



THE RESEARCH GROUP OF



THE FEDERAL RESERVE BANK OF NEW YORK



2012/2013

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TO PROSPECTIVE JOB CANDIDATES:

We're pleased that you're 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. Our leadership position has been especially evident as the Bank works to advance the recovery and achieve a more stable financial system. To perform to the highest standards in such a demanding environment, we look to our stellar 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're continually adding to our team of economists. We seek to attract and retain the most highly qualified individuals by creating an environment that's 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. And our own research series and *Liberty Street Economics* blog offer economists important outlets for dissemination of their research. Our economists also participate in leading academic and policy conferences and work closely with our distinguished visiting academics, who this year include the 2011 Nobel laureates Thomas Sargent and Christopher Sims.

We're excited by the many challenges and opportunities offered by the New York Fed. We're sure that you'll share in that excitement when you join our research team.

James J. McAndrews
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 seven 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 nearly seventy Ph.D. economists, who represent 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, international economics, and regional analysis.

Our economists have compiled an impressive record of publishing in the most highly regarded economics and finance journals. Since 2001, fifty-seven 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:

- Tobias Adrian, *Annual Review of Financial Economics*
- Stefania Albanesi, *LABOUR: Review of Labour Economics and Industrial Relations*



- Nicola Cetorelli, *Rivista Bancaria*
- Rajashri Chakrabarti, *Education Finance and Policy*
- Marco Del Negro, *Economic Inquiry*
- Kenneth Garbade, *Review of Derivatives Research*
- Marc Giannoni, *Journal of Business Economics and Statistics; Journal of Money, Credit, and Banking; Macroeconomic Dynamics*
- Linda Goldberg, *Journal of International Economics*
- Jan Groen, *Journal of Money, Credit, and Banking*
- 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 International Economics; Journal of Money, Credit, and Banking*
- Ayşegül Şahin, *European Economic Review*
- João Santos, *Journal of Financial Economic Policy; Journal of Financial Services Research; Journal of Money, Credit, and Banking*



- Wilbert van der Klaauw, *Journal of Business and Economic Statistics; LABOUR: Review of Labour Economics and Industrial Relations*

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 Centre for Economic Policy Research, the International Monetary Fund, the National Bureau of Economic Research, the U.S. Treasury Department, and the world's central banks.

A FIRST-YEAR PLAN FOCUSING ON RESEARCH AND PUBLICATION

In the Research Group, we recognize 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 a large majority 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. Our 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.

AN ENVIRONMENT WHERE IDEAS FLOURISH

The Research Group benefits greatly from the New York Fed's proximity to top-tier universities. In recent years, the Group has cosponsored conferences with institutions such as Columbia, Harvard, NYU, and Princeton. Our 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 here. Recent teaching activities include:

- Jaison Abel, *University at Buffalo*
- Tobias Adrian, *Princeton; Seoul National University*
- Richard Crump, *NYU*
- Gauti Eggertsson, *Princeton; Yale*
- Stefano Eusepi, *NYU*
- Andrea Ferrero, *NYU*
- Marc Giannoni, *Columbia*
- Linda Goldberg, *IMF Institute; Princeton*
- Benjamin Mandel, *Georgetown*
- Emanuel Moench, *Columbia*
- Donald Morgan, *Columbia; NYU*
- Paolo Pesenti, *Columbia*
- Ayşegül Şahin, *NYU*
- Andrea Tambalotti, *Columbia; NYU*
- James Vickery, *NYU*
- Tanju Yorulmazer, *NYU*

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.

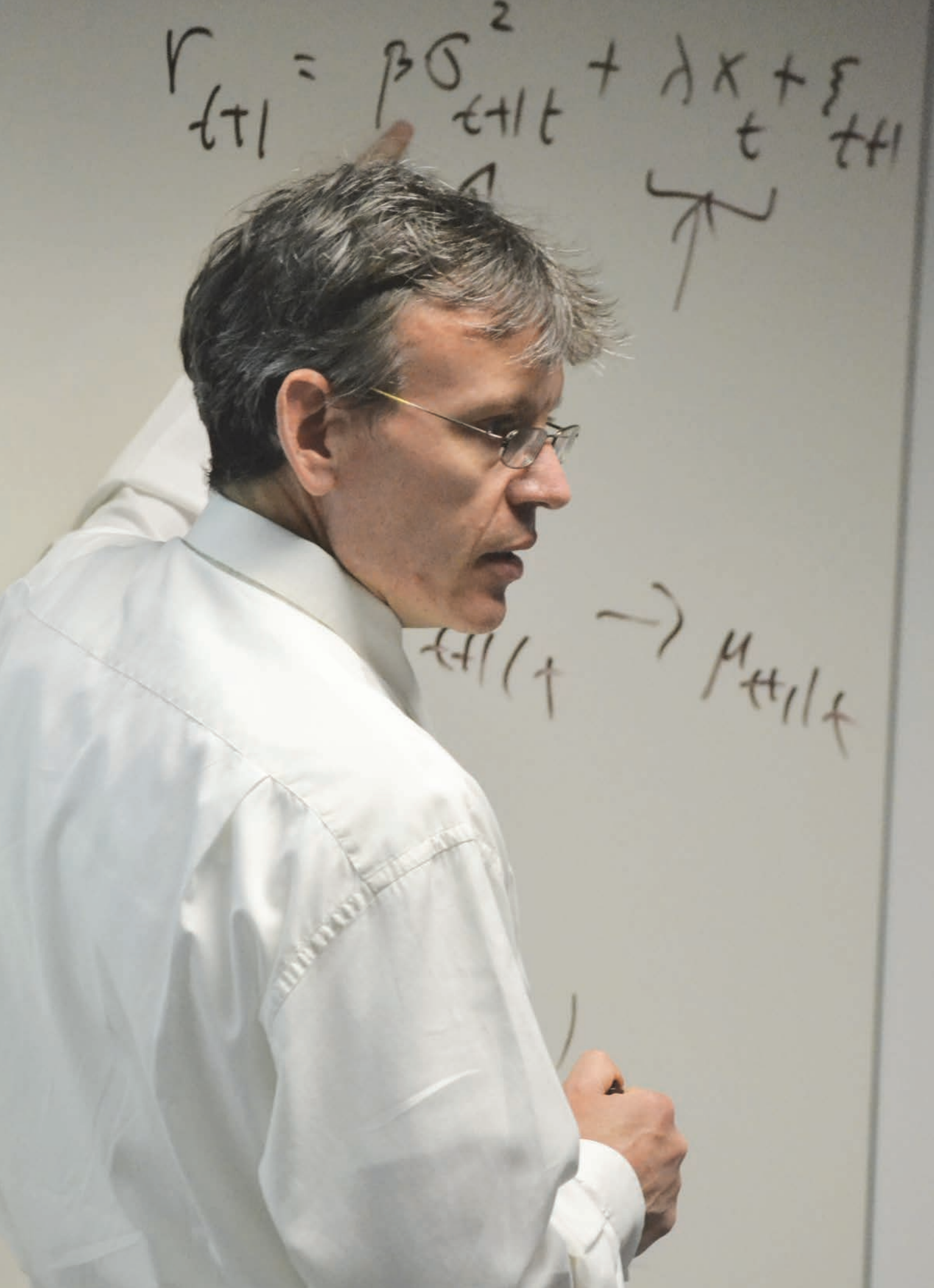
Economists have taken advantage of the program to work at such institutions as the Bank of



Portugal, the Board of Governors of the Federal Reserve System, Columbia University, the European University Institute, New York University, the University of Bern, and the University of Lausanne.

