

Summary of Activities 2015

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The Globalization and Monetary Policy Institute logged a number of achievements in 2015. The institute hosted two major conferences, revived its public lecture series and continued to publish research in top peer-reviewed journals.

By year-end, the institute had added 39 new papers to its working paper series, bringing the total to 259. This was slightly below the bumper number of papers (53) circulated in the series in 2014. Of the 39 new papers, permanent staff in Dallas contributed 11, with the remainder coming from institute research associates.

Academic Research

Journal acceptances ran at almost twice the 2014 rate, making 2015 the best year to date on this front. Thirteen papers were accepted for publication:

- *International Economic Review*: Alexander Chudik's "Size, Openness, and Macroeconomic Interdependence" (co-authored with Roland Straub).
- *Review of Economics and Statistics*: Chudik's "Is There a Debt-Threshold Effect on Output Growth?" (co-authored with Kamiar Mohaddes, M. Hashem Pesaran and Mehdi Raissi).
- *Advances in Econometrics*: Chudik's "Long-Run Effects in Large Heterogeneous Panel Data Models with Cross-Sectionally Correlated Errors" (co-authored with Mohaddes, Pesaran and Raissi).
- *Journal of International Money and Finance*: J. Scott Davis' "Credit Booms, Banking Crises, and the Current Account" (co-authored with Adrienne Mack, Wesley Phoa and Anne Vandenabeele).
- *Journal of Econometrics*: Chudik and Valerie M. Grossman's "A Multi-Country Approach to Forecasting Output Growth Using PMIs" (co-authored with Pesaran).

- *Journal of Macroeconomics*: Davis' "The Macroeconomic Effects of Debt- and Equity-Based Capital Inflows," and Enrique Martínez-García's "A Contribution to the Chronology of Turning Points in Global Economic Activity (1980–2012)" (co-authored with Grossman and Mack).
- *Economics Letters*: Davis' "The Asymmetric Effects of Deflation on Consumption Spending: Evidence from the Great Depression," and Martínez-García's "On the Sustainability of Exchange Rate Target Zones with Central Parity Realignment."
- *Journal of Real Estate Finance and Economics*: Martínez-García's "Episodes of Exuberance in Housing Markets: In Search of the Smoking Gun" (co-authored with Grossman, Mack, Efthymios Pavlidis, Ivan Paya, David Peel and Alisa Yusupova).
- *Journal of International Economics*: Michael Sposi's "Trade Barriers and the Relative Price of Tradables," and Jian Wang's "Benefits of Foreign Ownership: Evidence from Foreign Direct Investment in China" (co-authored with Xiao Wang) and "The Effects of Surprise and Anticipated Technology Changes on International Relative Prices and Trade" (co-authored with Deokwoo Nam).

In addition, Martínez-García's paper, "The Global Component of Local Inflation: Revisiting the Empirical Content of the Global Slack Hypothesis with Bayesian Methods," was published in the volume *Monetary Policy in the Context of Financial Crisis: New Challenges and Lessons*, edited by William Barnett and Fredj Jawadi and published by Emerald Group Publishing. Sposi's paper "Price Equalization Does Not Imply Free Trade" (co-authored with Piyusha Mutreja, B. Ravikumar and Raymond Riezman) was published in the Federal Reserve Bank of St. Louis *Review*. Finally, Mark A. Wynne's presentation on Federal Reserve policy in

the postcrisis period, delivered as a keynote address at the Western Hemispheric Trade Conference at Texas A&M International University, was published in the *International Trade Journal*.

At year-end, staff had papers under review at the *Journal of International Economics*, *Journal of Monetary Economics*, *Journal of Applied Econometrics* and *European Economic Review*.

Conferences

The institute organized two major research conferences in 2015—one with Swiss National Bank (SNB), the Bank for International Settlements (BIS) and the Center for Economic Policy Research (CEPR), and the other with the Hong Kong Monetary Authority (HKMA), the European Central Bank (ECB) and the Board of Governors of the Federal Reserve System.

The conference with SNB, BIS and CEPR, “Spillovers of Conventional and Unconventional Monetary Policy: The Role of Real and Financial Linkages,” was held July 9–10 in Zurich. This was the fourth conference the institute had co-organized with SNB since the launch of the Bank’s research program on globalization and monetary policy. The conference featured presentations from researchers at the Board of Governors, University of British Columbia, SNB, ECB, University of Wisconsin–Madison, University of Montreal and Graduate Institute, Geneva. A full conference summary is provided on page 22.

The conference with HKMA, ECB and the Board of Governors, “Diverging Monetary Policies, Global Capital Flows and Financial Stability,” was held Oct. 15–16 in Hong Kong. Peter Pang, deputy chief executive of HKMA, delivered opening remarks, and ECB Vice President Vítor Constâncio gave the keynote address. Stephen Cecchetti, international



Participants from across the globe listen to presentations at the “Diverging Monetary Policies, Global Capital Flows and Financial Stability” conference in Hong Kong. The event, co-sponsored by the Dallas Fed, was held in October 2015.

