



THE RESEARCH GROUP OF THE FEDERAL RESERVE BANK OF NEW YORK

2014/2015





CONTENTS



To Prospective Job Candidates 2



A Vast Portfolio of Research Assets 4



Resident Scholars Program 16



Our Economists at a Glance: Current Research 18



The Research Group’s Policy Work 20



Research Functions and Personnel

Director of Research James J. McAndrews 25

Capital Markets 26

Financial Intermediation 28

International Research 30

Macroeconomic and Monetary Studies 32

Microeconomic Studies 34

Money and Payments Studies 36

Regional Analysis 38



Federal Reserve Bank of New York
Research Series 40

www.newyorkfed.org/research
Follow us on Twitter: @NYFedResearch

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 Professor Robert Townsend of MIT and Institute Professor Emeritus Peter Diamond, also of MIT.

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.



A handwritten signature in black ink that reads "James J. McAndrews". The signature is written in a cursive, flowing style.

James J. McAndrews
Executive Vice President
and Director of Research



*L-R: Erik Vogt and Tobias Adrian,
Capital Markets Function
Workshop on the Risks of Wholesale Funding*

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 PREMIER RESEARCH COMMUNITY

Our most important asset is our sixty-six 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, eighty 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.

Our economists are 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

Our Economists' Current and Recent Editorial Board Assignments

New York Fed economists complement their publishing activity by serving on a variety of editorial boards.

Tobias Adrian, *Annual Review of Financial Economics*

Stefania Albanesi, *Journal of Economic Theory*; *LABOUR: Review of Labour Economics and Industrial Relations*

Nicola Cetorelli, *Rivista Bancaria*

Rajashri Chakrabarti, *Education Finance and Policy*

Bianca De Paoli, *Journal of Money, Credit, and Banking*

Marco Del Negro, *Economic Inquiry*

Kenneth Garbade, *Review of Derivatives Research*

Rodney Garratt, *Journal of Financial Market Infrastructures*; *Journal of Public Economic Theory*

Marc Giannoni, *Journal of Business Economics and Statistics*; *IMF Economic Review*; *Macroeconomic Dynamics*

Linda Goldberg, *Journal of Financial Intermediation*; *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*

Argia Sbordone, *Macroeconomic Dynamics*

Andrea Tambalotti, *Review of Economic Dynamics*

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



*L-R: Darrell Duffie, Stanford Graduate School of Business;
Michael Fleming, Capital Markets Function
Workshop on the Risks of Wholesale Funding*



*L-R: Jason Bram, Regional Analysis Function;
Marc Giannoni and Laura Pilossoph, Macroeconomic
and Monetary Studies Function*

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 analysts.

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.

Our Economists' Recent Teaching Activities

Tobias Adrian, Princeton; Seoul National University

Stefano Eusepi, NYU

Marc Giannoni, Columbia

Linda Goldberg, IMF Institute; Princeton

Emanuel Moench, Columbia

Donald Morgan, Columbia; NYU

Paolo Pesenti, Columbia

Ayşegül Şahin, NYU

Asani Sarkar, Princeton

Argia Sbordone, Columbia

Andrea Tambalotti, Columbia

James Vickery, NYU



L-R: Friederike Niepmann, International Research Function; Benjamin Pugsley, Macroeconomic and Monetary Studies Function

Sabbatical Program

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

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

research institution, with limited teaching or other responsibilities.

Economists have 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 2014

Mark Aguiar, *Princeton University*

Peter Arcidiacono, *Duke University*

Thorsten Beck, *Tilburg University*

Gianluca Benigno, *London School of Economics and Political Science*

Sandra Black, *University of Texas at Austin*

Pierre-André Chiappori, *Columbia University*

Dean Corbae, *University of Wisconsin–Madison*

Anna Costello, *MIT Sloan School of Management*

Harris Dellas, *University of Bern*

Max Farrell, *University of Chicago*

Mark Flannery, *University of Florida*

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, *Princeton University*

Robin Greenwood, *Harvard Business School*

David Hirshleifer, *University of California, Irvine*

Charles Holt, *University of Virginia*

Alex Horenstein, *University of Miami*

V. Joseph Hotz, *Duke University*

Charles Jones, *Columbia Business School*

Charles Kahn, *University of Illinois, Urbana-Champaign*

Nobuhiro Kiyotaki, *Princeton University*

Arvind Krishnamurthy, *Northwestern University*

John Leahy, *New York University*

Lance Lochner, *University of Western Ontario*

Michael Lovenheim, *Cornell University*

Charles Manski, *Northwestern University*

Alex Mas, *Princeton University*

Brian Melzer, *Northwestern University*

Taylor Nadauld, *Brigham Young University*

Enrico Perotti, *University of Amsterdam*

Monika Piazzesi, *Stanford University*

Stephen Redding, *Princeton University*

Ricardo Reis, *Columbia University*

Michael Roberts, *University of Pennsylvania*

Jean-Charles Rochet, *University of Zurich*

Martin Schneider, *Stanford University*

Frank Schorfheide, *University of Pennsylvania*

Robert Shimer, *University of Chicago*

Hyun Song Shin, *Princeton University*

Daniel Silverman, *Arizona State University*

Christopher Sims, *Princeton University*

Philip Strahan, *Boston College*

Cédric Tille, *Graduate Institute*

for International and Development Studies

Sarah Turner, *University of Virginia*

Stijn Van Nieuwerburgh, *New York University*

Laura Veldkamp, *New York University*

Eric Verhoogen, *Columbia University*

Shang-Jin Wei, *Columbia Business School*

Andrew Winton, *University of Minnesota*

Matthew Wiswall, *Arizona State University*

Jonathan Wright, *Johns Hopkins University*

Michael Woodford, *Columbia University*



Seminar speaker Victoria Ivashina, Harvard Business School

A Gateway to Academia

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

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, Brown, Columbia, Dartmouth, Georgetown, New York University, the University of Amsterdam, the University of British Columbia, the University of Chicago, the University of Oxford, the University of Stockholm, and the University of Virginia.