Visiting Scholars Program

To help maintain a stimulating and supportive environment for staff economists, we regularly invite 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 2012-13 include:

- Mark Aguiar, *Princeton University*
- Joseph Altonji, *Yale University*
- Patrick Bayer, *Duke University*
- Amil Dasgupta, *London School of Economics and Political Science*
- Giacomo De Giorgi, *Stanford University*
- Rajeev Dehejia, *New York University*
- Rafael Dix-Carneiro, *University of Maryland*
- Darrell Duffie, *Stanford University*
- Mark Flannery, *University of Florida*
- Christopher Flinn, *New York University*
- Douglas Gale, *New York University*
- Mark Gertler, *New York University*
- Eric Ghysels, *University of North Carolina at Chapel Hill*
- Itay Goldstein, *University of Pennsylvania*
- Mikhail Golosov, *Massachusetts Institute of Technology*
- Gur Huberman, *Columbia University*
- Robert Jarrow, *Cornell University*
- Charles Jones, *Columbia University*
- Charles Kahn, *University of Illinois*
- Nobuhiro Kiyotaki, *Princeton University*
- John Leahy, *New York University*
- Alexander Ljungqvist, *New York University*
- Maurice Obstfeld, *University of California at Berkeley*
- Daniel Paravisini, *Columbia University*
- Pietro Peretto, *Duke University*
- Ricardo Reis, *Columbia University*
- Jean-Marc Robin, *Sciences Po*
- Guillaume Rocheteau, *University of California at Irvine*
- Andrew Rose, *University of California at Berkeley*
- Thomas Sargent, *New York University*
- Frank Schorfheide, *University of Pennsylvania*
- Chester Spatt, *Carnegie Mellon University*

- Philip Strahan, *Boston College*
- Cédric Tille, *Graduate Institute of International and Development Studies*
- Allan Timmermann, *University of California at San Diego*
- Stijn van Nieuwerburgh, *New York University*
- Eric van Wincoop, *University of Virginia*
- Laura Veldkamp, *New York University*
- Luis Viceira, *Harvard University*
- Michael Woodford, *Columbia University*

A Gateway to Academia

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



Visiting scholar Luis Viceira, *Harvard University*

Many of our more senior economists come 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

Visiting scholar Allan Timmermann, *University of California at San Diego*

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.



Seminar speaker Justine Hastings, Brown University

Selected seminars in 2012 included:

- “Labor Unemployment Risk and Corporate Financing Decisions,” *Ashwini Agrawal, New York University*
- “Testing Theories of Investor Behavior Using Neural Data,” *Nicholas Barberis, Yale University*
- “Reaching for Yield in the Corporate Bond Market,” *Bo Becker, Harvard University*
- “Passing the California High School Exit Examination—An Analysis of Recent Policies to Boost Student Success,” *Julian Betts, University of California at San Diego*
- “The State of the World Economy: Where We Are, and the Challenges We Face,” *Olivier Blanchard, International Monetary Fund*
- “A Flying Start? Maternity Leave Benefits and Long-Run Outcomes of Children,” *Pedro Carneiro, University College London*

- “Get Real: Interpreting Nominal Exchange Rate Fluctuations,” *Richard Clarida, Columbia University*
- “Towards a Run-Free Financial System,” *John Cochrane, University of Chicago*
- “Credit Constraints and Growth in a Global Economy,” *Nicolas Coeurdacier, London Business School*
- “Monetary Policy and Inequality in the U.S.,” *Olivier Coibion, College of William and Mary*
- “The Wall Street Walk When Blockholders Compete for Flows,” *Amil Dasgupta, London School of Economics and Political Science*
- “Identification and Estimation of Preference Distributions When Voters Are Ideological,” *Aureo de Paula, University of Pennsylvania*
- “Market Making under the Proposed Volcker Rule,” *Darrell Duffie, Stanford University*
- “The Stock Market Crash of 2008 Caused the Great Recession: Theory and Evidence,” *Roger Farmer, University of California at Los Angeles*
- “Leaving Boys Behind: Gender Disparities in High Academic Achievement,” *Nicole Fortin, University of British Columbia*
- “The Economics of Solicited and Unsolicited Credit Ratings,” *Paolo Fulghieri, University of North Carolina*
- “The Household Effects of Government Spending,” *Francesco Giavazzi, Bocconi University*
- “The Returns to College Selectivity and Field of Study: Causal Evidence from Chile,” *Justine Hastings, Brown University*
- “Education Unbound: The Promise and Practice of Greenfield Schooling,” *Frederick Hess, American Enterprise Institute*
- “Manufacturing Declines, Housing Booms, and Declining Employment: A Structural Explanation,” *Erik Hurst, University of Chicago*
- “The Consumption Value of Education: Implications for the Postsecondary Markets,” *Brian Jacob, University of Michigan*
- “Crashes and Collateralized Lending,” *Jakub Jurek, Princeton University*
- “Reality Checks for and of Factor Pricing,” *Frank Kleiberger, Brown University*

- “A Survey of Systemic Risk Analytics,” *Andrew Lo, Massachusetts Institute of Technology*
- “Early and Late Human Capital Investments, Borrowing Constraints, and the Family,” *Lance Lochner, University of Western Ontario*
- “Firm Heterogeneity, Sorting, and Minimum Wage Spillovers,” *Rafael Lopes de Melo, University of Chicago*
- “Identifying Sorting,” *Iouri Manovskii, University of Pennsylvania*
- “Universal Vouchers and Public School Performance: Evidence from Ontario,” *Robert McMillan, University of Toronto*
- “Macro-Prudential Policy in a Fisherian Model of Financial Innovation,” *Enrique Mendoza, University of Maryland*
- “Aggregate Implications of a Credit Crunch,” *Benjamin Moll, Princeton University*
- “Leverage Stacks and the Financial System,” *John Moore, Edinburgh University*
- “Noncognitive Skills and the Gender Disparities in Test Scores and Teacher Assessments: Evidence from Primary School,” *David Mustard, University of Georgia*
- “Optimal Rating Contingent Regulation,” *Christian Opp, University of Pennsylvania*
- “Uncertainty as Commitment,” *Guillermo Ordoñez, Yale University*
- “War and Marriage: Assortative Mating and the World War II G.I. Bill,” *Marianne Page, University of California at Davis*
- “Export Dynamics in Large Devaluations,” *Sangeeta Prata, Hunter College*
- “Paying for Performance: The Education Impacts of a Community College Scholarship Program for Low-Income Adults,” *Cecilia Rouse, Princeton University*
- “Antidumping in the Aggregate,” *Kim Ruhl, New York University*
- “Illiquidity or Insolvency? Evidence from EBC Lending, 2007-11,” *Philipp Schnabl, New York University*
- “Inflation Expectations and Readiness to Spend: Cross-Sectional Evidence,” *Eric Sims, University of Notre Dame*

- “Optimal Interventions in Markets with Adverse Selection,” *Vasiliki Skreta, New York University*
- “Bid-Ask Spreads and the Pricing of Securitizations: 144a versus Registered Securitizations,” *Chester Spatt, Carnegie Mellon University*



Seminar speaker Olivier Blanchard, International Monetary Fund

- “Bidding Wars for Houses,” *William Strange, University of Toronto*
- “What Is the Shape of the Risk-Return Relation?” *Allan Timmermann, University of California at San Diego*
- “Conditional Skewness of Stock Market Returns in Developed and Emerging Markets and Its Economic Fundamentals,” *Rossen Valkanov, University of California at San Diego*
- “Political Uncertainty and Risk Premia,” *Pietro Veronesi, University of Chicago*
- “Gender Differences in Bargaining Outcomes: A Field Experiment on Discrimination,” *Lise Vesterlund, University of Pittsburgh*
- “An Empirical Decomposition of Risk and Liquidity in Nominal and Inflation-Indexed Government Bonds,” *Luis Viceira, Harvard University*

- “The Aftermath of Accelerating Algebra: Evidence from a District Policy Initiative,” *Jacob Vigdor, Duke University*
- “The Effects of Early Grade Retention on Student Outcomes over Time: Regression Discontinuity Evidence from Florida,” *Martin West, Harvard University*
- “Tailspotting: How Disclosure, Stock Prices, and Volatility Change When CEOs Fly to Their Vacation Homes,” *David Yermack, New York University*



Seminar speaker Erik Hurst, University of Chicago

Conferences

Over the past few years, we have hosted many well-received research conferences. The sessions have addressed a diverse set of topics, including central bank liquidity tools, global systemic risk, disclosure requirements and market discipline of financial firms, policy options for affordable housing, inflation-indexed securities and inflation risk management, and strategies for improving the measurement of economic and financial market performance.