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economics professor at Brandeis University, gave the luncheon keynote address. The event featured presentations by researchers from the University of Virginia, SNB, HKMA, Seoul National University, Dallas Fed, Board of Governors, Federal Reserve Bank of Boston and ECB. A full conference summary is provided on page 28.

Staff also presented work at high-profile conferences and at university seminars. These included the 2015 International Association for Applied Econometrics conference in Thessaloniki, Greece; Hong Kong Institute for Monetary Research Conference on the Chinese Economy; Research Institute for Development, Growth and Economics (RIDGE) Workshop on Trade and Firm Dynamics; the Federal Reserve System Committee on International Economic Analysis; Midwest Trade meetings; Midwest Macroeconomics meetings; University of British Columbia Winter Finance Conference 2015; Southern Economic Association meetings; System Committee on Macroeconomics and Day-

Ahead Inflation meeting; and Australasian Finance and Banking Conference.

Staff gave seminar presentations at the Boston Fed, Federal Reserve Bank of San Francisco, Keio University, University of Tokyo, Vanderbilt University, University of Nebraska–Omaha and DePaul University.

Bank Publications

Institute staff contributed seven articles to the Bank's *Economic Letter* publication: "Current Account Surplus May Damp the Effects of China's Credit Boom," by Davis, Mack, Phoa and Vandenabeele; "International Migration Remains the Last Frontier of Globalization," by Wynne; "External Debt Sheds Light on Drivers of Exchange Rate Fluctuations," by Davis; "Investment Enhances Emerging Economies' Living Standards," by Martínez-García; "A Real Appreciation for Recent Exchange-Rate Movements," by Kuhu Parasrampuria and Sposi; "Foreign Direct Investment: Financial Benefits Could Surpass Gains in Technology," by Wang, Janet Koech and Xiao Wang; and "Cheaper Crude Oil Affects Consumer Prices Unevenly," by Chudik and Koech. *Economic Letter* is designed to disseminate research to a broad, nontechnical audience.

Public Lectures

Some years ago, the institute launched a public lecture series with a talk on the euro crisis by Jürgen Stark, then a member of the ECB's executive board. The institute revived the series in 2015 with public events featuring Danish global economist and author Lars Christensen and American financial journalist Roger Lowenstein. Christensen spoke on the topic "China May Never Be the World's Largest Economy," and Lowenstein discussed his recent book, *America's Bank: The Epic Struggle to Create the Federal Reserve*.

Both events attracted capacity crowds. Christensen's talk resonated with his audience as signs of slower growth in China increased in 2015, with potentially adverse implications for growth in the Asia–Pacific region and the rest of the world in 2016. The



Author Lars Christensen, a Danish economist, speaks before a capacity crowd at the Dallas Fed on the timely topic "China May Never Be the World's Largest Economy." He gave his remarks as part of the institute's newly revived public lecture series.



Roger Lowenstein, author of a book on the founding of the Federal Reserve, shares highlights of his work during one of the institute's public lecture series events in 2015.

thesis that China may never be the world's largest economy contradicts recent International Monetary Fund (IMF) estimates that China is already the world's biggest economy, at least when measured on a purchasing power parity basis, which attempts to control for price differences between rich and poor countries. Either way, China looms increasingly large in global economic developments.

Lowenstein's book on the founding of the Fed might seem an unusual topic for a globalization institute event, but as he points out in the book, one argument of U.S. central bank advocates in the early 20th century was promotion of an international role for the dollar. As noted by many speakers at the institute's centennial conference in 2014, the hopes of the Fed's founders have been realized on a scale that they could not have imagined, and the Fed is in many ways the world's de facto central bank.¹

People

Everett Grant, a recent PhD from the University of Virginia, joined the institute as a research economist in July 2015. Arthur Hinojosa arrived in June as a research assistant,

and Kelvinder Viridi joined in July as a research assistant. Hinojosa is a recent graduate of the University of Texas (MA, 2015) and the University of Arkansas (BA, 2014). Viridi is a recent graduate of the University of California, San Diego (BA, 2015). Hinojosa and Viridi replaced Bradley Graves and Parasrampurua, who left to attend medical school and law school, respectively.

Máximo Camacho (Universidad de Murcia), Michele Ca'Zorzi (ECB), Jaime Martínez-Martín (Bank of Spain), Kamiar Mohaddes (Cambridge University), Mehdi Raissi (IMF), Joaquin Vespignani (University of Tasmania) and Ariel Weinberger (University of Oklahoma) joined the institute's network of research associates.

Note

¹The proceedings of that conference were published in spring 2016 as *The Federal Reserve's Role in the Global Economy: A Historical Perspective*, ed. Michael D. Bordo and Mark A. Wynne, Cambridge, U.K.: Cambridge University Press.

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