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Research Update

Research and Statistics Group www.newyorkfed.org/research

New Research Center Broadens Access to Census Bureau Data

The Research Group, on behalf of the New York Fed, recently helped establish a Census Research Data Center in New York City. The Bank is a founding member of the consortium that supports the facility, joining fourteen leading universities and research organizations in New York State. Only eight other Data Centers operate nationwide.

At the Data Centers, researchers who have completed a project review process can access in a secure facility selected confidential economic and demographic microdata gathered by the U.S. Census Bureau. Project approval can be lengthy because research conducted using the confidential data must meet the Census Bureau's rigorous criteria for confidentiality and merit. Research projects are approved for a finite period of time.

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"The presence of a Data Center in the New York area will support an important new strand of empirical research in the Bank and the region," observes Erica Groshen of the New York Fed. Groshen, along with colleague Bart Hobijn and senior members of the Bank, played a key role in establishing the Center. "The insights gained from research using Census Bureau data contribute to the Bank's monetary policy work and to its regional efforts. So we're especially excited about the opening of this Center."

In addition to its decennial demographic census, the Census Bureau conducts periodic censuses and surveys of business establishments and firms as well as other demographic surveys. The data obtained provide uniquely detailed information on employment, income, housing, manufacturing, trade, and other U.S. economic conditions.

"Economists want to know a lot about firms and their decisions, but much of the data on firms are not publicly available," explains Hobijn. "By providing access to these data, the Center enables us to study what individual firms do, what individual workers do, and what workers do after they've switched firms. That information is important to discussions of labor market developments and monetary policy."

The Census Bureau itself can benefit from projects conducted at its Data Centers. By allowing researchers to study confidential data, the Bureau is able to improve the quality of the data. Researchers familiarize themselves with data products and collection methods, and often uncover strengths and weaknesses in the data and in various coding and processing procedures. "The more the data are used for research, the more the Census Bureau can evaluate their quality," says Hobijn. "The Bureau can then determine how to derive the greatest benefits from changes to its data collection and processing methods."

"The Data Center will also benefit the New York metro area as a whole because it will attract top researchers and promote important social science work here," adds Groshen.

For more on the Census Research Data Center, visit **www.ciser.cornell.edu/NYCRDC/home.shtml**.

Conference on Urban Dynamics Spotlights New York City's Strengths and Challenges

Cities are often viewed as ideal settings for studying the mechanisms of sustained economic growth, the dynamics of economic activities, and the impact and trajectories of immigration flows. By their nature, cities can also be volatile and fragile organisms that undergo dramatic rises and declines over short time periods. New York, in particular, has withstood long-run adverse trends as well as sudden unanticipated shocks.

In April 2005, the New York Fed provided a forum for these important topics by sponsoring the conference "Urban

Publications and Papers

The Research and Statistics Group produces a wide range of publications:

- ***The Economic Policy Review***—a policy-oriented journal focusing on economic and financial market issues.
- ***EPR Executive Summaries***—online versions of selected ***Economic Policy Review*** articles in abridged form.
- ***Current Issues in Economics and Finance***—concise studies of topical economic and financial issues.
- ***Second District Highlights***—a regional supplement to ***Current Issues***.
- ***Staff Reports***—technical papers intended for publication in leading economic and finance journals, available only online.
- ***Publications and Other Research***—an annual catalogue of our research output.

Dynamics in New York City." The three sessions considered a range of issues, such as how a large city like New York survives, even thrives, in an ever-changing environment and how this dynamic affects the city's population and institutions.

A central theme to emerge was the significance of "openness," both to new ideas and to newcomers. "The degree of openness and the cross-fertilization that it allows can be essential to ensuring a city's ability to reinvent itself amid adverse circumstances," observes Giorgio Topa, who organized the conference with Erica Groshen. "However, openness brings challenges, including the need for institutions to coordinate actions and integrate newcomers in a productive way." These and other issues were central to the discussions, he adds, and the ways in which cities address them will surely spur future researchers on urban dynamics.