Seminars

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

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

New York Fed Seminar Series: Selected Presentations, 2014

- “The Real Effects of Credit Ratings: The Sovereign Ceiling Channel,” *Heitor Almeida, University of Illinois at Urbana-Champaign*
- “Food Insecurity and the Great Recession: The Role of Unemployment Duration, Credit, and Housing Markets,” *Patricia Anderson, Dartmouth College*
- “Charters without Lotteries: Testing Takeovers in Boston and New Orleans,” *Joshua Angrist, Massachusetts Institute of Technology*
- “University Differences in the Graduation of Minorities in STEM Fields: Evidence from California,” *Esteban Aucejo, London School of Economics and Political Science*
- “Lending Concentration, Bank Performance, and Systemic Risk: Exploring Cross-Country Variation,” *Thorsten Beck, Tilburg University*
- “The Agglomeration of Bankruptcy,” *Efraim Benmelech, Northwestern University*
- “Volatility and Pass-Through,” *David Berger, Northwestern University*
- “Risk-Sharing or Risk-Taking? An Incentive Theory of Counterparty Risk, Clearing, and Margins,” *Bruno Biais, Toulouse School of Economics*
- “House-Price Expectations, Alternative Mortgage Products, and Default,” *Jan Brueckner, University of California, Irvine*
- “Firm Dynamics and the Granular Hypothesis,” *Vasco Carvalho, CREI—Centre de Recerca en Economia Internacional*
- “Intersectoral Linkages, Diverse Information, and Aggregate Dynamics in a Neoclassical Model,” *Ryan Chahrour, Boston College*

- “Colleges and Their Customers: The Market for Baccalaureate Education in the Age of Merit and Disparity,” *Charles Clotfelter, Duke University*
- “Nonlinearities in Sovereign Risk Pricing: The Role of CDS Index Contracts,” *Anne-Laure Delatte, Sciences Po*
- “Chinese Shadow Banking: Bank-Centric Misperceptions,” *Tri Vi Dang, Columbia University*
- “Momentum Crashes,” *Kent Daniel, Columbia Business School*
- “Measuring the Financial Soundness of U.S. Firms, 1926-2012,” *Andrea Eisfeldt, University of California, Los Angeles*
- “Term Structure Modeling When Monetary Policy Is Unconventional: A New Approach,” *Jean-Sébastien Fontaine, Bank of Canada*
- “Financial Innovation, Collateral, and Investment,” *Ana Fostel, George Washington University*



Seminar speaker Heitor Almeida, University of Illinois at Urbana-Champaign



Seminar speaker Kent Daniel, Columbia Business School

- “Trade, Unemployment, and Monetary Policy,” *Fabio Ghironi, University of Washington*
- “Uncertainty, Financial Frictions, and Investment Dynamics,” *Simon Gilchrist, Boston University*
- “Intergenerational Redistribution in the Great Recession,” *Andy Glover, University of Texas at Austin*
- “Trade Adjustment: Worker Level Evidence,” *Gordon Hanson, University of California, San Diego*
- “The Impact of Consumer Credit Access on Unemployment,” *Kyle Herkenhoff, University of California, Los Angeles*
- “Optimal Development Policies with Financial Frictions,” *Oleg Itskhoki, Princeton University*
- “Financial Repression in the European Sovereign Debt Crisis,” *Victoria Ivashina, Harvard Business School*
- “Non-Cognitive Ability, Test Scores, and Teacher Quality: Evidence from 9th Grade Teachers in North Carolina,” *C. Kirabo Jackson, Northwestern University*
- “Grin and Bear It: Producer-Financed Exports from an Emerging Market,” *Beata Javorcik, Oxford University*



Seminar speaker Melissa Kearney, University of Maryland

- “Liquidity Freezes under Adverse Selection,” *Charles Kahn, University of Illinois at Urbana-Champaign*
- “The Cyclicalities of Employment and Firm Quality,” *Lisa Kahn, Yale University*
- “Have We Identified Effective Teachers? Validating Measures of Effective Teaching Using Random Assignment,” *Thomas J. Kane, Harvard University*
- “Income Inequality, Social Mobility, and the Decision to Drop Out of High School,” *Melissa Kearney, University of Maryland*
- “Breaking Through the Zero Lower Bound,” *Miles Kimball, University of Michigan*
- “Carry,” *Ralph Koijen, London Business School*
- “Reference Points and Demand for Redistribution: Experimental Evidence,” *Ilyana Kuziemko, Columbia University*
- “Productivity Shocks, Dynamic Contracts, and Income Uncertainty,” *Thibaut Lamadon, University of Chicago*
- “The Sad Truth about Happiness Scales,” *Kevin Lang, Boston University*
- “The Effect of College Education on Mortality,” *Ofer Malamud, University of Chicago*
- “Advertising Expensive Mortgages,” *Gregor Matvos, University of Chicago*
- “Forecasting the Cost to Firms of Climate Policy Using Prediction Markets and Lobbying Records,” *Kyle Meng, Princeton University*
- “Housing Booms, Labor Market Outcomes, and Educational Attainment,” *Matthew Notowidigdo, University of Chicago*
- “Do Retail Traders Suffer from High Frequency Traders?” *Andreas Park, University of Toronto*
- “Reconciling Hayek’s and Keynes’ Views of Recessions,” *Franck Portier, Toulouse School of Economics*
- “Inequality, Segregation, and Racial Academic Achievement Gaps,” *Sean Reardon, Stanford University*
- “Bank Leverage and Capital Accumulation,” *Jean-Charles Rochet, University of Zurich*
- “Exam Schools, Ability, and the Effects of Affirmative Action: Latent Factor Extrapolation in the Regression Discontinuity Design,” *Mikka Rokkanen, Columbia University*
- “Unions in a Frictional Labor Market,” *Leena Rudanko, Boston University*
- “Long-Run Impacts of Childhood Access to the Safety Net,” *Diane Whitmore Schanzenbach, Northwestern University*
- “How Markets Learn,” *Erik Stafford, Harvard Business School*
- “Do Real Exchange Rate Appreciations Matter for Growth?” *Cédric Tille, Graduate Institute for International and Development Studies*
- “Borrowing Trouble? Student Loans, the Cost of Borrowing, and Implications for the Effectiveness of Need-Based Grant Aid,” *Lesley Turner, University of Maryland*
- “Expanding College Opportunities for High-Achieving, Low-Income Students,” *Sarah Turner, University of Virginia*

