

The Research Group of the Federal Reserve Bank of New York



2011–2012

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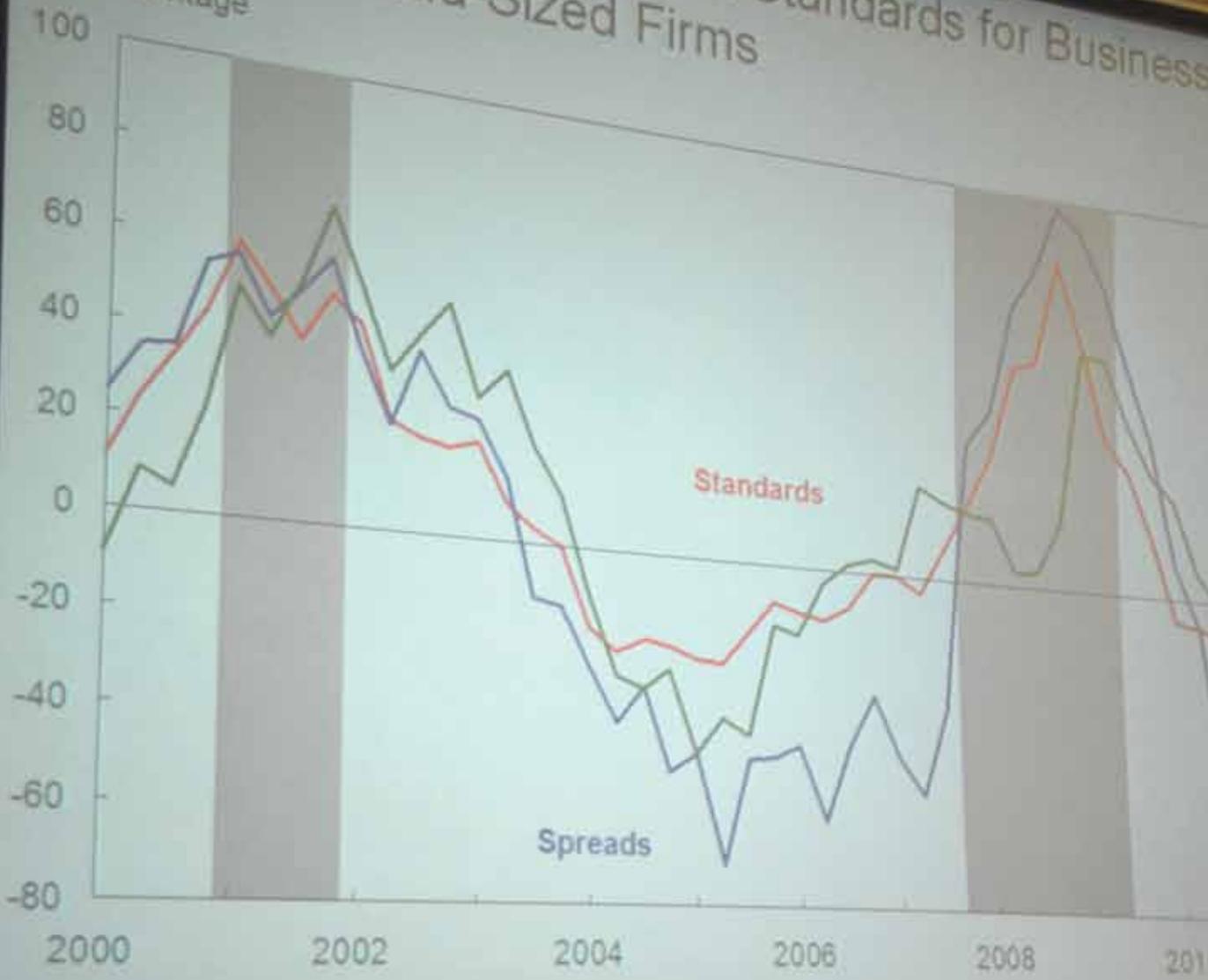
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Banks Tightening Terms and Standards for Business

Net Percentage



Source: FRB Senior Loan Officer Opinion Survey



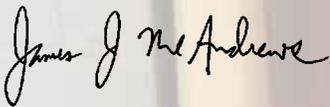
To Prospective Job Candidates:

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. Our leadership position has been especially evident in recent years, as the Bank worked aggressively to overcome the financial crisis and advance the recovery. 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.