A RICH COMPUTING ENVIRONMENT

Our state-of-the-art Research Computing Environment offers economists a broad spectrum of technology resources, the ability to take advantage of real and financial data series, and

electronic access to academic journals. Dedicated information technology and automation support services are available to meet researchers’ individual needs.

The main elements of the Research Computing Environment include:

- *A high-performance computing environment of Linux clusters.* Hundreds of processors allow for parallel computing in Research, complemented by additional Linux servers. Application servers support parallel and serial work in standard and specialized econometric software resources.
- *Data.* A full range of economic and financial data is available for independent research projects as well as for use in monetary policy initiatives associated with a wide variety of research topics.
- *Robust data-storage solutions.* Our Research Storage Area Network, with the capacity to store hundreds of terabytes of fully protected data, supports analysis of large data sets on the Bank’s network.
- *Access to software resources.* Numerous econometric software packages and modules are available, including MATLAB, STATA, Mathematica, SAS Grid, Fortran, the R programming language, EViews, and GAUSS. Technical word-processing packages, such as Scientific Workplace and WinEdt, are fully supported.
- *A separate Research network for collaboration with external colleagues.* The flexible Research Accessible Network (RAN) supports economists’ academic work and collaboration by providing convenient access to Internet resources from inside the Bank as well as access to Research Group resources from outside the Bank through the Internet.
- *Access to the Bank’s secure network.* The Bank’s secure internal network can be used to conduct important policy work as well as to access e-mail, internal Federal Reserve System websites, and productivity applications and utilities.

- *Versatile workstation options.* A customizable environment of Windows, Linux, and Mac desktop and laptop solutions can be combined to meet economists’ research needs. A dual-workstation option affords simultaneous access to the Bank network and the RAN. A variety of peripherals—including large monitors, secure external hard drives, high-end color printers, and secure USB drives—complements these workstation features.
- *Convenient remote access.* An array of automated tools streamlines research work at home or while traveling; BlackBerry devices are available for mobile communication.
- *A committed team of technical support specialists.* The Research Technology Staff provides local, specialized services dedicated to the computing needs of Research economists. They work alongside economists and are available via PC, e-mail, and phone. In addition, the team works closely with the Bank’s National Service Desk, which is available 24/7, to provide integrated solutions for all Research computing business needs.

EXTENSIVE PROFESSIONAL SUPPORT

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

Joining this group of support personnel are roughly forty research analysts, who offer skilled and energetic assistance 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, thirty-two RAs have gone on to top-five Ph.D. programs while another thirty-two have entered top-twenty programs. Among this group, several 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, and social-media output. These pages are among the most visited on our website.

CENSUS RESEARCH DATA CENTER

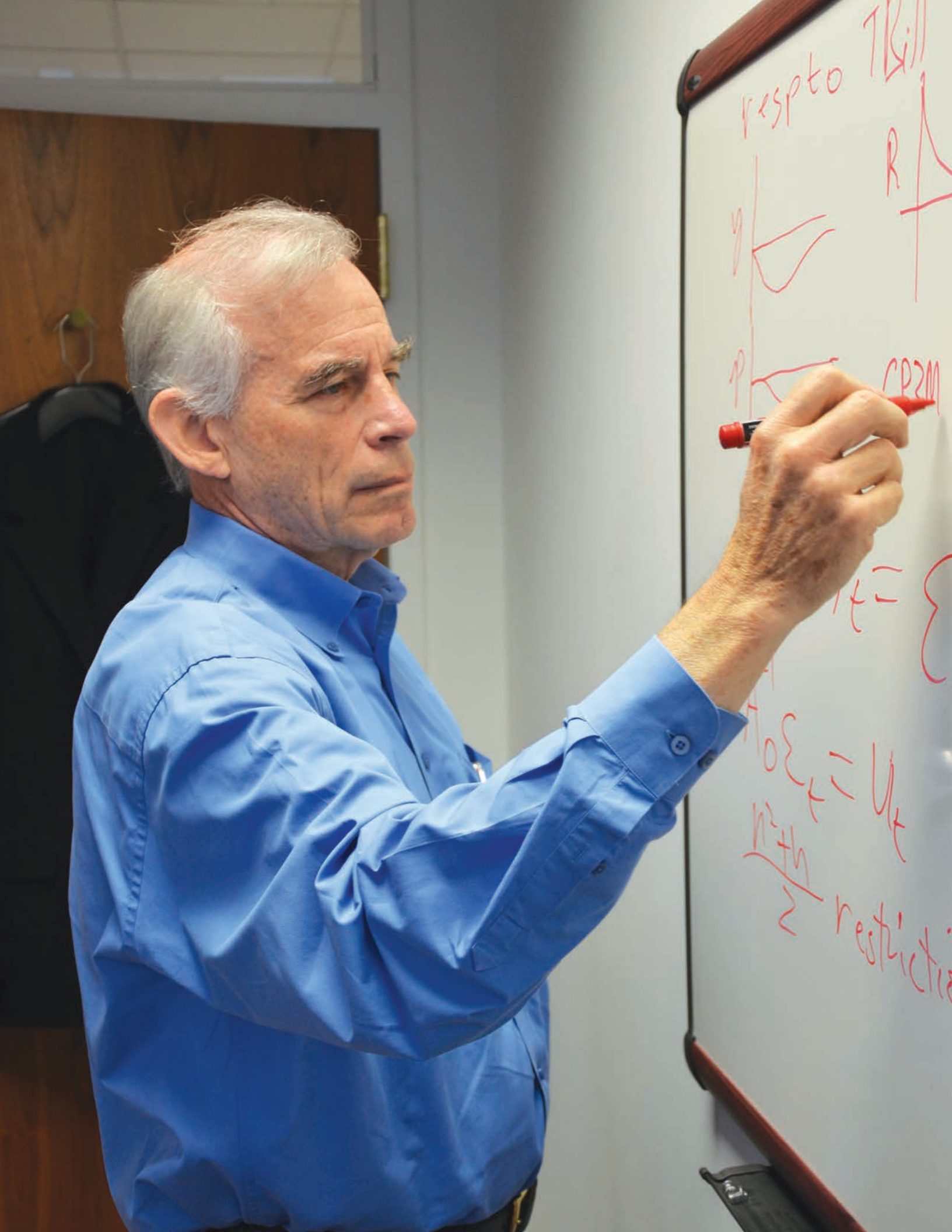
The Research Group, on behalf of the New York Fed, helped establish a U.S. Census Bureau



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 microdata 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 SCHOLARS PROGRAM

Our Program for Resident Scholars attracts to the Bank outstanding researchers with an international reputation. We are very pleased to host Christopher Sims as resident scholar for 2012-13.

Professor Sims, co-recipient of the 2011 Nobel Prize in Economics, is the John F. Sherrerd '52 University Professor of Economics at Princeton University. Professor Sims was elected president of the American Economic Association for 2012; he is also a visiting scholar at the International Monetary Fund and a former visiting scholar at the Federal Reserve Banks of Atlanta, New York, and Philadelphia. He also serves on the Federal Reserve Bank of New York's Monetary Policy Advisory Panel, meeting several times a year with the Bank president and staff economists. Professor Sims is known for his research on macroeconomic theory and policy and on econometric theory for dynamic models; he has published extensively in the top academic journals.

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 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 J. Flannery, *BankAmerica Eminent Scholar in Finance, University of Florida,*
- Douglas Gale, *Silver Professor and Professor of Economics, New York University,*
- Mark Gertler, *Henry and Lucy Moses Professor of Economics, New York University,*
- Eric Ghysels, *Edward M. Bernstein Distinguished Professor of Economics, University of North Carolina at Chapel Hill,*
- Nobuhiro Kiyotaki, *Professor of Economics, Princeton University,*
- John Leahy, *Professor of Economics, New York University,*
- Suresh M. Sundaresan, *Chase Manhattan Bank Foundation Professor of Financial Institutions, Columbia Business School,*
- Jiang Wang, *Mizuho Financial Group Professor, MIT Sloan School of Management.*

Resident scholar Christopher Sims, Princeton University

OUR ECONOMISTS AT A GLANCE: CURRENT RESEARCH

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

- *Jaison Abel*—Empirical research on the microfoundations of urban agglomeration economies and the spatial distribution of human capital.
- *Tobias Adrian*—Research on the role of financial intermediary balance sheet management in determining asset prices and credit supply.