- “Are Capital Controls Prudential? An Empirical Investigation,” *Martín Uribe, Columbia University*
- “The Common Factor in Idiosyncratic Volatility: Quantitative Asset Pricing Implications,” *Stijn Van Nieuwerburgh, New York University*
- “The Share of Systematic Variation in Bilateral Exchange Rates,” *Adrien Verdelhan, MIT Sloan School of Management*
- “Monetary Policy Drivers of Bond and Equity Risks,” *Luis Viceira, Harvard Business School*
- “Perverse Nudges: Minimum Payments and Debt Paydown in Consumer Credit Cards,” *Jialan Wang, Consumer Financial Protection Bureau*
- “Optimal Bank Liability Structure,” *Zhenyu Wang, Indiana University*
- “A Theory of Macroprudential Policies in the Presence of Nominal Rigidities,” *Iván Werning, Massachusetts Institute of Technology*
- “Making Top Managers: The Role of Elite Universities and Elite Peers,” *Seth Zimmerman, Princeton University*



Seminar speaker Joshua Angrist, Massachusetts Institute of Technology



L-R: Conference organizer Valérie Rouxel-Laxton, Delegation of the European Union to the United States; presenter Francesco Giavazzi, Bocconi University. “Macroeconomic Policy Mix in the Transatlantic Economy,” sponsored jointly by the New York Fed, the European Commission, and the Centre for Economic Policy Research

Conferences

The New York Fed’s conference calendar is active, and events hosted by the Research Group regularly bring together leading academics, policymakers, and market participants. Themes commonly converge around the Bank’s policy agenda and our economists’ research interests. Past topics have included central bank liquidity tools, disclosure requirements and market discipline of financial firms, the spread between primary and secondary mortgage rates, “fire sales” as a driver of systemic risk in tri-party repo and other secured funding markets, transatlantic economic interdependence and policy challenges, strategies for improving the measurement of economic and financial market performance, and the role of global banks in the transmission of risk.

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.

Key Features of the Research Computing Environment

- *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.



L-R: Jeffrey Micho and Richard Wang, Technology Services

- *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 cloud computing.* For academic research projects, external high-performance clusters and graphics processing units (GPUs) are available and are integrated with the RAN cluster.
- *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 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.

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 (RAs), 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-five RAs have gone on to top-five Ph.D. programs while another thirty-five 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,



Mary Tao, Research Library



Jeanette Donato, Executive Services

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 Center, researchers who have completed a rigorous project review process can access in a secure facility selected confidential economic and demographic micro data gathered by the U.S. Census Bureau.

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

RESIDENT SCHOLARS PROGRAM

Our Program for Resident Scholars attracts to the Bank outstanding researchers with an international reputation. We are very pleased to host Robert Townsend and Peter Diamond as resident scholars for 2014-15.

Robert Townsend is the Elizabeth and James Killian Professor of Economics at MIT and a Research Professor at the University of Chicago. A theorist, macroeconomist, and development economist, Professor Townsend analyzes the role and impact of economic organization and financial systems through applied general equilibrium models, contract theory, and the use of micro data. He is known for his seminal work on costly state verification, the revelation principle, optimal multiperiod contracts, decentralization of economies with private information, models of money with spatially separated agents, forecasting the forecasts of others, and insurance and credit in developing countries.

Peter Diamond is an Institute Professor Emeritus at MIT, where he taught from 1966 to 2011. Professor Diamond has written on public finance, social insurance, behavioral economics, uncertainty and search theories, and macroeconomics. He has been President of the American Economic Association, of the Econometric Society, and of the National Academy of Social Insurance. Together with Dale T. Mortensen and Christopher A. Pissarides,

Professor Diamond was awarded the 2010 Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel for theoretical research on search frictions in markets.

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. 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 regulation, capital markets, financial stability, and applied microeconomics.

Former Resident Scholars

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*

Simon Gilchrist, *Professor of Economics, Boston University*

Nobuhiro Kiyotaki, *Professor of Economics, Princeton University*

John Leahy, *Professor of Economics, New York University*

Christopher Sims, *Professor of Economics, Princeton 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*



*Former resident scholar Simon Gilchrist,
Boston 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 micro-foundations of urban agglomeration economies and the spatial distribution of human capital.

Tobias Adrian—Research on the cost of equity capital in the financial sector.



Meta Brown, Microeconomic Studies Function

Gara Afonso—Theoretical research on liquidity in financial markets during distressed periods; theoretical and empirical research on the U.S. inter-bank market.

Stefania Albanesi—Research 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.

Meta Brown—Empirical research on the effects of student loans on young people's consumption patterns.

Rajashri Chakrabarti—Empirical research on education issues and policies and their effects on schools, students, and teachers.

Richard Crump—Econometric research on asset price dynamics, with a focus on risk premium modeling and forecasting.

Marco Del Negro—Forecasting and policy analysis using dynamic stochastic general equilibrium models.