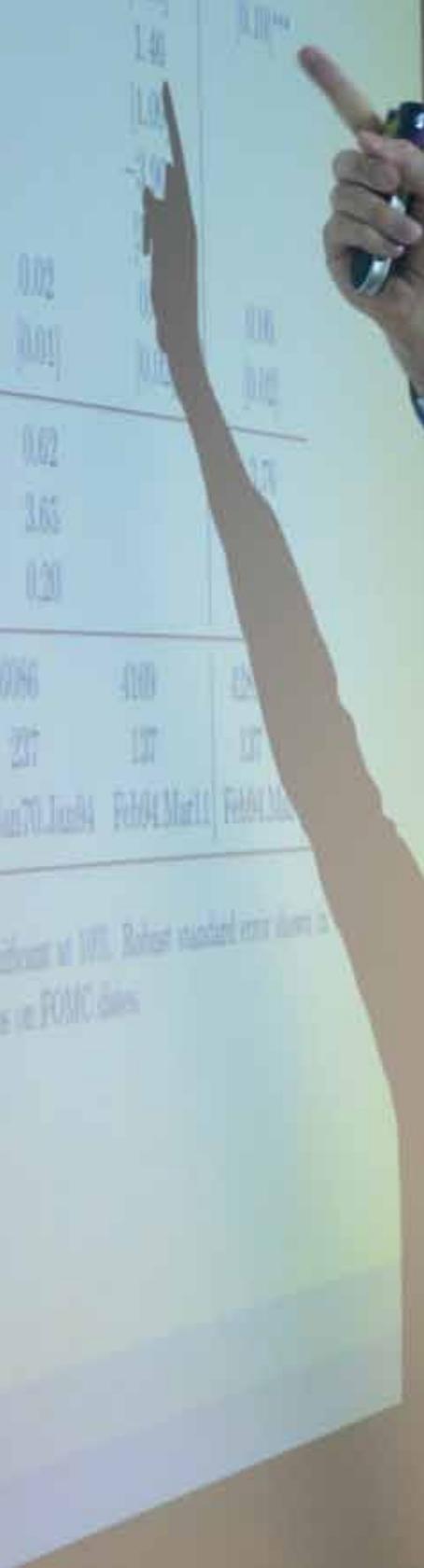
We are excited by the many challenges and opportunities offered by the New York Fed. We are sure that you will share in that excitement if you join our research team.



James J. McAndrews
Executive Vice President
and Director of Financial Research



Simon M. Potter
Executive Vice President
and Director of Economic 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 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, 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-nine articles by New York Fed economists have appeared in the *American Economic Review*, the *Journal of Finance*, the *Journal of Financial Economics*, the *Journal of Political Economy*, the *Quarterly Journal of Economics*, 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:

- 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*

- Todd Keister, *Journal of Mathematical Economics; Macroeconomic Dynamics*
- 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*
- 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*
- Zhenyu Wang, *Annals of Economics and Finance; Journal of Empirical Finance; Journal of International Financial Markets, Institutions, and Money; Management Science; Quarterly Journal of Finance*

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

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 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. 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*
- Gauti Eggertsson, *Princeton; Yale*
- Stefano Eusepi, *NYU*

- Andrea Ferrero, *NYU*
- Marc Giannoni, *Columbia*
- Linda Goldberg, *Princeton*
- Andrew Haughwout, *Princeton*
- Rebecca Hellerstein, *NYU*
- Donald Morgan, *Columbia; NYU*
- Paolo Pesenti, *Columbia; NYU; Princeton; University of Oslo*
- Asani Sarkar, *Princeton*
- Andrea Tambalotti, *Columbia*
- James Vickery, *NYU*
- Zhenyu Wang, *Columbia*
- 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, 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 2011-12 include:

- Viral Acharya, *New York University*
- Stefania Albanesi, *Columbia University*
- David Albouy, *University of Michigan*
- Andrew Ang, *Columbia University*
- Charles Bellemare, *Laval University*
- Max Bruche, *Center for Monetary and Financial Studies*
- Markus Brunnermeier, *Princeton University*
- Andrew Caplin, *New York University*
- Damon Clark, *Princeton University*
- Pierre Collin-Dufresne, *Columbia University*
- Douglas Gale, *New York University*
- Mark Gertler, *New York University*
- Paul Glasserman, *Columbia University*
- Itay Goldstein, *University of Pennsylvania*
- Robin Greenwood, *Harvard University*
- George Hall, *Brandeis University*
- Gur Huberman, *Columbia University*
- Anil Kashyap, *University of Chicago*
- Nobuhiro Kiyotaki, *Princeton University*
- Per Krusell, *Princeton University*
- Ricardo Lagos, *New York University*
- John Leahy, *New York University*
- Alexander Ljungqvist, *New York University*
- Stephan Meier, *Columbia University*
- Atif Mian, *University of California at Berkeley*
- Thomas Philippon, *New York University*
- Monika Piazzesi, *Stanford University*
- Ricardo Reis, *Columbia University*
- Rafael Repullo, *Center for Monetary and Financial Studies*
- Guillaume Rocheteau, *University of California at Irvine*
- Richard Rogerson, *Princeton University*
- Thomas Sargent, *New York University*
- David Scharfstein, *Harvard University*
- Frank Schorfheide, *University of Pennsylvania*
- Christopher Sims, *Princeton University*
- Philip Strahan, *Boston College*
- Suresh Sundaresan, *Columbia University*
- Giorgio Valente, *University of Essex*

- Gianluca Violante, *New York University*
- Pierre-Olivier Weill, *University of California at Los Angeles*
- Andrew Winton, *University of Minnesota*
- Michael Woodford, *Columbia University*
- Jonathan Wright, *John Hopkins University*
- David Yermack, *New York University*
- Vivian Yue, *New York 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.



Visiting scholar Thomas Philippon, New York University

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 2011 included:

- “Considerations in Calibrating Regulatory Capital Requirements,” *Anat Admati, Stanford University*
- “The Optimal Population Distribution across Cities and the Private-Social Wedge,” *David Albouy, University of Michigan*
- “Systemic Sovereign Credit Risk: Lessons from the U.S. and Europe” and “Testing Conditional Factor Models,” *Andrew Ang, Columbia University*
- “Exchange Rate Pass-Through, Domestic Competition, and Inflation—Evidence from the 2005-08 Revaluation of the Renminbi,” *Raphael Auer, Swiss National Bank*

- “New York City Achievement, Performance, and Accountability: An Overview,” *Jennifer Bell-Ellwanger, New York City Department of Education*
- “Learning, Large Deviations, and Rare Events,” *Jess Benhabib, New York University*
- “Risk, Monetary Policy, and the Exchange Rate,” *Pierpaolo Benigno, LUISS Guido Carli*



Seminar speaker Robert Merton, MIT Sloan School of Management

- “Hedging against the Government: A Solution to the Home Asset Bias Puzzle,” *Tiago Berriel, Getulio Vargas Foundation*
- “Is Increased Price Flexibility Stabilizing? Redux,” *Saroj Bhattarai, Pennsylvania State University*

- “Tax Subsidies and Employer Coverage Decisions: Consequences of the 2010 Health Insurance Reform,” *Björn Brüggerman, Yale University*
- “Securitization and Moral Hazard: Evidence from a Lender Cutoff Rule,” *Ryan Bubb, New York University*
- “Liquidity, Asset Prices, and Bubbles,” *Guillermo Calvo, Columbia University*
- “Bridging Cyclical DSGE Models and the Raw Data,” *Fabio Canova, Universitat Pompeu Fabra*
- “Inference with Dependent Data Using Cluster Covariance Estimators,” *Timothy Conley, University of Western Ontario*
- “Centralization of School Finance and Property Values: Lessons from Vermont,” *Thomas Downes, Tufts University*
- “Volatility, Correlation, and Tails for Systemic Risk Measurement,” *Robert Engle, New York University*
- “Pricing-to-Market: Evidence from Plant-Level Prices,” *Doireann Fitzgerald, Stanford University*
- “The Effects of Introducing a Single Open-Ended Contract in the Spanish Labor Market,” *José Ignacio García-Pérez, Universidad Pablo de Olavide*

