortgage defaults in order to identify the kinds of restructuring that would be most successful in curbing the rise in foreclosures. Their findings were published recently in the *Journal of Urban Economics*.

Applying theoretical research on incentives in bank clearinghouse operations that appeared in the *Journal of Financial Intermediation*, James McAndrews has provided guidance on the design and administration of the Federal Reserve's Term Auction Facility and other new lending mechanisms. With other Research Group economists, he has also written a number of research and policy papers analyzing the effectiveness of these mechanisms.

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 7,500 subscribers, including policymakers, business and banking professionals, and academics.
- *Current Issues in Economics and Finance*, with a readership of 5,000, 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.

SSRN Web Page

Our economists' work also finds a wide audience through our arrangement with the Social Science Research Network (SSRN). The SSRN has more than 160,000 papers in its database representing 100,000 authors; 24 million papers have been downloaded from its site.

Visitors to our page on the SSRN site (www.ssrn.com/link/FRB-New-York.html) can view and download papers written by our economists for the *Economic Policy Review*, *Current Issues in Economics and Finance*, and our *Staff Reports* working paper series. To date, approximately 73,000 of these papers have been downloaded from the SSRN site.

RESEARCH FUNCTIONS AND PERSONNEL

Director of Research Joseph S. Tracy

Joseph S. Tracy is director of research and an executive vice president of the Bank. Previously, he was an associate professor of economics at Columbia University and at Yale University as well as the Olin Fellow at the National Bureau of Economic Research.

Joe’s broad research interests include housing and mortgage finance, labor economics, and collective bargaining. His current research focuses on the determinants of early default on subprime mortgages and the impact of falling house prices on household mobility.

Joe has published in numerous economic and business journals, including the *American*

Economic Review and the *Journal of Political Economy*, as well as in scholarly volumes. His most recent work includes “Juvenile Delinquent Mortgages: Bad Credit or Bad Economy?” with Andrew Haughwout and Richard Peach (*Journal of Urban Economics*, September 2008), “Modeling Uncertainty: Predictive Accuracy as a Proxy for Predictive Confidence,” with Robert Rich (*Review of Economics and Statistics*, forthcoming), and “Using Home Maintenance and Repairs to Smooth Variable Earnings,” with Joseph Gyourko (*Review of Economics and Statistics*, forthcoming).

Joe holds a Ph.D. in economics from the University of Chicago.

CAPITAL MARKETS

The Capital Markets Function conducts research on asset pricing, financial institutions, and market liquidity, and on the interaction between markets, institutions, and economic fundamentals. 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 for financial market research. Capital Markets regularly organizes workshops and conferences on financial market topics.

Recent research topics include:

- the links between financial markets and the macroeconomy,
- estimation of risk premia in stock, bond, and derivatives markets,
- analysis of liquidity in fixed-income and foreign exchange markets,
- the interaction between financial institutions’ balance sheets and market liquidity,
- analysis of securities dealers’ asset and liability management,
- the information content of Federal Open Market Committee communications, and
- analysis of recent financial market stress and the Federal Reserve’s new lending facilities.

Capital Markets Staff

- Tobias Adrian**
Ph.D., MIT, 2003
Interests: Asset pricing; financial intermediation; financial stability.
- Jennie Bai**
Ph.D., University of Chicago, 2008
Interests: Asset pricing; financial econometrics; empirical macroeconomics.
- Michael Fleming**
Ph.D., Harvard, 1994
Interests: Market microstructure; financial intermediation; monetary policy.
- Emanuel Moench**
Ph.D., Humboldt University, Berlin, 2006
Interests: Asset pricing; macroeconomics; applied econometrics.
- Anthony Rodrigues**
Ph.D., UC Berkeley, 1984
Interests: Fixed-income modeling; applied econometrics; risk management.
- Joshua Rosenberg**
Ph.D., UC San Diego, 1996
Interests: Asset pricing; risk management; market microstructure.

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.

Jennie Bai. “Equity Premium Prediction with Adaptive Macro Indices.” Working paper, 2008.

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

Emanuel Moench. “Forecasting the Yield Curve in a Data-Rich Environment: A No-Arbitrage Factor-Augmented VAR Approach.” *Journal of Econometrics*, forthcoming.

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).

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.

Anna Kovner
Ph.D., Harvard University, 2008
Interests: Corporate finance; behavioral finance; private equity.

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

Donald Morgan
Ph.D., Wisconsin, 1989
Interests: Payday credit; 2005 bankruptcy reform; 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 intermediation; systemic
risk; liquidity; financial crises and resolution.

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* 31, no. 12 (2007).

Anna Kovner. “The Private Equity Advantage:
Leveraged Buyout Firms and Relationship
Banking,” with Victoria Ivashina. Working
paper, 2008.