Fernando Duarte and Thomas Eisenbach—Research on fire sales and how they affect the stability of the financial sector.

Stefano Eusepi—Research on the implications of different theories of expectations formation for monetary and fiscal policy design.

Andreas Fuster—Empirical research on mortgage markets, the Fed's mortgage-backed securities purchases, and the pricing of prepayment risk.

Kenneth Garbade—Historical evolution of the market for U.S. Treasury securities.

Domenico Giannone—Forecasting using large data sets.

Marc Giannoni—Research on optimal monetary policy in the face of uncertainty and on the estimation of macroeconomic models using large data sets.

Fatih Karahan—Theoretical and empirical research on geographical mobility and the interaction between the housing and labor markets.

Donghoon Lee—Empirical research on consumer credit, the mortgage market, student loans, and household finance.

Donald Morgan—Theoretical and empirical research aimed at defining and detecting predatory lending by banks.

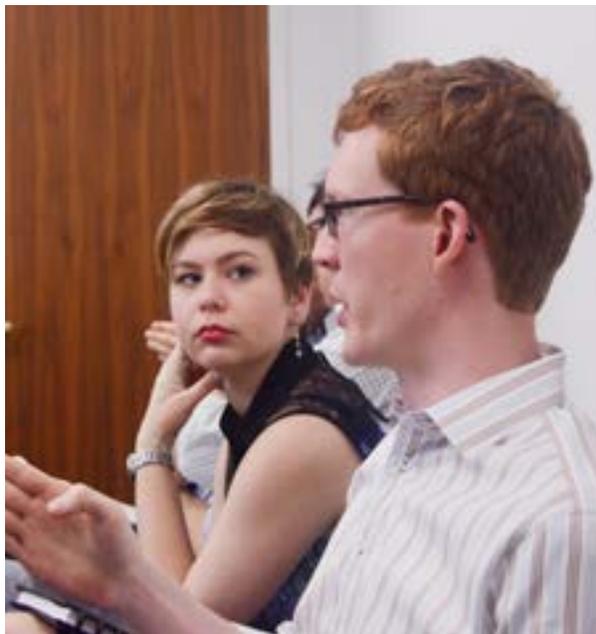
Paolo Pesenti—The use of open-economy simulation models for policy analysis; commodity price forecasting.

Maxim Pinkovskiy—Empirical research on inequality and welfare measures and on the determinants of economic growth; analysis of macroeconomic and labor market impacts of health policy, including the Affordable Care Act.

Benjamin Pugsley—Research on the behavior of young and small firms and how they affect aggregate economic conditions.

Robert Rich and Joseph Tracy—Empirical research using survey data on inflation expectations to examine relationships between average expectations, disagreement, and uncertainty.

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.



L-R: Nina Boyarchenko, Capital Markets Function; Thomas Eisenbach, Money and Payments Studies Function



Andrea Tambalotti, Macroeconomic and Monetary Studies Function

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.

Ernst Schaumburg—Research on the use of high-frequency data to measure and price volatility risk.

Andrea Tambalotti—General equilibrium modeling of drivers of the boom in household debt and home prices before the Great Recession.

Giorgio Topa—Empirical research on referrals in the labor market, on social interactions, and on subjective expectations; survey data collection and empirical research on job search behavior.

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.

THE RESEARCH GROUP'S POLICY WORK

Our economists engage in scholarly research and policy-oriented analysis on a wide range of important issues.

The New York Fed's unique role in the Federal Reserve System enables economists to take part in important policy initiatives. For example, in 2013-14, economists in our Financial Intermediation, Capital Markets, and Money and Payments Studies Functions spent eighteen months investigating the



L-R: Fernando Duarte and David Lucca, Capital Markets Function

economics and resolution of large and complex banks—research designed largely to inform the public policy debate on “too big to fail.” The project culminated in a special issue of the Bank’s *Economic Policy Review*, composed of eleven new papers with contributions from twenty authors from across the Bank. To help communicate the papers’ findings, the Research Group released a companion series of blog posts on *Liberty Street Economics* and held a press briefing at the Bank. While each of the eleven papers addresses a specific question or issue, the series covers three broad categories: bank size, bank complexity, and resolution. Taking a wide-angle view, the series shows that there are positives and negatives to large, complex banks—all of which should be considered by policymakers.

Additionally, economists in the International Research, Microeconomic Studies, and Regional Analysis Functions contributed to an analysis of economic conditions and the current fiscal situation

in Puerto Rico. They worked with other members of the project team to examine trends in the Island’s economic performance, using measures such as output growth, employment, unemployment, and population change. They then analyzed Puerto Rico’s public debt, including comparisons with mainland U.S. states and countries, and discussed the financial pressures now facing the economy. The report, *An Update on the Competitiveness of Puerto Rico’s Economy* (July 2014), outlines six steps—requiring changes to a number of past policies and practices—that the Island’s government should consider taking to restore fiscal health. The report was a collaborative effort involving the Research and Statistics, Emerging Markets and International Affairs, Communications, and Markets Groups.

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 a 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 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 through regular briefings in preparation for each Federal Open Market Committee meeting. They monitor and analyze current economic, fiscal, and financial conditions; provide forecasts for the U.S. economy based on judgmental as well as statistical methodologies, including the estimation of our in-house dynamic stochastic general equilibrium (DSGE) model; and gauge risks to the outlook. In recent work, Function economists have focused on assessing the health of the labor market after the Great Recession, using a blend of modern economic theory and in-depth knowledge of the macro and



Michael Fleming, Capital Markets Function



Jaison Abel, Regional Analysis Function

micro data. Other initiatives include quantifying the headwinds holding back the recovery and determining the appropriate monetary response to them, and improving monetary policy communication at the zero lower bound.