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The first session was devoted to the historical transformations of New York City's engine-of-growth industries, the chief determinants of the city's long-standing economic dominance, and the challenges to New York's continued success. *Edward Glaeser* offered a detailed historical account of the major contributors to the city's economic strength over the past four centuries. He emphasized such themes as the importance of geography in New York's early success, the value of simple transportation cost and scale economies, and the city's advantage in facilitating information flows and face-to-face interactions. *Stuart Rosenthal and William Strange* provided fresh evidence on the importance of very local agglomeration economies to sustained growth. Analyzing the geography of entrepreneurship in the New York area, they found that "births" of new establishments and the number of jobs there—the authors' measures of entrepreneurial activity—are positively affected by local employment density and even more so by the amount of local employment in the entrepreneur's own industry. The effect of a large, unforeseen, external shock on a local economy was examined by *Andrew Haughwout and Bess Rabin*, who considered New York's response to the September 11 terrorist attacks. Their study of the city's real estate markets revealed that the economy was remarkably resilient to the shock and that the efforts of city officials helped offset many of the negative effects of the dislocations experienced in Lower Manhattan.

Kenneth Jackson's keynote remarks identified several characteristics that make New York a unique and vibrant metropolis. An especially compelling characteristic is the city's openness to newcomers, whether they take the form of new ideas, new communities, or new religious groups. The constant inflow of innovations embodied by newcomers, Jackson argued, has enabled New York to reinvent itself in the face of such economic challenges as the decline of its port and of manufacturing in general.

The nature and evolution of immigration flows into New York motivated Session 2. *George Borjas* analyzed the skill levels and earnings of immigrant workers from 1970 to 2000, while *John Mollenkopf* examined the socioeconomic achievements of second-generation immigrants. Borjas found that in terms of educational attainment, skill levels increased more for native- and foreign-born workers in New York than for their counterparts elsewhere in the country. At the same time, though, the skill gap between New York native and immigrant workers has widened. Borjas detected the same pattern for wages. Mollenkopf shed light on the intergenerational trajectories of immigrant groups, linking the experiences of U.S.-born children of immigrants to those of their parents. Children of South American, Dominican, and West Indian immigrants fare slightly better on various outcome measures than do children in similar native Puerto Rican or African American households. Moreover, second-generation Chinese and Russians have made extraordinary educational progress relative to their parental backgrounds. His findings suggested that intergenerational transmission strategies interact with perceptions about race and neighborhood conditions in complex ways to determine second-generation immigrant trajectories.

The final session centered on recent trends in socioeconomic outcomes, for the general population and for recent immigrants more specifically. *Guillermina Jasso, Douglas Massey, Mark Rosenzweig, and James Smith* studied the health trajectory of new legal immigrants to the United States from the start of the immigration process and continuing after arrival; *Amy Ellen Schwartz and Leanna Stiefel* examined changing educational outcomes among children of immigrants and native children in New York City's public schools. Jasso et al. found that the combined effects on health outcomes of what they term "visa stress" and "migration stress" are negative, while the pure effect of "U.S. exposure" is positive, especially for men. In addition, immigrants in New York tend to be healthier on arrival relative to immigrants who settle elsewhere while their subsequent trajectories do not differ significantly from those of other immigrants. One of the most striking results obtained by Schwartz and Stiefel is that children of immigrants tend to outperform native children on several standardized tests, despite their less favorable initial background. This "immigrant advantage" increases in higher grades.

The proceedings are published in the December 2005 issue of the ***Economic Policy Review*** (**www.newyorkfed.org/research/epr/2005n2.html**).

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Transaction-Level Data Offer New Insight into the Federal Funds Market

In recent decades, an extensive literature has emerged on the behavior of the federal funds market—the market in which U.S. depository institutions borrow and lend the balances, or reserves, that they hold in accounts at the Federal Reserve. This literature has of necessity focused on the day-to-day movements in the market because data on trading activity over the course of a business day have been lacking.