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- “Large Employment Fluctuations with Product- and Labor-Market Equilibrium,” *Robert E. Hall, Stanford University*
 - “Credit Supply and the Price of Housing,” *Jean Imbs, Paris School of Economics*
 - “In Search of Real Rigidities,” *Oleg Itskhoki, Princeton University*
 - “Attention and Commitment: Behavioral Economics Applications for Savings,” *Dean Karlan, Yale University*
 - “Income Taxation in a Life-Cycle Model with Human Capital,” *Michael Keane, University of New South Wales*
 - “Lemons, Market Shutdowns, and Learning,” *Pablo Kurlat, Stanford University*
 - “Trade Dynamics in the Market for Federal Funds,” *Ricardo Lagos, New York University*
 - “Occupational Tasks and Changes in the Wage Structure,” *Thomas Lemieux, University of British Columbia*
 - “Does Social-Cognitive Skill Development Intervention Affect Schooling Outcomes and Criminal Behavior? Evidence from a Large Randomized Field Experiment,” *Jens Ludwig, University of Chicago*
 - “Observations from the Financial Crisis: Financial Innovation, Macrofinancial Risk Propagation, and Structural Systemic Risks,” *Robert Merton, MIT Sloan School of Management*
 - “New York City Teacher Data Initiative: Technical Report on the New York City Value-Added Model 2010,” *Robert Meyer, University of Wisconsin at Madison*
 - “Fixed Employment Adjustment Costs and Myopic Rules-of-Thumb,” *Ryan Michaels, University of Rochester*
 - “Life-Cycle Bias and the Returns to Schooling in Current and Lifetime Earnings,” *Magne Mogstad, Statistics Norway*
 - “From Hyperinflation to Stable Prices: Argentina’s Evidence on Menu Cost Models,” *Pablo Andrés Neumeyer, Universidad Torcuato Di Tella*
 - “Large Firms and Internal Labor Markets,” *Theodore Papageorgiou, Pennsylvania State University*
 - “The Evolution of the U.S. Financial Industry from 1860 to 2007: Theory and Evidence,” *Thomas Philippon, New York University*

Seminars (Continued)

- “Skill-Biased Change in Entrepreneurial Technology and the Firm Size Distribution across Countries,” *Markus Poschke, McGill University*
- “Illiquid Banks, Financial Stability, and Interest Rate Policy,” *Raghuram Rajan, University of Chicago*



Seminar speaker Pierpaolo Benigno, LUISS Guido Carli

- “Financial Liberalization: Efficiency Gains and Black-Holes,” *Romain Rancière, Paris School of Economics*
- “The Role of Dynamic Renegotiation and Asymmetric Information in Financial Contracting,” *Michael Roberts, University of Pennsylvania*
- “The Effect of Education on Adult Health and Mortality,” *Heather Royer, University of California at Santa Barbara*
- “Financing Long-Distance Trade without Banks: The Joint Liability Rule and Bills of Exchange in Eighteenth Century France,” *Veronica Aoki Santarosa, Yale University*
- “When Is Quantitative Easing Effective?” *Andreas Schabert, University of Amsterdam*
- “The Economics of Housing Finance Reform: Privatizing, Regulating, and Backstopping Mortgage Markets,” *David Scharfstein, Harvard University*
- “A Model of Shadow Banking,” *Andrei Shleifer, Harvard University*
- “Opacity, Credit Rating Shopping, and Bias,” *Chester Spatt, Carnegie Mellon University*
- “A Macroeconomic Model of Endogenous Systemic Risk Taking,” *Javier Suárez, Centro de Estudios Monetarios y Financieros*
- “A Macro Empirical Analysis of Recent Fiscal Stimulus Packages,” *John Taylor, Stanford University*
- “Foreclosures, House Prices, and the Real Economy,” *Francesco Trebbi, University of British Columbia*
- “Skill-Biased Technological Change and the Business Cycle,” *Thijs van Rens, Universitat Pompeu Fabra*
- “Stylized (Arte) Facts on Sectoral Inflation,” *Karl Walentin, Sveriges Riksbank*
- “The Economics of Hedge Funds: Alpha, Fees, Leverage, and Valuation,” *Neng Wang, Columbia University*
- “Trading and Liquidity with Limited Cognition,” *Pierre-Olivier Weill, University of California at Los Angeles*