Microeconomic Studies contributes to monetary policy formulation and financial stability by providing policy advice and empirical analysis on auction design; consumer (and business) expectations; the healthcare sector; household finance; the housing and mortgage markets; labor market dynamics, unemployment, participation, and job search; fiscal policy at the 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 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 analyzing activity in the federal funds markets, drafting policy proposals aimed at improving the implementation of monetary policy, investigating the stability of repo and other short-term funding markets,

understanding the historical evolution of the financial sector, and examining the failure and resolution of large financial firms. 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



*L-R: James J. McAndrews, Director of Research;
Andrew Haughwout, Microeconomic Studies Function*

senior management as well as to the broader business, research, and policy communities and the public throughout the District. Staff members also produce the *Empire State Manufacturing Survey* and the *Business Leaders Survey*, monthly indexes of coincident economic indicators, and the Beige Book report. Areas of analysis include the magnitude and sources of urban agglomeration economies, higher-education issues such as student loans and financial aid, the dynamics of for-profit institutions, the competitiveness of Puerto Rico's economy, the relationship between prices and rents in New York City, and the impact of the financial crisis on schools, teachers, and students in New York and New Jersey.

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. One example is the Research Group's recent work on the FRBNY dynamic stochastic general equilibrium model. DSGE models have grown in importance at many of the world's central banks as tools to inform economic forecasting and the monetary policy process. Researchers at the New York Fed use their version to enhance their understanding of the workings of the U.S. economy, to produce forecasts that are shared within the Federal Reserve System, and to perform policy analysis exercises. The FRBNY DSGE model was first made public in October 2013 in the New York Fed's *Staff Reports* series. To demonstrate the model's performance and create a public record of its successes and failures, in September 2014, economists Marco Del Negro, Bianca De Paoli, Stefano Eusepi, Marc Giannoni, Argia Sbordone, and Andrea Tambalotti, with research analysts Matthew Cocci, Sara Shahanaghi, and Micah Smith, published a series of posts on the *Liberty Street Economics* blog about the FRBNY DSGE model. In this widely read week-long series, the authors describe the model and its role as a forecasting tool, review the key economic interactions captured by the model, assess the model's forecasting accuracy, and share source code used for model estimation.

While policy assignments can stimulate new research, the relationship is a reciprocal one:



*L-R: Marco Del Negro and Robert Rich, Macroeconomic and
Monetary Studies Function*

economists find that their research has many applications to their policy work. Research on money market fund (MMF) reform provides a good example. In the banking literature, there is a long-standing view that the suspension of convertibility of deposits into cash can prevent bank runs. In line with this view, recent regulatory initiatives aimed at reducing the likelihood of runs on financial intermediaries, such as MMFs, would give the intermediaries the option to halt (“gate”) redemptions or charge fees for redemptions when liquidity runs short. However, in research released in our *Staff Reports* series, Marco Cipriani and Antoine Martin argue that this strategy could bring about the very outcome it is designed to avert. Their findings suggest that a bank or MMF with the option to suspend convertibility may in fact become more fragile and vulnerable to runs. More specifically, rules that allow MMFs to restrict redemptions when liquidity falls short may set up the possibility of *preemptive* runs by investors, a point that was cited by an SEC commissioner in a dissent to a new SEC rule.

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 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.



L-R: Maxim Pinkovskiy, *Microeconomic Studies*;
Joseph Tracy, Chief of Staff’s Office

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 staff research and analysis understandable 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 two to three times a week; it also publishes reader comments and author responses to generate dialogue with the public. In 2014, 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 474,000-plus papers in its database; more than 79 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 248,000 downloads of these papers from the SSRN site.



Director of Research
James J. McAndrews

RESEARCH FUNCTIONS AND PERSONNEL

DIRECTOR OF RESEARCH JAMES J. MCANDREWS

James J. McAndrews is an executive vice president and head of the Research and Statistics Group at the Federal Reserve Bank of New York. In this role, Jamie is responsible for the briefings in support of the Bank president's participation in FOMC meetings and for the economic and financial policy analysis prepared by the Group. He has played a prominent role in the New York Fed's financial stability efforts, including contributing to the design of several liquidity facilities during the financial crisis. He also serves as an associate economist of the FOMC.

Jamie joined the Bank as a senior economist in 1997 and was named an executive vice president in 2010, after having served as associate director of the Research and Statistics Group since 2009. He is a member of the Bank's Management Committee.

His main research area is the economics of money and payments. He has written extensively on topics in monetary policy implementation, the liquidity of banks and markets, and monetary arrangements in U.S. history. Recent topics include the economics of dealer banks, the management of central bank liabilities, and fire sales in securities markets. He has analyzed and provided advice on many policy issues related to those areas for the Federal Reserve.

Jamie has served as a consulting economist to the Bank of Japan, the Bank of England, the Reserve Bank of Australia, the Swedish Riksbank, and the World Bank. He holds a bachelor's degree and a doctorate in economics from the University of Iowa.



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, and
- macroprudential and monetary policy issues.

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.

CAPITAL MARKETS STAFF

Tobias Adrian

Ph.D., MIT, 2003

Interests: Asset pricing; financial intermediation; financial stability.

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, 2013

Interests: Market frictions; credit risk; financial econometrics.

Erik Vogt

Ph.D., Duke, 2014

Interests: Financial econometrics; asset pricing; options and volatility derivatives.



RECENT PUBLICATIONS AND PAPERS

Tobias Adrian. “Procyclical Leverage and Value-at-Risk,” with Hyun Song Shin. *Review of Financial Studies* 27, no. 2 (2014).

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. “Pricing the Term Structure with Linear Regressions,” with Tobias Adrian and Emanuel Moench. *Journal of Financial Economics* 110, no. 1 (2013).

Fernando Duarte. “Inflation Risk and the Cross Section of Stock Returns.” Federal Reserve Bank of New York *Staff Reports*, no. 621 (2013).