In "Intraday Trading in the Overnight Federal Funds Market" (***Current Issues in Economics and Finance***, vol. 11, no. 11), Leonardo Bartolini, Svenja Gudell, Spence Hilton, and Krista Schwarz use a new set of transaction-level data to present a detailed picture of the intraday life of the federal funds market. Drawing on a sample of more than 100,000 individual trades over 660 business days, the authors are able to identify broad patterns in the behavior of trading volume and prices over the course of the day. Their analysis of these patterns leads them to argue that institutional deadlines play a key role in shaping activity in the market.

Trade volume, the authors find, exhibits large swings during the day. It peaks first in the morning, between 8:30 and 10:00, then drops through mid-afternoon. In the late afternoon, it rises to its highest level, with roughly 40 percent of trading taking place in the last two hours. Prices, in contrast to trade volume, remain fairly stable for much of the day. Only in the late afternoon does rate volatility surge.

The authors attribute the parallel increases in trade volume and rate volatility at the end of the day to the approaching close of trading over Fedwire, the Federal Reserve's electronic payment system, at 6:30 p.m. "Although distinctive patterns are exhibited during the rest of a typical business day," they note, "both trading activity and rates display their most pronounced movements in conjunction with this deadline." ■

Upcoming Conference to Focus on Payments

To highlight the growing body of innovative research on retail and wholesale payments systems, the Federal Reserve Banks of Atlanta and New York will cosponsor "The Economics of Payments II" conference. The sessions, which will be held at the New York Fed on March 29 and 30, 2006, follow upon the success of the inaugural conference held at the Atlanta Fed in 2004. Jeffrey M. Lacker, President of the Richmond Fed, is the scheduled keynote speaker.

Recent payments research has contributed to the study of monetary theory, empirical economics, and industrial organization of two-sided markets. Ongoing changes in payments markets include shifts in the use of various payment instruments around the world—notably, the continuing decline in check usage in the United States, the growth of debit and credit card payments in many countries, the continued development of personal online payment methods, the redesign of large-value payments systems in many countries, and the response to various antitrust disputes involving card-based payments. The sessions will focus on these and other important topics.

The conference program and further details will be posted at **www.newyorkfed.org/newsevents/events/research.html** when they become available. ■

New Titles in the *Staff Reports* Series

The following new Staff Reports are available at **www.newyorkfed.org/research/staff_reports/**.

MACROECONOMICS AND GROWTH

No. 224, October 2005
The Tobin Effect and the Friedman Rule
Joydeep Bhattacharya, Joseph Haslag, and Antoine Martin

This paper addresses whether the Friedman rule can be optimal in an economy in which the Tobin effect is operative. The authors present an overlapping generations economy with capital in which limited communication and stochastic relocation create an endogenous transaction role for fiat money. With logarithmic utility, the "anti-Tobin" effect is operative, and the Friedman rule is optimal (that is, stationary-welfare-maximizing) regardless of whether or not there is long-run growth. Under the constant relative risk aversion form of preferences, the authors show that an operative "anti-Tobin" effect is a sufficient condition for the Friedman rule to be optimal. Also, contrary to models with linear storage technologies, the authors' model shows that zero inflation is not optimal.

No. 225, October 2005
Optimality of the Friedman Rule in an Overlapping Generations Model with Spatial Separation
Joseph Haslag and Antoine Martin

Haslag and Martin examine models with spatial separation and limited communication that have shown some promise toward resolving the disparity between theory and practice concerning optimal monetary policy; these models suggest that the Friedman rule may not be optimal. The authors show that intergenerational transfers play a key role in this result, that the Friedman rule is a necessary condition for an efficient allocation in equilibrium, and that the rule is chosen whenever agents can implement mutually beneficial arrangements. The study concludes that in order for these models to resolve the aforementioned disparity, they must answer the following question: Where do the frictions that prevent agents from implementing mutually beneficial arrangements come from?