- “Did Bankruptcy Reform Cause Mortgage Defaults to Rise?” *Michelle White, University of California at San Diego*
- “Evaluating Real-Time VAR Forecasts with an Informative Democratic Prior” and “What Does Monetary Policy Do to Long-Term Interest Rates at the Zero Lower Bound?” *Jonathan Wright, Johns Hopkins University*
- “Trading Frenzies and Their Impact on Real Investment,” *Kathy Yuan, London School of Economics and Political Science*

Conferences

Over the past few years, the Research Group has hosted many well-received research conferences addressing 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, 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.* More than 200 processors allow for parallel computing in Research, complemented by additional Solaris and Linux servers. Application servers support parallel



Visiting professor **Hyun Song Shin, Princeton,** and **Tobias Adrian**

and serial work in standard and specialized econometric software resources.

- *Data.* A full range of economic and financial data is available for independent research and for use in monetary policy initiatives associated with a variety of research topics.
- *Robust data-storage solutions.* Our Research Storage Area Network, with the capacity to store more than 60 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, 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.* 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 dual-head monitors, external hard drives, high-end color printers, and secure USB drives—complements these workstation features.
- *Convenient remote access.* An array of automated tools streamline 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.

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 the Research Group's website.

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 forty research associates, 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, twenty-five RAs have gone on to top-five Ph.D. programs while another thirty-one have entered top-twenty programs. Among this group, several RAs have been awarded National Science Foundation fellowships.

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

The Research and Statistics Group's Program for Resident Scholars attracts to the Bank outstanding researchers with an international reputation.

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.



Former resident scholar Nobuhiro Kiyotaki, Princeton, and David Lucca

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 directors of research and have the opportunity to contribute to the Bank's main policymaking discussions

on such topics as monetary policy and macroeconomics, international economics, banking supervision and regulation, capital markets, financial stability, and applied microeconomics with an emphasis on regional and national issues.

Our program has featured:

- 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. Sundareshan, *Chase Manhattan Bank Foundation Professor of Financial Institutions, Columbia Business School*
- Jiang Wang, *Mizuho Financial Group Professor, MIT Sloan School of Management.*

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 times; theoretical and empirical research on the U.S. interbank market.
- *Mary Amiti*—Empirical research on the effects of financial shocks on exports.
- *Rajashri Chakrabarti*—Empirical research on education issues and policies and their effects on schools, students, and teachers.
- *Marco Del Negro, Gauti Eggertsson, and Andrea Ferrero*—Research on financial frictions and the Federal Reserve’s response to the financial crisis using a quantitative version of the Kiyotaki-Moore model.
- *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 the evolution of labor market dynamics, income inequality, and simulation-based methods of estimation.

- *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; forecasting of commodity prices.
- *Robert Rich and Joseph Tracy*—Empirical research using survey data on inflation expectations to examine the relationships between average expectations, disagreement, and uncertainty; empirical research on the determinants of ex post contract durations.

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- *Ayşegül Şahin*—Theoretical and empirical research on labor market dynamics with an emphasis on the potential long-term labor market effects of the most recent economic downturn.
 - *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 the implications of mixing banking and commerce in the United States.
 - *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.
 - *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. For example, the Research Group played an instrumental role recently in the design and implementation of the Supervisory Capital Assessment Program (the "bank stress tests") and the Comprehensive Capital Analysis and Review (the Federal Reserve's cross-institution study of the capital plans of the nineteen largest U.S. bank holding companies). Our economists have built on this experience to develop an integrated system for assessing the capital adequacy of the U.S. banking system under different macroeconomic scenarios.

Economists have also conducted research aimed at clarifying the implications of the Dodd-Frank Act and the Basel III capital accord for the corporate structure of banking companies and the companies' revenue-generating capacity as well as the broader implications for required returns on debt and equity, the availability and cost of credit to consumers and businesses, and economic growth.