- *Gara Afonso*—Theoretical research on liquidity in financial markets during distressed periods; theoretical and empirical research on the U.S. interbank market.
- *Stefania Albanesi*—Research on optimal taxation and on labor market dynamics, with an emphasis on household labor supply decisions and on gender gaps in labor force participation, unemployment, and wages.

- *Mary Amiti*—Empirical research on the effects of financial shocks on exports.
- *Olivier Armantier, Giorgio Topa, Wilbert van der Klaauw, and Basit Zafar*—Field experiments on expectations updating and the links between expectations and behavior.
- *Rajashri Chakrabarti*—Empirical research on education issues and policies and their effects on schools, students, and teachers.
- *Marco Cipriani*—Empirical and theoretical research on information aggregation in financial markets, with a focus on herd behavior and financial contagion.
- *Marco Del Negro*—Forecasting using dynamic stochastic general equilibrium models; the study of financial frictions.
- *Stefano Eusepi*—Research on the implications of different theories of expectations formation for monetary and fiscal policy design.
- *Andrea Ferrero*—Research on the effects of large-scale asset purchase programs on macroeconomic variables and on the correlation between house prices and the current account balance.
- *Marc Giannoni*—Research on the characterization of optimal monetary policy in the face of uncertainty and on the estimation of macroeconomic models using large data sets.
- *Donghoon Lee*—Empirical research on consumer credit, the mortgage market, student loans, and household finance.
- *Emanuel Moench*—Empirical research on the interaction of macroeconomic and asset price dynamics, with a focus on risk premium modeling and forecasting.

- *Donald Morgan*—Theoretical and empirical research aimed at defining and detecting predatory lending by banks.
- *Paolo Pesenti*—The use of open-economy simulation models for policy analysis; commodity price forecasting.
- *Robert Rich and Joseph Tracy*—Empirical research using survey data on inflation expectations to examine relationships between average expectations, disagreement, and uncertainty; empirical research on the determinants of ex post contract durations.
- *Ayşegül Şahin*—Theoretical and empirical research on labor market dynamics with an emphasis on the most recent downturn's potential long-term labor market effects.
- *João Santos*—Theoretical research on the determinants of systemic risk in the banking sector and on the design of regulation to address systemic risk; empirical research on bank lending activity and bank liquidity risk.
- *Asani Sarkar*—Research on the funding conditions of institutions and the effectiveness of central bank liquidity facilities in easing funding constraints.
- *Ernst Schaumburg*—Research on the use of high-frequency data to measure and price volatility risk.
- *Andrea Tambalotti*—Research on the macroeconomic effects of the household deleveraging process since the Great Recession.

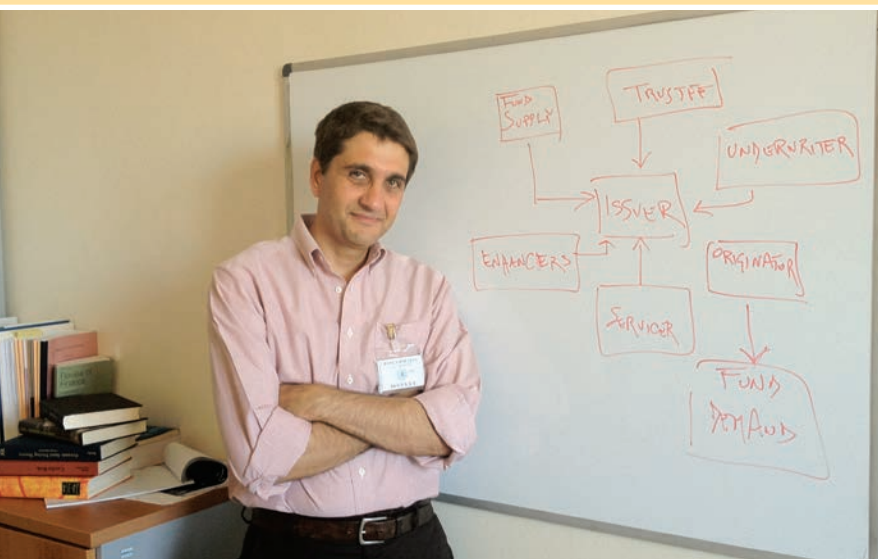
- *Wilbert van der Klaauw*—Empirical research on the effect of Social Security reform on savings and retirement behavior, welfare reform, family structure dynamics, and child development; new data collection and empirical research on household debt and subjective expectations.
- *Tanju Yorulmazer*—Theoretical research on banking and financial stability issues, including liquidity, 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. Economists in our Microeconomic Studies Function, for example, have analyzed new statistics on student loans derived from the FRBNY Consumer Credit Panel, a unique and nationally representative data set.



Access to these recent data enables the economists to shed light on key trends in student debt that had largely been uncaptured because relevant statistics were limited and often anecdotal. Aware that these loans remain a pressing issue for students, parents, and the federal government, the team now shares its findings with policymakers and the public each quarter.

In addition, working at the request of business and community leaders in Puerto Rico, economists in the Regional Analysis Function have studied impediments to economic growth and prosperity on the island. After interviewing government, business, and other stakeholders in Puerto Rico, the researchers published a well-received report identifying key challenges facing the island and offering recommendations on ways to promote economic competitiveness and productivity.

Individually, our seven research functions apply their particular expertise to a wide range of other policy responsibilities.

Capital Markets contributes to monetary policy formulation, monetary policy implementation, and market and financial stability monitoring by developing analytical tools and providing rigorous analysis to senior Bank management. Recent work by the staff analyzes transparency in over-the-counter (OTC) markets, dealer positioning, liquidity in fixed-income markets, the pricing of the term structure of interest rates and credit, inflationary expectations embedded in financial market prices, systemic risk of financial institutions, the links between financial intermediary balance sheet management and asset price dynamics, and liquidity provision by the Federal Reserve.

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 examine these issues from both a macroeconomic and microeconomic perspective, with an emphasis on the performance and stability of financial markets and core institutions. Recently, they have studied the evolution of the banking industry, 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 economists conduct research and policy analysis on global macroeconomic, trade, and finance issues affecting the United States. Recent topics examined include the use of unconventional monetary policies abroad, the euro-area debt crisis, the role of global banking in monetary transmission, the impact of dollar movements on U.S. inflation, the forecasting

of commodity prices, and the measurement of risk premiums in international bond and currency markets.

In *Macroeconomic and Monetary Studies*, economists advise senior Bank management on monetary policy. They monitor and analyze current economic, fiscal, and financial conditions, as well as provide judgmental and DSGE model-based forecasts of real activity and inflation, and gauge the risks to the outlook. Their research cover a broad range of topics, such as changes in labor market dynamics, potential long-term economic effects of recessions, the evolution of trend and cyclical productivity, the dynamics of prices and wages, the conduct of monetary policy at the zero-bound constraint, the effect of economic and financial market conditions on inflation expectations, the use of disaggregated data to discern inflation trends, and interactions between financial markets, economic conditions, and monetary policy.

Microeconomic Studies contributes to monetary policy formulation and financial stability by providing policy advice and empirical analysis on auction design; consumer (and business) expectations; household finance; the housing and mortgage markets; labor market dynamics, unemployment, and participation; fiscal policy at the federal, state, and local levels; and small businesses and entrepreneurship. The Function also plays a unique role in the collection and development of new micro data sets that enable the Bank to formulate accurate and fact-based policy responses; examples include the New York Consumer Credit Panel; the student loan data set; the Household Inflation Expectations Project and its successor, the Survey of Consumer Expectations; and, with the Regional Analysis Function, various regional business surveys.