No. 228, November 2005
Time-Varying Pass-Through from Import Prices to Consumer Prices: Evidence from an Event Study with Real-Time Data
Marlene Amstad and Andreas M. Fischer

This paper analyzes the pass-through from import prices to CPI inflation in real time. The authors' strategy follows an event-study approach that compares inflation forecasts before and after import price releases. Inflation forecasts are modeled using a dynamic factor procedure that relies on daily panels of Swiss data. Amstad and Fischer find strong evidence that monthly import price releases provide important information for CPI inflation forecasts, and that the behavior of updated forecasts is consistent with a time-varying pass-through. The robustness of this latter result is supported by an alternative CPI measure that excludes price components subject to administered pricing as well as by panels capturing difference levels of information breadth. Finally, the authors' empirical findings cast doubt on a prominent role for sticky prices in the low pass-through findings.

No. 229, November 2005

Can U.S. Monetary Policy Fall (Again) into an Expectation Trap?

Roc Armenter and Martin Bodenstein

Armenter and Bodenstein provide a tractable model to study monetary policy under discretion. They restrict their analysis to Markov equilibria. The study finds that for all parametrizations with an equilibrium inflation rate of about 2 percent, there is a second equilibrium with an inflation rate just above 10 percent. Thus, the model can simultaneously account for the low and high inflation episodes in the United States. The authors carefully characterize the set of Markov equilibria along the parameter space and find their results to be robust, suggesting that expectation traps are more than just a theoretical curiosity.

No. 234, December 2005

Great Expectations and the End of the Depression

Gauti B. Eggertsson

This paper argues that the U.S. economy's recovery from the Great Depression was driven by a shift in expectations brought about by the policy actions of President Franklin Delano Roosevelt. On the monetary policy side, Roosevelt abolished the gold standard and—even more important—announced the policy objective of inflating the price level to pre-depression levels. On the fiscal policy side, Roosevelt expanded real and deficit spending. Together, these actions made his policy objective credible; they violated prevailing policy dogmas and introduced a policy regime change such as that described in work by Sargent and by Temin and Wigmore. The economic consequences of Roosevelt's policies are evaluated in a dynamic stochastic general equilibrium model with sticky prices and rational expectations.

No. 235, December 2005

Optimal Monetary and Fiscal Policy under Discretion in the New Keynesian Model: A Technical Appendix to "Great Expectations and the End of the Depression"

Gauti B. Eggertsson

This paper details the microfoundations of the model presented in Staff Report no. 234, "Great Expectations and the End of the Depression." It defines the Markov perfect equilibrium formally in the nonlinear model, discusses in some detail the approximation method used and the order of accuracy of this approximation, and gives proofs of two propositions not proved in that study. In addition, this paper states a proposition that shows the equivalence between the linear quadratic approximation in the aforementioned Staff Report and a first-order approximation to the exact nonlinear conditions of the government in the Markov perfect equilibrium defined here.

No. 236, December 2005

A Review of Core Inflation and an Evaluation of Its Measures

Robert Rich and Charles Steindel

Viewing stabilization of either consumer price index (CPI) inflation or personal consumption expenditure (PCE) inflation as a central goal of U.S. monetary policy, the authors evaluate a variety of candidate core inflation measures. Almost all candidate measures demonstrate the ability to track the mean rate of aggregate inflation and movements in its underlying trend. In the within-sample analysis, core measures derived through exponential smoothing, in combination with simple measures of economic slack, have substantial explanatory content for changes in aggregate inflation several years in advance. In the out-of-sample analysis, however, no measure performs consistently well in forecasting inflation. Taken together, the findings show that there is no individual measure of core inflation that can be considered superior to other measures.

INTERNATIONAL

No. 222, October 2005
Trade Invoicing in the Accession Countries: Are They Suited to the Euro?
Linda S. Goldberg

Countries aspiring to join the euro area—the so-called accession countries—are increasingly binding their economic activity, external and internal, to the euro-area countries. This phenomenon is observed in the currency invoicing of international trade transactions, where accession countries have reduced their use of the U.S. dollar in invoicing such transactions. The optimal invoicing choice for an accession country depends on its composition of trade and on correlations between fluctuations in home and trade-partner macroeconomic variables. Goldberg finds that the exporters in some accession countries may be pricing too much of their trade in euros rather than in U.S. dollars, even in their trade transactions with the euro-area and other European Union countries, and may be taking on excessive risk in international markets.