Michael Fleming. “Trading Activity and Price Transparency in the Inflation Swap Market,” with John R. Sporn. Federal Reserve Bank of New York *Economic Policy Review* 19, no. 1 (2013).

Andreas Fuster. “Securitization and the Fixed-Rate Mortgage,” with James Vickery. *Review of Financial Studies*, forthcoming.

David Lucca. “The Pre-FOMC Announcement Drift,” with Emanuel Moench. *Journal of Finance*, forthcoming.

Emanuel Moench. “Regression-Based Estimation of Dynamic Asset Pricing Models,” with Tobias Adrian and Richard Crump. *Journal of Financial Economics*, forthcoming.

Ernst Schaumburg. “Jump-Robust Volatility Estimation using Nearest Neighbor Truncation,” with Torben Andersen and Dobrislav Dobrev. *Journal of Econometrics* 169, no. 1 (2012).

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* 48, no. 2 (2013).

Erik Vogt. “Option-Implied Term Structures.” Unpublished paper, 2014.



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

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.

FINANCIAL INTERMEDIATION STAFF

Gara Afonso

Ph.D., London School of Economics and Political Science, 2008

Interests: Financial economics; liquidity; financial stability; interbank markets.

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: Bank capital; stress testing; banks' dividend and stock repurchase behavior; public disclosure by banks and supervisors.

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

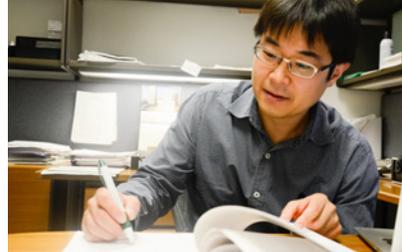
Ph.D., Wisconsin, 1989

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.

RECENT PUBLICATIONS AND PAPERS

Gara Afonso. “Trade Dynamics in the Market for Federal Funds,” with Ricardo Lagos. *Econometrica*, forthcoming.

Nicola Cetorelli. “Banking Globalization and Monetary Transmission,” with Linda Goldberg. *Journal of Finance* 67, no. 5 (2012).

“Credit Quantity and Credit Quality: Bank Competition and Capital Accumulation,” with Pietro Peretto. *Journal of Economic Theory* 147, no. 3 (2012).

Dong Beom Choi. “Heterogeneity and Stability: Bolster the Strong, Not the Weak.” *Review of Financial Studies* 27, no. 6 (2014).

Linda Goldberg. “Banking Globalization and Monetary Transmission,” with Nicola Cetorelli. *Journal of Finance* 67, no. 5 (2012).

“Liquidity Management of U.S. Global Banks: Internal Capital Markets in the Great Recession,” with Nicola Cetorelli. *Journal of International Economics* 88, no. 2 (2012).

Beverly Hirtle. “Bank Holding Company Dividends and Repurchases during the Financial Crisis.” Federal Reserve Bank of New York *Staff Reports*, no. 666 (2014).

Anna Kovner. “Do Underwriters Matter? The Impact of the Near Failure of an Equity Underwriter.” *Journal of Financial Intermediation* 21, no. 3 (2012).

“The Private Equity Advantage: Leveraged Buyout Firms and Relationship Banking,” with Victoria Ivashina. *Review of Financial Studies* 24, no. 7 (2011).

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

Donald Morgan. “How Payday Credit Access Affects Overdrafts and Other Outcomes,” with Michael Strain and Ihab Seblani. *Journal of Money, Credit, and Banking* 44, no. 2-3 (2012).

Stavros Peristiani. “The Information Value of the Stress Test,” with Donald Morgan and Vanessa Savino. *Journal of Money, Credit, and Banking* 46, no. 7 (2014).

Matthew Plosser. “Bank Heterogeneity and Capital Allocation: Evidence from ‘Fracking’ Shocks.” Federal Reserve Bank of New York *Staff Reports*, no. 693 (2014).

João Santos. “Banks’ Liquidity and the Cost of Liquidity to Corporations,” with Vitaly Bord. *Journal of Money, Credit and Banking* 46, no. S1 (2014).

“Does the Securitization of Corporate Loans Lead to Riskier Lending?” with Vitaly Bord. *Journal of Money, Credit and Banking*, forthcoming.

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* 5, no. 1 (2013).

“Securitization and the Fixed-Rate Mortgage” with Andreas Fuster. *Review of Financial Studies*, forthcoming.



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,
- European and Japanese economic issues, and
- commodity prices.

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.

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 finance; 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 and Japanese economic issues; capital flows; international trade; exchange rates.

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. “Importers, Exporters, and Exchange Rate Disconnect,” with Oleg Itskhoki and Jozef Konings. *American Economic Review* 104, no. 7 (2014).

“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* 45, no. 1 (2013).

Jan Groen. “Real-Time Inflation Forecasting in a Changing World,” with Richard Paap and Francesco Ravazzolo. *Journal of Business and Economic Statistics* 31, no. 1 (2013).

Thomas Klitgaard. “The Balance of Payments Crisis in the Euro Area Periphery,” with Matthew Higgins. Federal Reserve Bank of New York *Current Issues in Economics and Finance* 20, no. 2 (2014).

Friederike Niepmann. “Bank Bailouts, International Linkages, and Cooperation,” with Tim Schmidt-Eisenlohr. *American Economic Journal: Economic Policy* 5, no. 4 (2013).

Paolo Pesenti. “Varieties and the Transfer Problem,” with Giancarlo Corsetti and Philippe Martin. *Journal of International Economics* 89, no. 1 (2013).