Money and Payments Studies analyzes the infrastructure at the heart of the financial system. Key elements of study are the interbank and money markets—such as the federal funds, repo, and other over-the-counter markets—as well as payments and settlement systems. Recent work includes assisting in the design and evaluation of the Federal Reserve's liquidity facilities, analyzing activity in the federal funds and OTC derivatives markets, drafting policy proposals aimed at improving the implementation of mone-

tary policy, investigating the stability of repo and other short-term funding markets, and examining the dollar funding models of global banks. The Function has also analyzed strategies for mitigating risk in payments and settlement systems.

The *Regional Analysis* staff monitors and analyzes regional economic conditions, with an emphasis on the Second Federal Reserve District. Their research findings are presented to the Bank's senior management as well as to the broader business and policy communities and



the public throughout the District. Staff members also produce the *Empire State Manufacturing Survey*, monthly indexes of coincident economic indicators, and the *Beige Book* report. Recent work includes analysis of the geography of the housing boom and bust, the relationship between prices and rents in New York City, mortgage assistance to unemployed homeowners, and educational policies and their effects on schools and children.

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, Nicola Cetorelli coordinated an effort with his colleagues to analyze the role of shadow banks in the 2007-09 financial crisis and to assess whether traditional banks are still central to the process of financial intermediation. Their work, which found that traditional banks continue to provide essential intermediation services, led to the publication of a special volume of the *Economic Policy Review* and a widely covered series of companion *Liberty Street Economics* blog posts on the evolution of banking since the advent of securitization.

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. Policymakers, money market fund (MMF) participants, and investors, for instance, have considered ways to reduce the vulnerability of the funds to runs and thus limit their contribution to financial system risk. In a *Liberty Street Economics* blog post, Marco Cipriani and Antoine Martin, with colleagues Michael Holscher and Patrick McCabe, outlined why MMFs are a source of financial fragility and why reforms are needed to mitigate their risks. In a study released in our *Staff Reports* series, the authors complemented their analysis by introducing a proposal for MMF reform. Their proposed "minimum balance at risk" would create a disincentive for MMF investors to redeem quickly when a fund is distressed, potentially reducing the likelihood of runs on the fund.

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 online publications that address policy-related economic and financial market issues.

- The *Economic Policy Review*, the Bank's flagship research journal, reaches policymakers, business and banking professionals, and academics.
- *Current Issues in Economics and Finance* presents research findings in a highly readable form geared toward a broad audience that includes the general public and 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.

***Liberty Street Economics* Blog**

In March 2011, we launched *Liberty Street Economics*. The blog provides a way for our economists to engage with the public on diverse issues quickly and frequently. The less technical style of the posts makes the insights from their research and analysis accessible to a broad audience. Importantly, the blog supports the Bank's commitment to sharing research and analysis in an accessible and timely way.

Liberty Street Economics typically publishes new economic posts twice a week; it also publishes reader comments and author responses to generate dialogue with the public. In 2012, the blog had roughly 100 economic posts.

SSRN WEB PAGE

Our economists' work also finds a wide audience through our arrangement with the Social Science Research Network (SSRN). The SSRN has 360,000-plus papers in its database; more than 60 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 the *Staff Reports* working paper series. To date, there have been about 180,000 downloads of our papers from the SSRN site.



RESEARCH FUNCTIONS AND PERSONNEL

DIRECTOR OF RESEARCH JAMES J. McANDREWS

James J. McAndrews is director of research and an executive vice president of the Bank; he is also a member of the Bank's Management Committee.

Before joining the Bank in 1997, Jamie was a senior economist and research advisor at the Federal Reserve Bank of Philadelphia. He has served as a consulting economist to the Bank of England, the Reserve Bank of Australia, the Swedish Riksbank, the Bank of Japan, and the World Bank. Jamie is also a fellow of the Wharton Financial Institutions Center.

Jamie's research focuses on the economics of money and payments, monetary policy implementation, and market liquidity. His work has appeared in the *Review of Economics and Statistics*, the *Journal of Monetary Economics*, the *Journal of Banking and Finance*, the *Journal of Financial Intermediation*, and the *Journal of Money, Credit, and Banking*. Jamie holds a B.A. and Ph.D. in economics from the University of Iowa.



CAPITAL MARKETS

The Capital Markets Function conducts research and policy analysis on asset pricing and financial market liquidity and on the interaction between markets, institutions, and the macroeconomy. 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.

RECENT RESEARCH TOPICS INCLUDE:

- the links between financial markets and the macroeconomy,
- estimation of risk premia in stock, bond, and derivatives markets,
- liquidity in fixed-income and derivatives markets,
- the interaction between financial institutions' balance sheets and market liquidity,
- economic analysis of the market-based financial system,
- analysis of financial market stress and the measurement of systemic risk,
- risk management and stress test design.

CAPITAL MARKETS STAFF

Tobias Adrian

Ph.D., MIT, 2003

Interests: Asset pricing; financial intermediation; financial stability.

Jennie Bai

Ph.D., Chicago, 2008

Interests: Asset pricing; financial econometrics; empirical macroeconomics.

Nina Boyarchenko

Ph.D., Chicago, 2011

Interests: Asset pricing; macroeconomics; market liquidity.

Richard Crump

Ph.D., UC Berkeley, 2009

Interests: Econometric theory; financial economics.

Fernando Duarte

Ph.D., MIT, 2011

Interests: Asset pricing; macroeconomics; monetary policy.

Michael Fleming

Ph.D., Harvard, 1994

Interests: Market microstructure; financial intermediation; monetary policy.

Andreas Fuster

Ph.D., Harvard, 2011

Interests: Household finance; real estate finance; behavioral economics.

David Lucca

Ph.D., Northwestern, 2006

Interests: Asset pricing; macroeconomics; monetary policy.

Emanuel Moench

Ph.D., Humboldt University Berlin, 2006

Interests: Empirical asset pricing; macroeconomics; applied econometrics.

Ernst Schaumburg

Ph.D., Princeton, 2001

Interests: Financial econometrics; empirical asset pricing; monetary economics.

Or Shachar

Ph.D., NYU, expected 2012

Interests: Market frictions; credit risk; financial econometrics.

RECENT PUBLICATIONS AND PAPERS

Tobias Adrian. "Pricing the Term Structure with Linear Regressions," with Richard Crump and Emanuel Moench. *Journal of Financial Economics*, forthcoming.

"Which Financial Frictions? Parsing the Evidence from the Financial Crisis of 2007-09," with Paolo Colla and Hyun Song Shin. *NBER Macroeconomics Annual 2012*, forthcoming.

Jennie Bai. "State Space Models and MIDAS Regressions," with Eric Ghysels and Jonathan Wright. *Econometric Reviews*, forthcoming.

Nina Boyarchenko. "Ambiguity Shifts and the 2007-2008 Financial Crisis." *Journal of Monetary Economics* 59, no. 5. Carnegie-NYU-Rochester Conference Series on Public Policy (2012).

Richard Crump. "Optimal Inference for Instrumental Variables Regression with Non-Gaussian Errors," with Matias D. Cattaneo and Michael Jansson. *Journal of Econometrics* 167, no. 1 (2012).

Fernando Duarte. "Inflation Risk and the Cross-Section of Stock Returns." Working paper, 2011.

Michael Fleming. "Repo Market Effects of the Term Securities Lending Facility," with Warren B. Hrungr and Frank M. Keane. *American Economic Review* 100, no. 2 (2010).

Andreas Fuster. "Expectations as Endowments: Evidence on Reference-Dependent Preferences from Exchange and Valuation Experiments," with Keith Ericson. *Quarterly Journal of Economics* 126, no. 4 (2011).

"Natural Expectations, Macroeconomic Dynamics, and Asset Pricing," with Benjamin Hebert and David Laibson. *NBER Macroeconomics Annual 2011* 26 (2012).

David Lucca. "Domestic Political Survival and International Conflict: Is Democracy Good for Peace?" with Sandeep Baliga and Tomas Sjöström. *Review of Economic Studies* 78, no. 2 (2011).

"The Pre-FOMC Announcement Drift," with Emanuel Moench. Federal Reserve Bank of New York *Staff Reports*, no. 512, September 2011.