No. 226, October 2005
Financial Integration and the Wealth Effect of Exchange Rate luctuations
Cédric Tille

Tille first presents a detailed decomposition of the U.S. balance sheet, which exhibits substantial leverage in terms of currencies and across asset categories. He then incorporates these features of international financial integration in a simple general equilibrium model and analyzes how they affect the international transmission of monetary shocks. The author finds that financial integration is a central component of the model, with the valuation gains from an exchange rate depreciation leading to a welfare effect that is at least as large as that stemming from nominal rigidities alone but possibly much larger. He characterizes how interdependence is affected by the composition of the portfolio across asset categories and how structural features of the model interact with financial integration.

No. 230, November 2005
Does the Time Inconsistency Problem Make Flexible Exchange Rates Look Worse Than You Think?
Roc Armenter and Martin Bodenstein

Lack of commitment in monetary policy leads to the well-known Barro-Gordon inflation bias. In this paper, Armenter and Bodenstein argue that two phenomena associated with the time inconsistency problem have been overlooked in the exchange rate debate. The authors show that, absent commitment, independent monetary policy can also induce expectation traps—that is, welfare-ranked multiple equilibria—and perverse policy responses to real shocks—that is, an equilibrium policy response that is welfare inferior to policy inaction. Both possibilities imply higher macroeconomic volatility under flexible exchange rates than under fixed exchange rates.

No. 231, November 2005
Establishing Credibility: Evolving Perceptions of the European Central Bank
Linda S. Goldberg and Michael W. Klein

Goldberg and Klein present a novel empirical framework that uses high-frequency data to test for persistent variation in market perceptions of central bank inflation aversion. Tests of the effect of news announcements on the slope of yield curves in the euro area and on the euro-dollar exchange rate suggest that the market's perception of the policy stance of the European Central Bank during its first six years of operation evolved significantly, with a belief in the Bank's inflation aversion increasing in the wake of its monetary tightening. In contrast, tests based on the response of the slope of the U.S. yield curve to news offer no comparable evidence of any change in market perceptions of the inflation aversion of the Federal Reserve.

BANKING AND FINANCE

No. 223, October 2005
Why Is the U.S. Treasury Contemplating Becoming a Lender of Last Resort for Treasury Securities?
Kenneth D. Garbade and John E. Kambhu

The U.S. Treasury announced in August 2005 that it is exploring whether to provide a backstop securities lending facility for U.S. Treasury securities. This paper examines the conceptual basis for such a facility by analogizing the market for borrowing and lending Treasury securities with the market for borrowing and lending money prior to the founding of the Federal Reserve System in 1914. An inelastic supply of Treasury securities has led to several recent episodes of chronic settlement fails. A backstop lending facility would mitigate the fails problem by allowing the Treasury to act as a lender of last resort of Treasury securities during periods of unusual market stress.

No. 227, October 2005
Money Market Integration
Leonardo Bartolini, Spence Hilton, and Alessandro Prati

Bartolini, Hilton, and Prati use transaction-level data and detailed modeling of the high-frequency behavior of federal funds–Eurodollar yield spreads to provide evidence of strong integration between the federal funds and Eurodollar markets, the two core components of the dollar money market. Their results contrast with previous research indicating that these two markets are segmented, showing them to be well integrated even at high (intraday) frequency. The authors document several patterns in the behavior of federal funds–Eurodollar spreads, including liquidity effects from trading volume on the volatility of yield spreads. Their analysis supports the view that targeting federal funds rates alone is sufficient to stabilize rates in the (much larger) dollar money market as a whole.