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* 63, no. 3 (2008).

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* 20,
no. 5 (2007).

Tanju Yorulmazer. “Cash-in-the-Market Pricing
and Optimal Resolution of Bank Failures,” with
Viral Acharya. *Review of Financial Studies*,
forthcoming.

“Information Contagion and Bank Herding,”
with Viral Acharya. *Journal of Money, Credit,
and Banking* 40, no. 1 (2008).

INTERNATIONAL RESEARCH

The International Research Function conducts research and policy analysis in international economics, examining issues in open-economy macroeconomics, international 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.

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.

Christian Grisse

Ph.D., University of Cambridge, 2008
Interests: Financial economics; international
macroeconomics; macroeconomics; applied
econometrics.

Jan Groen

Ph.D., Erasmus University Rotterdam, 2000
Interests: International finance; applied
econometrics; macroeconomics; financial
economics.

Rebecca Hellerstein

Ph.D., UC Berkeley, 2003
Interests: International finance and trade;
industrial organization; macroeconomics;
monetary economics.

Thomas Klitgaard

Ph.D., Stanford, 1985

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

Paolo Pesenti

Ph.D., Yale, 1991

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

Recent Publications and Papers

Mary Amiti. “Trade Costs and Location of Foreign Firms in China,” with Beata S. Javorcik. *Journal of Development Economics* 85, no. 1-2 (2008).

“Trade Liberalization, Intermediate Inputs, and Productivity,” with Jozef Konings. *American Economic Review* 97, no. 5 (2007).

Linda Goldberg. Vehicle Currency Use in International Trade,” with Cédric Tille. *Journal of International Economics*, forthcoming.

Christian Grisse. “Higher Order Beliefs and the Comovement of Asset Prices.” Working paper, 2008.

Jan Groen. “Exchange Rate Predictability and Monetary Fundamentals in a Small Multi-Country Panel,” *Journal of Money, Credit, and Banking* 37, no. 3 (2005).

Rebecca Hellerstein. “Who Bears the Cost of a Change in the Exchange Rate? Pass-Through Accounting for the Case of Beer.” *Journal of International Economics*, forthcoming.

Thomas Klitgaard. “Financial Globalization and the U.S. Current Account Deficit,” with Matthew Higgins. Federal Reserve Bank of New York *Current Issues in Economics and Finance* 13, no. 11 (2007).

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,
- trends in labor force participation, and
- dynamics of the U.S. labor market.

Macroeconomic and Monetary Studies Staff

Carlos Carvalho

Ph.D., Princeton, 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, 2004

Interests: Macroeconomics; monetary economics; nonlinear dynamics.

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

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

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. “Forming Priors for DSGE Models (and How It Affects the Assessment of Nominal Rigidities),” with Frank Schorfheide. *Journal of Monetary Economics*, forthcoming.

“Monetary Policy Analysis with Potentially Misspecified Models,” with Frank Schorfheide. *American Economic Review*, forthcoming.

Gauti Eggertsson. “Great Expectations and the End of the Depression.” *American Economic Review* 98, no. 4 (2008).

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

Andrea Ferrero. “Current Account Dynamics and Monetary Policy,” with Mark Gertler and Lars Svensson. In Jordi Galí and Mark Gertler, eds., *International Dimensions of Monetary Policy*. Chicago: University of Chicago Press, forthcoming.

Jonathan McCarthy. “Inventory Dynamics and Business Cycles: What Has Changed?” with Egon Zakrajšek. *Journal of Money, Credit, and Banking* 39, no. 2-3 (2007).

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).

“Prior Elicitation in Multiple Change-Point Models,” with Gary Koop. *International Economic Review*, forthcoming.

Robert Rich. “The Relationships between Expected Inflation, Disagreement, and Uncertainty: Evidence from Matched Point and Density Forecasts,” with Joseph Tracy. *Review of Economics and Statistics*, forthcoming.

Ayşegül Şahin. “Aggregate Implications of Indivisible Labor, Incomplete Markets, and Labor Market Frictions,” with Per Krusell, Toshihiko Mukoyama, and Richard Rogerson. *Journal of Monetary Economics* 55, no. 5 (2008). Proceedings of *Labor Markets, Macroeconomic Fluctuations, and Monetary Policy*, Carnegie-Rochester Conference Series on Public Policy.

Argia Sbordone. “Globalization and Inflation Dynamics: The Impact of Increased Competition.” In Jordi Galí and Mark Gertler, eds., *International Dimensions of Monetary Policy*. Chicago: University of Chicago Press, forthcoming.

“Trend Inflation, Indexation, and Inflation Persistence in the New Keynesian Phillips Curve,” with Timothy Cogley. *American Economic Review*, forthcoming.