Emanuel Moench. "Dynamic Hierarchical Factor Models," with Serena Ng and Simon Potter. *Review of Economics and Statistics*, forthcoming.

Ernst Schaumburg. "Jump-Robust Volatility Estimation Using Nearest Neighbor Truncation," with Torben Andersen and Dobrislav Dobrev. *Journal of Econometrics*, forthcoming.

Or Shachar. "Why Do Closed-End Bond Funds Exist? An Additional Explanation for the Growth in Domestic Closed-End Bond Funds," with Edwin J. Elton, Martin J. Gruber, and Christopher R. Blake. *Journal of Financial and Quantitative Analysis*, forthcoming.



FINANCIAL INTERMEDIATION

The Financial Intermediation Function conducts research and policy-oriented analysis on a wide range of issues related to financial intermediation and financial markets, including the behavior and health of financial institutions, innovations in financial markets, financial market governance and risk management, and the development of appropriate supervisory tools and techniques. Economists examine these issues from macroeconomic and microeconomic perspectives, with a focus on the performance and stability of financial markets and core institutions.

RECENT RESEARCH TOPICS INCLUDE:

- the stability of financial markets and institutions,
- macroprudential regulation of the financial industry,
- corporate governance and executive compensation,
- risk management and measurement,
- securitization and structured finance,
- credit markets and debt ratings,
- regulatory capital requirements,
- consumer finance protection and regulation,
- banking and the real economy, and
- international banking.

FINANCIAL INTERMEDIATION STAFF

Nicola Cetorelli

Ph.D., Brown, 1996

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

Dong Beom Choi

Ph.D., Princeton, 2012

Interests: Financial economics; banking; liquidity crises; financial stability.

Linda Goldberg

Ph.D., Princeton, 1988

Interests: International banking and shock transmission across borders; exchange rate causes and consequences; international roles of the dollar and other currencies.

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, 2008

Interests: Corporate finance; banking; venture capital and private equity.

Hamid Mehran

Ph.D., University of North Carolina, 1990

Interests: Corporate finance.

Donald Morgan

Ph.D., Wisconsin, 1989

Interests: Consumer credit; personal bankruptcy; information frictions and macroeconomic activity.

Stavros Peristiani

Ph.D., Columbia, 1984

Interests: Banking and finance; real estate finance; theoretical and applied econometrics.

Matthew Plosser

Ph.D., Chicago, 2012

Interests: Banking; corporate finance; private equity and entrepreneurial activity.

João Santos

Ph.D., Boston University, 1994

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

James Vickery

Ph.D., MIT, 2004

Interests: Banking and financial institutions; mortgage markets and real estate finance; household finance; corporate finance.

Tanju Yorulmazer

Ph.D., NYU, 2003

Interests: Financial intermediation; systemic risk; liquidity; financial crises and resolution.

RECENT PUBLICATIONS AND PAPERS

Nicola Cetorelli. "Credit Quantity and Credit Quality: Bank Competition and Capital Accumulation," with Pietro Peretto. *Journal of Economic Theory*, forthcoming.

Dong Beom Choi. "Heterogeneity and Stability: Bolster the Strong, Not the Weak." Working paper, 2012.

Linda Goldberg. "Banking Globalization and Monetary Transmission," with Nicola Cetorelli. *Journal of Finance*, forthcoming.

Beverly Hirtle. "Credit Derivatives and Bank Credit Supply." *Journal of Financial Intermediation* 18, no. 2 (2009).

Anna Kovner. "The Private Equity Advantage: Leveraged Buyout Firms and Relationship Banking," with Victoria Ivashina. *Review of Financial Studies*, forthcoming.

Hamid Mehran. "Bank Capital and Value in the Cross-Section," with Anjan Thakor. *Review of Financial Studies* 24, no. 4 (2011).

Donald Morgan. "Payday Credit Access, Overdrafts, and Other Outcomes," with Michael Strain and Ihab Seblani. *Journal of Money, Credit, and Banking*, forthcoming.

Stavros Peristiani. "Financial Visibility and the Decision to Go Private," with Hamid Mehran. *Review of Financial Studies* 23, no. 2 (2010).

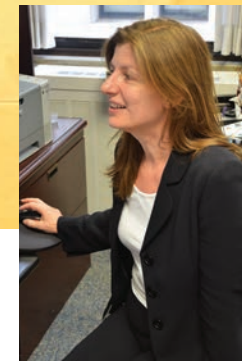
Matthew Plosser. "Bank Heterogeneity and Capital Allocation: Evidence from 'Fracking' Shocks." Working paper, 2012.

João Santos. "Bank Corporate Loan Pricing Policy following the Subprime Crisis." *Review of Financial Studies* 24, no. 6 (2011).

James Vickery. "Barriers to Household Risk Management: Evidence from India," with Shawn Cole, Xavier Giné, Jeremy Tobacman, Petia Topalova, and Robert Townsend. *American Economic Journal: Applied Economics*, forthcoming.

Tanju Yorulmazer. "Crisis Resolution and Bank Liquidity," with Viral Acharya and Hyun Song Shin. *Review of Financial Studies* 24, no. 6 (2011).

"Rollover Risk and Market Freezes," with Viral Acharya and Douglas Gale. *Journal of Finance* 66, no. 4 (2011).



INTERNATIONAL RESEARCH

The International Research Function conducts research and policy analysis on international economics, examining issues in open-economy macroeconomics, global finance, trade, and economic development. 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:

- macroeconomic spillovers and policy interdependence,
- capital mobility and financial integration,
- current account sustainability and global rebalancing,
- causes and consequences of exchange rate movements,
- exchange rate pass-through to prices,
- international productivity and price differences,
- European and Japanese economic issues, and
- commodity prices.

INTERNATIONAL RESEARCH STAFF

Mary Amiti

Ph.D., London School of Economics and Political Science, 1997

Interests: Trade finance; trade liberalization and productivity; wages, the wage skill premium, and product quality; exchange rate pass-through.

Bianca De Paoli

Ph.D., London School of Economics and Political Science, 2006

Interests: International economics; monetary economics; linkages between financial markets and the macroeconomy.

Jan Groen

Ph.D., Erasmus University Rotterdam, 2000

Interests: International finance; applied econometrics; macroeconomics; financial economics.

Thomas Klitgaard

Ph.D., Stanford, 1985

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

Benjamin Mandel

Ph.D., UC Davis, 2009

Interests: International trade; asset pricing; open-economy macroeconomics.

Friederike Niepmann

Ph.D., European University Institute, 2012

Interests: International banking and finance; international trade.

Paolo Pesenti

Ph.D., Yale, 1991

Interests: Global macroeconomic adjustment; financial and currency crises.

RECENT PUBLICATIONS AND PAPERS

Mary Amiti. "Exports and Financial Shocks," with David E. Weinstein. *Quarterly Journal of Economics* 126, no. 4 (2011).

"Trade, Firms, and Wages: Theory and Evidence," with Donald R. Davis. *Review of Economic Studies* 79, no. 1 (2012).

Bianca De Paoli. "Cyclical Risk Aversion, Precautionary Savings, and Monetary Policy," with Pawel Zabczyk. *Journal of Money, Credit, and Banking*, forthcoming.

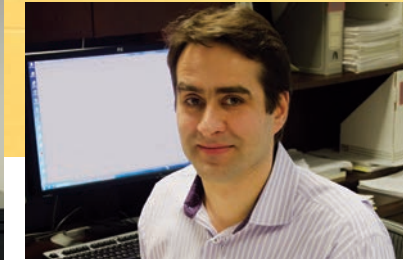
Jan Groen. "Real-Time Inflation Forecasting in a Changing World," with Richard Paap and Francesco Ravazzolo. *Journal of Business and Economic Statistics*, forthcoming.

Thomas Klitgaard. "Saving Imbalances and the Euro Area Sovereign Debt Crisis," with Matthew Higgins. Federal Reserve Bank of New York *Current Issues in Economics and Finance* 17, no. 5 (2011).