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 analyses 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, inflation 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 a focus 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 monitor and analyze current economic, fiscal, and monetary conditions; provide judgmental and DSGE model-based forecasts of GDP growth and inflation; gauge the risks to the outlook; and advise senior Bank management on monetary policy. Recently, they have studied changes in labor market dynamics, potential long-term economic effects of the recession, trend and cyclical productivity, 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 economists track developments in four areas of particular relevance for monetary policy: the labor market; cities and regions; the public sector; and industries of specific 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 analyzes short-term money markets, with a focus on the federal funds market, the repo market, and other OTC markets, as well

as payments and settlement systems. Recent work includes assisting in the evaluation of the tri-party repo market and aiding the task force devoted to that market, analyzing the effectiveness and design of the Federal Reserve's liquidity facilities, studying activity in the federal funds and OTC derivatives markets, drafting proposals aimed at improving the implementation of monetary policy, and assessing the stability of the repo and other short-term funding markets. 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* and monthly indexes of coincident economic indicators. Recent work includes analysis of the recession's impact on the state budgets of New York and New Jersey, home price trends in upstate New York, 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, Olivier Armantier's policy work designing auction mechanisms for the

Federal Reserve's liquidity facilities and Asani Sarkar's policy work evaluating the efficacy of these facilities have led to a joint paper examining the stigma associated with discount window borrowing and its implications for the Fed's monetary and liquidity provision policies. Their paper—"Stigma in Financial Markets: Evidence from Liquidity Auctions and Discount Window Borrowing during the Crisis"—won the Pearson Award for Best Paper on Financial Institutions and Markets at the 2011 Western Finance Association meetings.



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. Reforms to the tri-party repo market, for instance, have been a policy focus of the New York Fed since the financial crisis started, and new research has been informing the Bank's policy efforts. A study by Adam Copeland, Antoine Martin, and Michael Walker—

released in the Research Group's *Staff Reports* series—shows that in contrast to the bilateral markets, where haircuts increased considerably during the crisis, haircuts in the tri-party repo market have barely moved. This difference seems to matter for the fragility of institutions that rely on tri-party repo funding, as



was the case for Bear Stearns and Lehman Brothers. In separate research, also issued in the *Staff Reports* series, Antoine Martin, David Skeie, and Ernst-Ludwig von Thadden develop a theoretical model of runs in the tri-party repo market and in other funding markets that advances the Bank's policy work in this area.

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 journal, reaches policymakers, business and banking professionals, and academics.
- *Current Issues in Economics and Finance*, our newsletter series, 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.

Liberty Street Economics Blog

In March 2011, the Research Group 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 the economists' research and analysis understandable to a broad audience. The blog is a clear expression of 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. The blog had roughly eighty posts through November.

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 300,000 papers in its database; roughly 50 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 these papers from the SSRN site.





Research Functions and Personnel

Directors of Research James J. McAndrews and Simon M. Potter

James J. McAndrews and Simon M. Potter are co-directors of research and executive vice presidents of the Bank.

Jamie is director of financial research. Before joining the Bank in 1997, he 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*, and the

Journal of Money, Credit, and Banking. Jamie holds a B.A. and Ph.D. in economics from the University of Iowa.

Simon, director of economic research, has been with the New York Fed since 1998. Previously, Simon taught at UCLA. He is the recipient of National Science Foundation awards and has served on the editorial boards of academic journals.

Simon has written extensively on nonlinear dynamics over the business cycle; his current research concentrates on forecasting the probability of recessions. He has published in the *Review of Economic Studies*, the *Journal of Empirical Finance*, the *Journal of Econometrics*, and the *International Economic Review*. Simon holds a B.A. in philosophy, politics, and economics and an M.Phil. in economics from Oxford University and a Ph.D. in economics from the University of Wisconsin at Madison.



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 markets,
- the interaction between financial institutions' balance sheets and market liquidity,
- securities dealers' asset and liability management,
- economic analysis of the market-based financial system, and
- analysis of financial market stress and the Federal Reserve's lending facilities.

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.

Recent Publications and Papers

Tobias Adrian. “Liquidity and Leverage,”
with Hyun Song Shin. *Journal of*
Financial Intermediation 19, no. 3 (2010).

“Stock Returns and Volatility: Pricing the
Short-Run and Long-Run Components
of Market Risk,” with Joshua Rosenberg.
Journal of Finance 63, no. 6 (2008).