No. 233, December 2005
The Return to Retail and the Performance of U.S. Banks
Beverly J. Hirtle and Kevin J. Stiroh

The U.S. banking industry is experiencing a renewed focus on retail banking, a trend often attributed to the stability and profitability of retail activities. This paper examines the impact of banks' retail intensity on performance from 1997 to 2004 by developing three complementary definitions of retail intensity (retail loan share, retail deposit share, and branches per dollar of assets) and comparing these measures with both equity market and accounting measures of performance. The authors find that an increased focus on retail banking across U.S. banks is linked to significantly lower equity market and accounting returns for all banks but lower volatility for only the largest banking companies. They conclude that retail banking may be a relatively stable activity, but it is also a low-return one.

QUANTITATIVE METHODS

No. 232, November 2005
One-Sided Test for an Unknown Breakpoint: Theory, Computation, and Application to Monetary Theory
Arturo Estrella and Anthony P. Rodrigues

The econometrics literature contains a variety of two-sided tests for unknown breakpoints in time-series models with one or more parameters. This paper derives an analogous one-sided test that takes into account the direction of the change for a single parameter. In particular, the authors propose a sup t statistic, which is distributed as a normalized Brownian bridge. The method is illustrated by testing whether the reaction of monetary policy to inflation has increased since 1959. ■

Recently Published

Adam Ashcraft. 2005. **"Are Banks Really Special? New Evidence from the FDIC-Induced Failure of Healthy Banks."** *American Economic Review* 95, no. 5 (December): 1712-30.

Astrid Dick. 2005. **"Mergers and Lending Relationships: Discussion."** Comment on "Information Asymmetries and the Effects of Banking Mergers on Firm-Bank Relationships," by Steven Drucker; "SMEs and Bank Lending Relationships: The Impact of Mergers," by Hans Degryse, Nancy Masschelein, and Janet Mitchell; and "The Effect of Bank Mergers on Loan Prices: Evidence from the U.S.," by Isil Erel. In *The Art of the Loan in the 21st Century: Producing, Pricing, and Regulating Credit*, 171-6. Proceedings of the Federal Reserve Bank of Chicago's 41st Annual Conference on Bank Structure and Competition.

Linda Goldberg. 2005. **"Exchange Rate Pass-Through into Import Prices,"** with José Manuel Campa. *Review of Economics and Statistics* 87, no. 4 (November): 679-90.

James Harrigan. 2005. **"Lost Decade in Translation: Did the United States Learn from Japan's Post-Bubble Mistakes?"** with Kenneth N. Kuttner. In Takatoshi Ito, Hugh Patrick, and David E. Weinstein, eds., *Reviving Japan's Economy: Problems and Prescriptions*, 79-106. Cambridge: MIT Press.

Andrew Haughwout. 2005. **"Evidence from Real Estate Markets of the Long-Term Impact of 9/11 on the New York City Economy."** In Howard Chernick, ed., *Resilient City: The Economic Impact of 9/11*, 97-121. New York: Russell Sage Foundation.

Robert Rich, Jason Bram, Andrew Haughwout, and James Orr. 2005. **"Using Regional Economic Indexes to Forecast Tax Bases: Evidence from New York,"** with Rae Rosen and Rebecca Sela. *Review of Economics and Statistics* 87, no. 4 (November): 627-34.

João Santos. 2005. **"Allocating Bank Regulatory Powers: Lender of Last Resort, Deposit Insurance, and Supervision,"** with Charles M. Kahn. *European Economic Review* 49, no. 8 (November): 2107-36.

Argia Sbordone. 2005. **"Do Expected Future Marginal Costs Drive Inflation Dynamics?"** *Journal of Monetary Economics* 52, no. 6 (September): 1183-97.

Til Schuermann. 2005. **"Capital Regulation for Position Risk in Banks, Securities Firms, and Insurance Companies,"** with Richard Herring. In Hal S. Scott, ed., *Capital Adequacy beyond Basel: Banking, Securities, and Insurance*, 15-86. Oxford: Oxford University Press.

Til Schuermann. 2005. **"A Review of Recent Books on Credit Risk."** *Journal of Applied Econometrics* 20, no. 1 (January-February): 123-30.