Benjamin Mandel. "Effects of Terms-of-Trade Gains and Tariff Changes on the Measurement of U.S. Productivity Growth," with Robert Feenstra, Marshall Reinsdorf, and Matthew Slaughter. *American Economic Journal: Economic Policy*, forthcoming.

Friederike Niepmann. "Globalization and the Spatial Concentration of Production," with Gabriel Felbermayr. *World Economy* 33, no. 5 (2010).

Paolo Pesenti. "Varieties and the Transfer Problem," with Giancarlo Corsetti and Philippe Martin. *Journal of International Economics*, forthcoming.



MACROECONOMIC AND MONETARY STUDIES

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

RECENT RESEARCH TOPICS INCLUDE:

- monetary policy transmission,
- monetary policy and the zero bound,
- monetary policy and learning,
- sources of inflation dynamics,
- changes in the inflation-unemployment relationship,
- goods and services price inflation,
- trend/cycle decomposition of 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,
- recent housing price trends and effects on consumer spending,
- trends in labor force participation and dynamics of the U.S. labor market,
- the relationships between average expectations, disagreement, and uncertainty,
- estimation and forecasting of DSGE models, and
- financial frictions, liquidity, and the macroeconomy.

MACROECONOMIC AND MONETARY STUDIES STAFF

Marco Del Negro

Ph.D., Yale, 1998

Interests: Macroeconomics; international macroeconomics and finance; DSGE models; factor models.

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.

Marc Giannoni

Ph.D., Princeton, 2001

Interests: Macroeconomics; monetary economics; time series econometrics.

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.

Benjamin Pugsley

Ph.D., Chicago, 2012

Interests: Growth; firm dynamics; entrepreneurship.

Robert Rich

Ph.D., Brown, 1988

Interests: Macroeconomics; time series econometrics.

Argia Sbordone

Ph.D., Chicago, 1993

Interests: Macroeconomics; monetary economics; inflation dynamics.

Andrea Tambalotti

Ph.D., Princeton, 2004

Interests: Macroeconomics; monetary economics.

RECENT PUBLICATIONS AND PAPERS

Marco Del Negro. “Monetary Policy Analysis with Potentially Misspecified Models,” with Frank Schorfheide. *American Economic Review* 99, no. 4 (2009).

“Tax Buyouts,” with Fabrizio Perri and Fabiano Schivardi. *Journal of Monetary Economics* 57, no. 5 (2010). Carnegie-Rochester Conference Series on Public Policy.

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

Stefano Eusepi. “Central Bank Communication and Expectations Stabilization,” with Bruce Preston. *American Economic Journal: Macroeconomics* 2, no. 3 (2010).

“Expectations, Learning, and Business Cycle Fluctuations,” with Bruce Preston. *American Economic Review*, forthcoming.

Andrea Ferrero. “The Macroeconomic Effects of Large-Scale Asset Purchase Programs,” with Han Chen and Vasco Cúrdia. *Economic Journal*, forthcoming.

Marc Giannoni. “Some Unpleasant General Equilibrium Implications of Executive Incentive Compensation Contracts,” with John Donaldson and Natalia Gershun. *Journal of Economic Theory*, forthcoming.

“Sticky Prices and Monetary Policy: Evidence from Disaggregated U.S. Data,” with Jean Boivin and Ilian Mihov. *American Economic Review* 99, no. 1 (2009).

Jonathan McCarthy. “Has the Response of Investment to Financial Market Signals Changed?” In Per Gunnar Berglund and Leanne J. Ussher, eds., *Recent Developments in Macroeconomics*. Eastern Economic Association conference volume, forthcoming.

Richard Peach. “How Does Slack Influence Inflation?” with Robert Rich and Anna Cororaton. Federal Reserve Bank of New York *Current Issues in Economics and Finance* 17, no. 3 (2011).

Benjamin Pugsley. “What Do Small Businesses Do?” with Erik Hurst. *Brookings Papers on Economic Activity*, no. 2 (2011).

Robert Rich. “Early Contract Renegotiation: An Analysis of U.S. Labor Contracts from 1970-1995,” with Joseph Tracy. *Journal of Labor Economics*, forthcoming.

Argia Sbordone. “Trend Inflation, Indexation, and Inflation Persistence in the New Keynesian Phillips Curve,” with Timothy Cogley. *American Economic Review* 98, no. 5 (2008).

Andrea Tambalotti. “Is There a Trade-Off between Inflation and Output Stabilization?” with Alejandro Justiniano and Giorgio Primiceri. *American Economic Journal: Macroeconomics*, forthcoming.



MICROECONOMIC STUDIES

The Microeconomic 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, staff conduct long-term research in applied microeconomics, labor macroeconomics, public finance, consumer finance, housing, and urban and labor economics.

RECENT RESEARCH TOPICS INCLUDE:

- analysis of household balance sheets and consumer credit,
- survey measurement of household inflation expectations,
- subjective expectations formation, updating, and links to economic behavior,
- skill and locational mismatch in the labor market,
- labor market dynamics,
- empirical analysis of models with multiple equilibria,
- social interactions in teenage smoking,
- student loans,
- subjective beliefs and college major choice,
- the spatial distribution of economic activity,
- design and comparison of belief-elicitation techniques,
- issues affecting the Federal Reserve's Term Auction Facility,
- spatial and temporal variation in vacant-land prices,
- factors underlying mortgage defaults and foreclosures,
- selection and income distribution dynamics, and
- simulated maximum-likelihood estimation for discrete choice models.

MICROECONOMIC STUDIES STAFF

Stefania Albanesi

Ph.D., Northwestern, 2001

Interests: Macroeconomics; public finance; labor economics.

Olivier Armantier

Ph.D., University of Pittsburgh, 1999

Interests: Industrial organization; econometrics; experimental economics; applied microeconomics; game theory.

Meta Brown

Ph.D., NYU, 2001

Interests: Labor economics; public finance; consumption and saving; human capital.

Andrew Haughwout

Ph.D., Pennsylvania, 1993

Interests: Public finance; housing; urban and regional economics.

Fatih Karahan

Ph.D., Pennsylvania, 2012

Interests: Business cycles; consumption and savings; housing; labor economics.

Donghoon Lee

Ph.D., Pennsylvania, 2001

Interests: Housing economics; household finance; labor economics.

Ayşegül Şahin

Ph.D., University of Rochester, 2002

Interests: Macroeconomics; labor economics.

Giorgio Topa

Ph.D., Chicago, 1996

Interests: Labor and urban economics; social interactions and local spillovers; spatial econometrics.

Joseph Tracy

Executive Vice President and Senior Advisor to the Bank President

Ph.D., Chicago, 1984

Interests: Housing and real estate finance; urban economics; unions and collective bargaining.

Wilbert van der Klaauw

Ph.D., Brown, 1992

Interests: Labor economics; public policy; household finance; applied econometrics.

Basit Zafar

Ph.D., Northwestern University, 2008

Interests: Labor economics; economics of education; experimental economics.

RECENT PUBLICATIONS AND PAPERS

Stefania Albanesi. "Intertemporal Distortions in the Second Best," with Roc Armenter. *Review of Economic Studies*, forthcoming.

Olivier Armantier. "Subjective Probabilities in Games: An Application to the Overbidding Puzzle," with Nicolas Treich. *International Economic Review*, forthcoming.

Meta Brown. "A New Test of Borrowing Constraints for Education," with John Karl Scholz and Ananth Seshadri. *Review of Economic Studies* 79, no. 2 (2012).

"Real-Time Search in the Laboratory and the Market," with Christopher Flinn and Andrew Schotter. *American Economic Review* 101, no. 2 (2011).

Andrew Haughwout. "The Homeownership Gap," with Richard Peach and Joseph Tracy. Federal Reserve Bank of New York *Current*

Issues in Economics and Finance 16, no. 5 (2010).

Fatih Karahan. "On the Persistence of Income Shocks over the Life-Cycle: Evidence, Theory, and Implications." *Review of Economic Dynamics*, forthcoming.

Donghoon Lee. "A New Look at Second Liens," with Christopher Mayer and Joseph Tracy. In Edward Glaeser and Todd Sinai, eds., *Housing and the Financial Crisis*. Cambridge, Mass.: National Bureau of Economic Research.