Recent research topics include:

- forecasting and policy analysis using DSGE models,
- financial frictions, liquidity, and the macroeconomy,
- the Federal Reserve's balance sheet risk,
- learning and heterogeneous beliefs in macroeconomics,
- monetary policy and inequality,
- the welfare costs of disinflation,
- forecasting using large macroeconomic datasets,
- trends and cycles in productivity growth,
- sources and consequences of household leveraging and deleveraging in the 2000s,
- labor market churn, job and worker flows,
- trends in labor force participation and the dynamics of the U.S. labor market,
- wage dynamics over the business cycle,
- unemployment and sectoral reallocation,
- duration dependence, long-term unemployment and firm hiring over the business cycle, and
- the role of entrepreneurship and firm heterogeneity in business cycles.

MACROECONOMIC AND MONETARY STUDIES

Economists in the Macroeconomic and Monetary Studies Function conduct scholarly research on macroeconomics and monetary economics for publication in academic journals. In addition, they provide rigorous analysis of current economic, fiscal, and monetary conditions and advise senior Bank management on monetary policy.

MACROECONOMIC AND MONETARY STUDIES STAFF

Sushant Acharya

Ph.D., Maryland, 2013

Interests: Macroeconomics; monetary economics; information frictions in macroeconomics and learning.

Stefania Albanesi

Ph.D., Northwestern, 2001

Interests: Macroeconomics; public finance; labor economics.

Marco Del Negro

Ph.D., Yale, 1998

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

Domenico Giannone

Ph.D., Université Libre de Bruxelles, 2004

Interests: Forecasting; monetary policy; business cycles.

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.

Laura Pilossoph

Ph.D., Chicago, 2013

Interests: Macroeconomics; applied macroeconomics; labor economics.

Benjamin Pugsley

Ph.D., Chicago, 2012

Interests: Macroeconomics; firm dynamics; entrepreneurship.

Robert Rich

Ph.D., Brown, 1988

Interests: Macroeconomics; time series econometrics.

Aysegül Şahin

Ph.D., University of Rochester, 2002

Interests: Macroeconomics; labor economics.

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

Sushant Acharya. “Dispersed Beliefs and Aggregate Demand Management.” Unpublished paper, University of Maryland, May 2013.

Stefania Albanesi. “Intertemporal Distortions in the Second Best,” with Roc Armenter. *Review of Economic Studies* 79, no. 4 (2012).

“Maternal Health and the Baby Boom,” with Claudia Olivetti. *Quantitative Economics* 5, no. 2 (2014).

Marco Del Negro. “Inflation in the Great Recession and New Keynesian Models,” with Marc Giannoni and Frank Schorfheide. *American Economic Journal: Macroeconomics*, forthcoming.

Domenico Giannone. “Prior Selection for Vector Autoregressions,” with Michèle Lenza and Giorgio Primiceri. *Review of Economics and Statistics*, forthcoming.

Marc Giannoni. “Some Unpleasant General Equilibrium Implications of Executive Incentive Compensation Contracts,” with John Donaldson and Natalia Gershun. *Journal of Economic Theory* 148, no. 1 (2013).

“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).

Laura Pilossoph. “Statistical Discrimination and Duration Dependence in the Job Finding Rate,” with Gregor Jarosch. Unpublished paper, July 2014.

Benjamin Pugsley. “Are Household Surveys Like Tax Forms: Evidence from Income Underreporting of the Self-Employed,” with Erik Hurst and Geng Li. *Review of Economics and Statistics* 96, no. 1 (2014).

Robert Rich. “The Measurement and Behavior of Uncertainty: Evidence from the ECB Survey of Professional Forecasters,” with Joshua Abel, Joseph Song, and Joseph Tracy. *Journal of Applied Econometrics*, forthcoming.

Aysegül Şahin. “The Decline of the U.S. Labor Share,” with Michael Elsby and Bart Hobijn. *Brookings Papers on Economic Activity*, Fall (2013).

“Mismatch Unemployment,” with Joseph Song, Giorgio Topa, and Giovanni Violante. *American Economic Review*, forthcoming.

Argia Sbordone. “The Macroeconomics of Trend Inflation,” with Guido Ascari. *Journal of Economic Literature* 52, no. 3 (2014).

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

Andrea Tambalotti. “Has U.S. Monetary Policy Tracked the Efficient Interest Rate?” with Vasco Curdia, Andrea Ferrero, and Ging Cee Ng. *Journal of Monetary Economics*, forthcoming.



Recent research topics include:

- analysis of household balance sheets and consumer credit,
- factors underlying mortgage defaults and foreclosures, demand for housing,
- student loans,
- survey measurement of household inflation expectations,
- subjective expectations formation, updating, and links to economic behavior,
- skill and locational mismatch in the labor market,
- vacancy posting behavior of firms,
- understanding trends in geographical mobility and its links with the labor market,
- analysis of macroeconomic and labor market impacts of health policy, including the Affordable Care Act,
- empirical analysis of models with multiple equilibria,
- subjective beliefs and educational choices,
- 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,
- selection and income distribution dynamics, and
- simulated maximum-likelihood estimation for discrete choice models.

MICROECONOMIC STUDIES

The Microeconomic Studies Function engages in rigorous analysis of microeconomic issues of interest to the New York Fed 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 economics, public finance, consumer finance, housing, and urban and health economics.

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: Labor economics; public finance; consumption and saving; household finance.

Giacomo De Giorgi

Ph.D., University College London, 2007

Interests: Labor economics; consumption and saving; development economics; household finance; climate change.

Stefano Eusepi

Ph.D., University of Warwick, 2004

Interests: Macroeconomics; monetary economics; nonlinear dynamics.

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.

Maxim Pinkovskiy

Ph.D., MIT, 2013

Interests: Public economics; health economics; applied microeconomics; economic growth and development; econometrics.