Jennie Bai. “Equity Premium Predictions
with Adaptive Macro Indexes.” Federal
Reserve Bank of New York *Staff Reports*,
no. 475, October 2010.

Nina Boyarchenko. “Ambiguity Shifts
and the 2007-08 Financial Crisis.”
Working paper, 2011.

Richard Crump. “Robust Data-Driven
Inference for Density-Weighted Average
Derivatives,” with Matias Cattaneo and
Michael Jansson. *Journal of the American*
Statistical Association 105, no. 491 (2010).

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. Hrungrung 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*,
forthcoming.

“Natural Expectations, Macroeconomic
Dynamics, and Asset Pricing,” with
Benjamin Hebert and David Laibson.
NBER Macroeconomics Annual,
forthcoming.

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).

Emanuel Moench. “The Persistent
Effects of a False News Shock,” with Carlos
Carvalho and Nicholas Klagge. *Journal of*
Empirical Finance, forthcoming.

Ernst Schaumburg. “Jump-Robust
Volatility Estimation using Nearest
Neighbor Truncation,” with Torben
Andersen and Dobrislav Dobrev.
Journal of Econometrics, 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. 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:

- 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.

Linda Goldberg

Ph.D., Princeton, 1988

Interests: International banking and shock transmission across borders; causes and consequences of exchange rate movements; 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.

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.

Zhenyu Wang

Ph.D., University of Minnesota, 1995

Interests: Risk management; financial derivatives; asset pricing; financial econometrics; investment and portfolio management.

Tanju Yorulmazer

Ph.D., NYU, 2003

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

Recent Publications and Papers

Nicola Cetorelli. “Banking and Real Economic Activity.” In Allen Berger, Phillip Molineaux, and John Wilson, eds., *Oxford Handbook of Banking*. Oxford University Press, 2009.

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.

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

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).

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

“Do Banks Price Their Informational Monopoly?” with Galina Hale. *Journal of Financial Economics* 93, no. 2 (2009).

James Vickery. “Credit Ratings and Security Prices in the Subprime MBS Market,” with Adam Ashcraft, Paul Goldsmith-Pinkham, and Peter Hull. *American Economic Review* 101, no. 3 (2011). Papers and Proceedings of the 123rd Annual Meeting of the American Economic Association.

Zhenyu Wang. “Performance Maximization of Actively Managed Funds,” with Paolo Guasoni and Gur Huberman. *Journal of Financial Economics* 101, no. 3 (2011).

“Y2K Options and the Liquidity Premium in Treasury Markets,” with Suresh Sundaresan. *Review of Financial Studies* 22, no. 3 (2009).

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 policy; new economic geography; industrial agglomerations; industrial organization; firm location decisions; regional development.

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 macroeconomics and trade; industrial organization; vertical relationships in international goods and financial flows; welfare effects of exchange rate fluctuations; determinants of flows of U.S. currency; international dimensions of the shadow banking system.

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.

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. “Exports and Financial Shocks,” with David E. Weinstein. *Quarterly Journal of Economics*, forthcoming.

“Trade, Firms, and Wages: Theory and Evidence,” with Donald R. Davis. *Review of Economic Studies*, forthcoming.

Jan Groen. “Real-Time Evaluation of Bank of England Forecasts of Inflation and Growth,” with George Kapetanios and Simon Price. *International Journal of Forecasting* 25, no. 1 (2009).

Rebecca Hellerstein. “Outsourcing and Pass-Through,” with Sofia B. Villas-Boas. *Journal of International Economics* 81, no. 2 (2010).

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. “Offshoring Bias in U.S. Manufacturing,” with Susan Houseman, Christopher Kurz, and Paul Lengermann. *Journal of Economic Perspectives* 25, no. 2 (2011).

Paolo Pesenti. “Commodity Prices, Commodity Currencies, and Global Economic Developments,” with Jan Groen. In Andrew Rose and Takatoshi Ito, eds., *Commodity Prices and Markets*. NBER-East Asia Seminar on Economics, 2011. Chicago: University of Chicago Press.



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

Vasco Cúrdia

Ph.D., Princeton, 2007

Interests: Macroeconomics; monetary economics; international finance; time series econometrics.

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.