Ayşegül Şahin. "The Labor Market in the Great Recession," with Michael Elsby and Bart Hobijn. *Brookings Papers on Economic Activity*, spring (2010).

Giorgio Topa. "Measuring Consumer Uncertainty about Future Inflation," with Wändi Bruine de Bruin, Charles F. Manski, and Wilbert van der Klaauw. *Journal of Applied Econometrics* 26, no. 3 (2011).

Joseph Tracy. "Housing Busts and Household Mobility," with Fernando Ferreira and Joseph Gyourko. *Journal of Urban Economics* 68, no. 1 (2010).

Wilbert van der Klaauw. "On the Use of Expectations Data in Estimating Structural Dynamic Choice Models." *Journal of Labor Economics* 30, no. 3 (2012).

Basit Zafar. "How Do College Students Form Expectations?" *Journal of Labor Economics* 29, no. 2 (2011).



MONEY AND PAYMENTS STUDIES

Money and Payments Studies analyzes the infrastructure at the heart of the financial system. Important elements of study are the interbank and money markets—such as the federal funds market, the repo market, and other over-the-counter (OTC) markets—as well as payments and settlement systems. Economists focus on the institutional details underlying the organization of the financial system and their role in understanding such issues as funding and market liquidity, financial stability, and the design of micro- and macroprudential policy. Recent work includes assisting in the design and evaluation of the Federal Reserve’s liquidity facilities, analyzing activity in the federal funds and OTC derivatives markets, drafting policy proposals aimed at improving the implementation of monetary policy, investigating the stability of repo and other short-term funding markets, and examining the dollar funding models of global banks. The Function has also analyzed strategies for mitigating risk in payments and settlement systems.

RECENT PROJECTS INCLUDE:

- assisting in the design and evaluation of the Federal Reserve’s liquidity facilities,
- analyzing activity in the federal funds, eurodollar, and OTC derivatives markets under normal conditions and during periods of market stress,
- preparing recommendations for international oversight of the setting of standards for financial rates and indexes, including standards for Libor reform,
- evaluating the implementation of monetary policy associated with the payment of interest on bank reserves when very large levels of reserves exist in the banking system, and
- studying short-term funding markets for financial institutions, including the tri-party repo market and the money market mutual funds market.

RESEARCH THEMES INCLUDE:

- the functioning of interbank lending markets,
- the effects of the Federal Reserve’s liquidity facilities on interbank markets and short-term interest rates,
- the implementation of monetary policy,
- bank runs and crises of confidence in financial markets, and
- systemic risk and liquidity in large-value 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.

Marco Cipriani

Ph.D., NYU, 2002

Interests: Financial economics; international finance; experimental economics.

Adam Copeland

Ph.D., University of Minnesota, 2002

Interests: Industrial organization; applied microeconomics; financial intermediation.

Thomas Eisenbach

Ph.D., Princeton, 2011

Interests: Financial economics; microeconomic theory; behavioral economics.

Kenneth Garbade

Ph.D., Princeton, 1975

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

Antoine Martin

Ph.D., University of Minnesota, 2001

Interests: Financial intermediation; payment economics; money and banking.

Asani Sarkar

Ph.D., Pennsylvania, 1989

Interests: Central banks’ lender-of-last-resort function; limits of arbitrage; microstructure issues in equity, corporate bond, and Treasury markets; funding liquidity and market liquidity.

David Skeie

Ph.D., Princeton, 2004

Interests: Financial intermediation; money and banking; interbank markets; theory of financial crises.

RECENT PUBLICATIONS AND PAPERS

Gara Afonso. “Precautionary Demand and Liquidity in Payment Systems,” with Hyun Song Shin. *Journal of Money, Credit, and Banking*, forthcoming.

“Stressed, Not Frozen: The Federal Funds Market in the Financial Crisis,” with Anna Kovner and Antoinette Schoar. *Journal of Finance* 66, no. 4 (2011).

Marco Cipriani. “Herd Behavior in Financial Markets: A Field Experiment with Financial Market Professionals,” with Antonio Guarino. *Journal of the European Economic Association* 7, no. 1 (2009).

Adam Copeland. “Inventories and the Automobile Market,” with George Hall and Wendy Dunn. *RAND Journal of Economics* 42, no. 1 (2011).

Thomas Eisenbach. “Rollover Risk: Optimal but Inefficient.” Working paper, 2011.

Kenneth Garbade. “The Introduction of the TMPG Fails Charge for U.S. Treasury Securities,” with Frank M. Keane, Lorie Logan, Amanda Stokes, and Jennifer Wolgemuth. Federal Reserve Bank of New York *Economic Policy Review* 16, no. 2 (2010).

Antoine Martin. “Bank Capital Regulation and Structured Finance,” with Bruno M. Parigi. *Journal of Money, Credit, and Banking*, forthcoming.

Asani Sarkar. “Market Sidedness: Insights into Motives for Trade Initiation,” with Robert A. Schwartz. *Journal of Finance* 64, no. 1 (2009).

“Liquidity Dynamics and Cross-Autocorrelations,” with Tarun Chordia and Avanidhar Subrahmanyam. *Journal of Financial and Quantitative Analysis* 46, no. 3 (2011).

David Skeie. “Bank Liquidity, Interbank Markets, and Monetary Policy,” with Xavier Freixas and Antoine Martin. *Review of Financial Studies* 24, no. 8 (2011).

“A Model of Liquidity Hoarding and Term Premia in Interbank Markets,” with Viral V. Acharya. *Journal of Monetary Economics* 58, no. 5 (2011).



REGIONAL ANALYSIS

The Regional Analysis Function engages in research on issues of interest to the Second Federal Reserve District in support of the Bank's monetary policy and outreach objectives. The Function also monitors and analyzes economic developments in the region and shares the information obtained with stakeholders in the Bank and the District.

RECENT RESEARCH TOPICS INCLUDE:

- the microfoundations of urban agglomeration economies,
- human capital and local economic development,
- the competitiveness of Puerto Rico's economy,
- the geography of the housing boom and bust,
- the relationship between home prices and rents in New York City,
- the design of mortgage assistance programs,
- the design of educational reforms and their effect on student and school performance,
- higher-education issues, including student loans and financial aid,
- the impact of the financial crisis and stimulus funding on schools, teachers, and students, and
- K-12 and higher-education finance.

REGIONAL ANALYSIS STAFF

Jaïson Abel

Ph.D., Ohio State, 1999

Interests: Industrial organization; economics of innovation; public finance; urban and regional economics.

Jason Bram

M.B.A., NYU, 1992

Interests: Regional economics; survey research; consumer confidence; housing markets; consumer behavior.

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, 1995

Interests: Regional economics; urban economics; labor economics; public finance; household finance.

James Orr

Ph.D., Pennsylvania, 1979

Interests: Regional economics; housing.

RECENT PUBLICATIONS AND PAPERS

Jaïson Abel. "Productivity and the Density of Human Capital," with Ishita Dey and Todd M. Gabe. *Journal of Regional Science*, forthcoming.

Jason Bram. "To Buy or Not to Buy? The Changing Relationship between Manhattan Rents and Home Prices." Federal Reserve Bank of New York *Current Issues in Economics and Finance*, forthcoming.

Rajashri Chakrabarti. "Vouchers, Public School Response, and the Role of Incentives: Evidence from Florida." *Economic Inquiry*, forthcoming.

Richard Deitz. "Do Colleges and Universities Increase Their Region's Human Capital?" with Jaïson Abel. *Journal of Economic Geography* 12, no. 3 (2012).

James Orr. "Help for Unemployed Borrowers: Lessons from the Pennsylvania Homeowners' Emergency Mortgage Assistance Program," with John Sporn, Joseph Tracy, and Junfeng Huang. Federal Reserve Bank of New York *Current Issues in Economics and Finance* 17, no. 2 (2011).

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- ***Second District Highlights***—a regional supplement to *Current Issues*.
- ***Staff Reports***—technical papers intended for publication in leading economic and finance journals.
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- ***Publications and Other Research***—an annual catalogue of our research output.

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