Zhenyu Wang. 2005. **"A Shrinkage Approach to Model Uncertainty and Asset Allocation."** *Review of Financial Studies* 18, no. 2 (summer): 673-705. ■

Papers Presented by Economists in the Research and Statistics Group

"Stock Returns and Volatility: Pricing the Short-Run and Long-Run Components of Market Risk," Tobias Adrian and Joshua Rosenberg. Harvard Business School, Cambridge, Massachusetts, November 30. Also presented at the Financial Management Association annual meeting, Chicago, Illinois, December 8, and a Queen's University School of Business invited seminar, Kingston, Ontario, Canada, December 8.

"Does the Time Consistency Problem Make Flexible Exchange Rates Look Worse Than You Think?" Roc Armenter. University of British Columbia, Vancouver, British Columbia, Canada, November 21. With Martin Bodenstein.

"Endogenous Productivity and Development Accounting," Roc Armenter. Bank of Spain, Madrid, Spain, December 13. With Amartya Lahiri.

"Illiquidity in the Interbank Payment System Following Widescale Disruptions," Morten Bech. European Central Bank, Frankfurt, Germany, November 8. With Rod Garratt.

"Entry into Banking Markets and the Early-Mover Advantage," Astrid Dick. Bank of Canada, Ottawa, Ontario, Canada, November 8. With Allen N. Berger.

"Central Bank Transparency under Model Uncertainty," Stefano Eusepi. National Bank of Poland conference, Warsaw, Poland, June 2. Also presented at the Econometric Society World Congress, University College London, London, England, August 22, and the European Economic Association 20th Annual Congress, Amsterdam, the Netherlands, August 26.

"Estimating the Deep Parameters of RBC Model with Learning," Stefano Eusepi. Society for Computational Economics conference, George Washington University, Washington, D.C., June 24. With Stefania D'Amico.

"The Specials Market for U.S. Treasury Securities and the Federal Reserve's Securities Lending Program," Michael Fleming and Kenneth Garbade. Danmarks Nationalbank workshop, Copenhagen, Denmark, November 28.

"Distribution Margins, Imported Inputs, and the Insensitivity of the CPI to Exchange Rates," Linda Goldberg. European Central Bank and Bank of Canada conference, held at the European Central Bank, Frankfurt, Germany, December 7.

"Global Issues Affecting International Business," Linda Goldberg. American Institute of Certified Public Accountants convention, New York City, October 27. Also presented at the Rockland County Economic Development Corporation conference, New York City, November 18.

"Vehicle Currency Use in International Trade," Linda Goldberg. Boston College Department of Economics seminar, Boston, Massachusetts, November 9. With Cédric Tille.

"The Interaction of Labor Markets and Inflation: Analysis of Micro Data from the International Wage Flexibility Project," Erica Groshen. NBER conference, Cambridge, Massachusetts, November 5. With William Dickens, Lorenz Goette, Steinar Holden, Julian Messina, Mark Schweitzer, Jarkko Turunen, and Melanie Ward.

"Was the 2001 Recession Different in the Labor Market? Comparing Measures," Erica Groshen. New School University Department of Economics seminar, New York City, November 10. With Simon Potter and Rebecca Sela.

"How Should Cities Help Their Suburbs?" Andrew Haughwout. University of California, Berkeley, Haas School of Business, Berkeley, California, May 2. With Robert Inman.

"A Decomposition of the Sources of Incomplete Cross-Border Transmission," Rebecca Hellerstein. Purdue University Department of Economics seminar, West Lafayette, Indiana, October 20.

"Technological Diversification," Miklós Koren. Cornell University Economics Department seminar, Ithaca, New York, October 12. With Silvana Tenreyro.

"Is There a Bubble in the Housing Market Now?" Jonathan McCarthy. Networks Financial Institute (an affiliate of Indiana State University) conference, Indianapolis, Indiana, October 12. With Richard Peach.