Giorgio Topa

Ph.D., Chicago, 1996

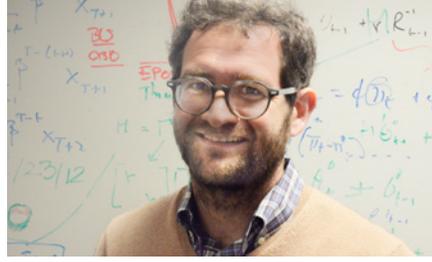
Interests: Labor and urban economics; social interactions and local spillovers; spatial econometrics.

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; household finance.

RECENT PUBLICATIONS AND PAPERS

Olivier Armantier. “Subjective Probabilities in Games: An Application to the Overbidding Puzzle,” with Nicolas Treich. *International Economic Review* 50, no. 4 (2009).

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).

“Do Referrals Lead to Better Matches? Evidence from a Firm’s Employee Referral System,” with Elizabeth Setren and Giorgio Topa. *Journal of Labor Economics*, forthcoming.

Giacomo De Giorgi. “Indirect Effects of an Aid Program: How Do Cash Transfers Affect Non-Eligibles’ Consumption?” with Manuela Angelucci. *American Economic Review* 99, no. 1 (2009).

“Understanding Social Interactions: Evidence from the Classroom,” with Michele Pellizzari. *Economic Journal* 124, no. 579 (2014).

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* 101 no. 6 (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,” with Serdar Ozkan. *Review of Economic Dynamics* 16, no. 3 (2013).

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 (2013).

Maxim Pinkovskiy. “African Poverty is Falling . . . Much Faster Than You Think!” with Xavier Sala-i-Martin. *Journal of Economic Growth*, forthcoming.

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. “Reconciling Theory and Empirics on the Role of Unemployment in Mortgage Default,” with Joseph Gyourko. *Journal of Urban Economics* 80 (2014).

Wilbert van der Klaauw. “Land Use Regulation and Welfare,” with Andrew Haughwout and Matthew Turner. *Econometrica* 82, no. 4 (2014).

Basit Zafar. “Determinants of College Major Choice: Identification Using an Information Experiment,” with Matthew Wiswall. *Review of Economic Studies*, forthcoming.

“The Price is Right: Updating of Inflation Expectations in a Randomized Price Information Experiment,” with Olivier Armantier, Scott Nelson, Giorgio Topa, and Wilbert van der Klaauw. *Review of Economics and Statistics*, forthcoming.



Recent projects include:

- analyzing activity in short-term funding 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

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.

MONEY AND PAYMENTS STUDIES STAFF

Marco Cipriani

Ph.D., NYU, 2002

Interests: Financial economics; market microstructure; money and banking; 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.

Rodney Garratt

Ph.D., Cornell, 1991

Interests: Game theory; auctions; payments; network theory.

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.



RECENT PUBLICATIONS AND PAPERS

Marco Cipriani. “Estimating a Structural Model of Herd Behavior in Financial Markets,” with Antonio Guarino. *American Economic Review* 104, no. 1 (2014).

“The Minimum Balance at Risk: A Proposal to Mitigate Systemic Risks Posed by Money Market Funds,” with Patrick McCabe, Michael Holscher, and Antoine Martin. *Brookings Papers on Economic Activity*, forthcoming.

Adam Copeland. “The Production Impact of ‘Cash-for-Clunkers’: Implications for Stabilization Policy,” with James Kahn. *Economic Inquiry* 51, no. 1 (2013).

“Repo Runs: Evidence from the Tri-Party Repo Market,” with Antoine Martin and Michael Walker. *Journal of Finance*, forthcoming.

Thomas Eisenbach. “Fire-Sale Spillovers and Systemic Risk,” with Fernando Duarte. Federal Reserve Bank of New York *Staff Reports*, no. 645 (2013).

Kenneth Garbade. *Birth of a Market: The U.S. Treasury Securities Market from the Great War to the Great Depression*. Cambridge, Mass.: MIT Press (2012).

Rodney Garratt. “Illiquidity in the Interbank Payment System following Wide-Scale Disruptions,” with Morten Bech, *Journal of Money, Credit, and Banking* 44, no. 5 (2012).

Antoine Martin. “The Fragility of Short-Term Secured Funding Markets,” with David Skeie and Ernst-Ludwig von Thadden. *Journal of Economic Theory* 149 (2014).

“Repo Runs,” with David Skeie and Ernst-Ludwig von Thadden. *Review of Financial Studies* 27, no. 4 (2014).

Asani Sarkar. “Customer Order Flow, Intermediaries, and Discovery of the Equilibrium Risk-Free Rate,” with Albert Menkveld and Michel van der Wel. *Journal of Financial and Quantitative Analysis* 47, no. 4 (2012).

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



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 economic costs of natural disasters,
- 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,
- K-12 and higher-education finance, and
- the dynamics of for-profit institutions.

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.

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.

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

Jaison Abel. “Productivity and the Density of Human Capital,” with Ishita Dey and Todd M. Gabe. *Journal of Regional Science* 52, no. 4 (2012).

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* 18, no. 9 (2012).

Rajashri Chakrabarti. “Incentives and Responses under No Child Left Behind: Credible Threats and the Role of Competition.” *Journal of Public Economics* 110 (2014).

Richard Deitz. “Do the Benefits of College Still Outweigh the Costs?” with Jaison R. Abel. Federal Reserve Bank of New York *Current Issues in Economics and Finance* 20, no. 3 (2014).

James Orr. *An Update on the Competitiveness of Puerto Rico's Economy*, with Jaison Abel, Jason Bram, Hunter Clark, Richard Deitz, Andrew Haughwout, Akash Kanojia, Tricia Kissinger, Thomas Klitgaard, Jonathan Landesman, Rae Rosen, Monica Sanz, and Javier Silva. Federal Reserve Bank of New York (2014).

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.

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.

Publications and Other Research—an annual catalogue of our research output.

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



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

For more information on the Research Group:

www.newyorkfed.org/research