Charles Steindel. “A Comparison of Measures of Core Inflation,” with Robert Rich. Federal Reserve Bank of New York *Economic Policy Review* 13, no. 3 (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,
- local spillovers in personal bankruptcies,
- 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

- Jaison Abel**
Ph.D., Ohio State University, 1999
Interests: Industrial organization; economics of innovation; public finance; regional economics.

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

Meta Brown
Ph.D., NYU, 2001
Interests: Public economics; labor economics; economics of the household; human capital.

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

Richard Deitz
Ph.D., Binghamton University, 1995
Interests: Regional economics; urban economics; labor economics.

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 and urban economics; social interactions and local spillovers; spatial econometrics.

Wilbert van der Klaauw
Ph.D., Brown, 1992
Interests: Labor economics; public policy; applied econometrics.

Basit Zafar
Ph.D., Northwestern University, 2008
Interests: Labor economics; economics of education; experimental economics.
- Recent Publications and Papers**

Jaison Abel. “Hedonic Price Indexes for Personal Computer Operating Systems and Productivity Suites,” with Ernst R. Berndt, Cory W. Monroe, and Alan G. White. *Annals of Economics and Statistics*, forthcoming.

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).

- Meta Brown.** “Informal Care and the Division of End-of-Life Transfers.” *Journal of Human Resources* 41, no. 1 (2006).

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* 92, no. 5-6 (2008).

Richard Deitz. “A Leaner, More Skilled U.S. Manufacturing Workforce,” with James Orr. Federal Reserve Bank of New York *Current Issues in Economics and Finance* 12, no. 2 (2006).

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. “The Price of Land in the New York Metropolitan Area,” with Andrew Haughwout and David Bedoll. Federal Reserve Bank of New York *Current Issues in Economics and Finance* 14, no. 3 (2008).

Giorgio Topa. “Estimating Dynamic Local Interactions Models,” with Timothy G. Conley. *Journal of Econometrics* 140, no. 1 (2007).

Wilbert van der Klaauw. “The Effect of Disability Insurance on Labor Supply of Older Individuals in the 1990s,” with Susan Chen. *Journal of Econometrics* 142, no. 2 (2008).

Basit Zafar. “College Major Choice and the Gender Gap.” Working paper, 2008.

MONEY AND PAYMENTS STUDIES

The Money and Payments Studies Function conducts research on the economics of short-term money markets and payments systems as well as on bank and consumer behavior. In addition to conducting scholarly research, staff members provide rigorous policy analysis on a wide range of issues and advise senior Bank officials on matters related to money markets, central bank liquidity provision, and the design and operation of payments and settlement systems.

Recent projects include:

- providing guidance on the design and evaluation of the Federal Reserve’s new lending facilities, including the Term Auction Facility,
- analyzing bank behavior in the federal funds and Eurodollar markets, both under normal conditions and during periods of market stress, and
- evaluating proposals for paying interest on bank reserves.

Research themes include:

- the effects of new Federal Reserve policies relating to the provision of daylight credit and the cash services made available to banks,
- the topology of large-value payments flows across banks,
- crises of confidence and coordination failures in financial markets, and
- operational events and the risk of fraud in new and emerging payments systems.

Money and Payments Studies Staff

Gara Afonso
Ph.D., London School of Economics and Political Science, 2008
Interests: Financial economics; information economics; asset pricing and liquidity; theory of financial crises.

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.

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.

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

Recent Publications and Papers

Gara Afonso. “Imperfect Common Knowledge in First-Generation Models of Currency Crises.” *International Journal of Central Banking* 3, no. 1 (2007).

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

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

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

Todd Keister. “Bank Runs and Institutions: The Perils of Intervention,” with Huberto M. Ennis. *American Economic Review*, forthcoming.

“Expectations and Contagion in Self-Fulfilling Currency Attacks.” *International Economic Review*, forthcoming.

Antoine Martin. “Reconciling Bagehot with the Fed’s Response to September 11.” *Journal of Money, Credit, and Banking*, forthcoming.

James McAndrews. “Liquidity-Saving Mechanisms,” with Antoine Martin. *Journal of Monetary Economics* 55, no. 3 (2008).

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.

David Skeie. “Payment Networks in a Search Model of Money,” with Antoine Martin and Michael Orlando. *Review of Economic Dynamics* 11, no. 1 (2008).

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*—selected *Economic Policy Review* articles, in abridged form; available only online.
- *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.

**To learn more about joining the Research Group:
research.recruiting@ny.frb.org**



By conviction and action, the Federal Reserve Bank of New York is an equal opportunity employer.

For more information on the Research Group:

www.newyorkfed.org/research