"New Open-Economy Macroeconomic Theory and Applications," Paolo Pesenti. IMF Institute Economics Training Program, International Monetary Fund, Washington, D.C., November 14-16.

"Shocks, Reforms, and Monetary Rules: A Scenario Analysis for Japan," Paolo Pesenti. Eighteenth Annual Trio Conference supported by the NBER, the Tokyo Center for Economic Research, the CEPR, and the Center for International Research on the Japanese Economy, held at the University of Tokyo, Tokyo, Japan, December 10.

"Smooth Landing or Crash? Model-Based Scenarios of Global Current Account Rebalancing," Paolo Pesenti. DSGE Modeling at Policymaking Institutions: Progress and Prospects, Board of Governors of the Federal Reserve System, Washington, D.C., December 3. With Hamid Faruqee, Douglas Laxton, and Dick Muir.

"Toward a Model for Monetary Policy Evaluation in Open Economy," Paolo Pesenti. Bank of Japan invited lecture, Tokyo, Japan, December 7.

- The New York Fed now offers RSS feeds to those interested in receiving automatic updates of news and other information on its website. "Research Publications" is one of several feeds available. RSS is an XML-based format for distributing web content; the New York Fed's site uses RSS 1.0. A special news reader, or "aggregator," is required to display RSS content feeds from websites.

  Visit **www.newyorkfed.org/rss/index.html** to subscribe to the Bank's RSS feeds.

- The Bank's research publications are frequently cited in the national press. Recently, we added "Research in the News" to our website, a page highlighting media coverage of these publications. The page identifies economists' work receiving ongoing or extensive press attention as well as other recently cited work, along with links to the articles and papers.

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

"A Review of Core Inflation and an Evaluation of Its Measures," Robert Rich. Bank for International Settlements conference, Basel, Switzerland, October 27. With Charles Steindel.

"Intra-Day Trade Clustering and Two-Sided Markets," Asani Sarkar. NBER Market Microstructure Meeting, Cambridge, Massachusetts, October 7. With Robert Schwartz and Avner Wolf. Also presented at the Rice University Graduate School of Management, Houston, Texas, November 2.

"A Search for a Structural Phillips Curve," Argia Sbordone. NBER conference, Cambridge, Massachusetts, November 4. With Timothy Cogley.

"Firm Heterogeneity and Credit Risk Diversification," Til Schuermann. NBER conference, Cambridge, Massachusetts, November 10. With Samuel Hanson and Hashem Pesaran.

"Money and Modern Bank Runs," David Skeie. Financial Management Association annual meeting, Chicago, Illinois, October 13.

"Owners' Equivalent Rent and the Cost of Living," Charles Steindel. National Association for Business Economics annual meeting, Chicago, Illinois, September 26.

"Volatility Accounting: A Production View of Increased Economic Stability," Kevin Stiroh. International Monetary Fund, Washington, D.C., December 7.

"Public Provision of Private Liquidity," Zhenyu Wang. Kellogg School of Management, Northwestern University, Evanston, Illinois, September 28. With Suresh Sundaresan. Also presented at Binghamton University's School of Management, Binghamton, New York, October 31, the International Association of Financial Engineers 2005 Liquidity Risk Symposium, New York City, December 1, and the Bank of England, London, England, December 7.

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Research and Statistics Group Publications and Papers: October-December 2005

Publications are available at **www.newyorkfed.org/research/publication_annuals/index.html**.

ECONOMIC POLICY REVIEW

Vol. 11, no. 2, December 2005
Papers from the conference "Urban Dynamics in New York City," sponsored by the Federal Reserve Bank of New York

Conference Overview and Summary of Papers
Erica L. Groshen and Giorgio Topa

Urban Colossus: Why Is New York America's Largest City?
Edward L. Glaeser

The Geography of Entrepreneurship in the New York Metropolitan Area
Stuart S. Rosenthal and William C. Strange

Exogenous Shocks and the Dynamics of City Growth: Evidence from New York
Andrew F. Haughwout and Bess Rabin

The Promised City: Openness and Immigration in the Making of a World Metropolis
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