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

Vasco Cúrdia. “The Central Bank Balance Sheet as an Instrument of Monetary Policy,” with Michael Woodford. *Journal of Monetary Economics* 58, no. 1 (2011).

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. “A Structural Decomposition of the U.S. Trade Balance: Productivity, Demographics, and Fiscal Policy.” *Journal of Monetary Economics* 57, no. 4 (2010).

Marc Giannoni. “Global Forces and Monetary Policy Effectiveness,” with Jean Boivin. In Jordi Galí and Mark Gertler, eds., *International Dimensions of Monetary Policy*, 2010. Chicago: University of Chicago Press.

“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).

Robert Rich. “The Relationships among Expected Inflation, Disagreement, and Uncertainty: Evidence from Matched-Point and Density Forecasts,” with Joseph Tracy. *Review of Economics and Statistics* 92, no. 1 (2010).

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. “CONDI: A Cost-of-Nominal-Distortions Index,” with Stefano Eusepi and Bart Hobijn. *American Economic Journal: Macroeconomics* 3, no. 3 (2011).



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, macroeconomics-labor, 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

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: Public economics; labor economics; economics of the household; human capital.

Andrew Haughwout

Ph.D., Pennsylvania, 1993

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

Donghoon Lee

Ph.D., Pennsylvania, 2001

Interests: Labor economics; applied econometrics; estimation of general equilibrium models.

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 and applied microeconomics; public policy; applied econometrics.

Basit Zafar

Ph.D., Northwestern University, 2008

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

Recent Publications and Papers

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*, forthcoming.

“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).

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.

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. “Maternal Employment and Child Development,” with Haiyong Liu and Thomas A. Mroz. *Journal of Econometrics* 156, no. 1 (2010).

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 short-term money markets, with a particular focus on the federal funds market and other over-the-counter (OTC) 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 monetary policy, and analyzing the stability of the repo and other short-term funding markets. 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,
- studying short-term funding markets for financial institutions, including the tri-party repo market, and
- evaluating the effects of paying interest on bank reserves.

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,
- 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.

Todd Keister

Ph.D., Cornell, 1998

Interests: Financial intermediation; banking panics and other financial crises; macroeconomics.

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).

Todd Keister. "Banking Panics and Policy Responses," with Huberto M. Ennis. *Journal of Monetary Economics* 57, no. 4 (2010).

"Bank Runs and Institutions: The Perils of Intervention," with Huberto M. Ennis. *American Economic Review* 99, no. 4 (2009).

Antoine Martin. "Monetary Policy Implementation Frameworks: A Comparative Analysis," with Cyril Monnet. *Macroeconomic Dynamics* 15, suppl. 1 (2011).

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 recession's impact on labor markets,
- 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,
- the effect of information treatments on expectations,
- human capital and local economic development,
- student mobility,
- the relationship between home prices and rents in New York City, and
- the design of mortgage assistance programs.

Regional Analysis Staff

Jaison 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; demographics.

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.

Erica Groshen

Ph.D., Harvard, 1986

Interests: Labor markets; regional economics.

James Orr

Ph.D., Pennsylvania, 1979

Interests: Regional economics; housing.



Recent Publications and Papers

Jaison Abel. “Human Capital and Economic Activity in Urban America,” with Todd M. Gabe. *Regional Studies* 45, no. 8 (2011).

Jason Bram. “Is the Worst Over? Economic Indexes and the Course of the Recession in New York and New Jersey,” with James Orr, Robert Rich, Rae Rosen, and Joseph Song. Federal Reserve Bank of New York *Current Issues in Economics and Finance* 15, no. 5 (2009).

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 Jaison Abel. *Journal of Economic Geography*, forthcoming.

Erica Groshen. “Turbulent Firms, Turbulent Wages?” with Diego Comin and Bess Rabin. *Journal of Monetary Economics* 56, no. 1 (2009).

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).

Federal Reserve Bank of New York Research Series

- ***Liberty Street Economics***—a blog that enables our economists to engage with the public on important issues quickly and frequently.

libtystreeteconomics.newyorkfed.org/

- ***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 our current research; available only online.
- ***Publications and Other Research***—an annual catalogue of our research output.

www.newyorkfed.org/research/publication_annuals/index.html

To learn more about joining the Research Group:

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