

# Summary of Activities

When Richard Fisher took office on April 1, 2005, as the 12th president of the Federal Reserve Bank of Dallas, he mandated that the Bank's Research Department make the study of globalization and its implications for U.S. monetary policy its signature research program. To that end, in September 2007, following two years of preparatory work that included the hiring of a group of economists to work specifically on this project, the Bank formally created a Globalization and Monetary Policy Institute. The institute has now been in business for just over one year, and it is appropriate to review what has been accomplished in that time.

## Structure

The core permanent staff of the institute consists of a director, five staff economists and two research assistants. The research activity of this group is complemented by a small group of senior fellows, who primarily represent academia, and a slightly larger group of research associates, all of whom are currently drawn from other central banks. The activities of the institute are overseen by an advisory board, which is chaired by Stanford University professor John B. Taylor. (See the institute roster on page 33.)

## Working Papers

The long-term business objective of the institute is to make the Federal Reserve Bank of Dallas a recognized center of excellence in the study of globalization and how it alters the way policymakers should think about monetary policy. We believe that such recognition will only come with a demonstrated ability to contribute to the peer-reviewed literature at the highest levels, and so the promotion of rigorous academic research on

key policy questions will be our main priority. To this end, the core business product of the institute is its working paper series. Through September 2008, 20 papers have appeared in the series, with contributions from staff of the institute, senior fellows, research associates and other Federal Reserve Bank of Dallas staff. One of the papers has already been published in a peer-reviewed journal. "Cross-Border Returns Differentials," by senior fellow Frank Warnock and coauthors Stephanie Curcuru and Tomas Dvorak, was published in the *Quarterly Journal of Economics* in November 2008. These working papers address a wide range of issues pertaining to globalization and its implications for U.S. monetary policy, ranging from whether global output gaps have become more important for domestic inflation dynamics than domestic output gaps, to examination of the determinants of real exchange rate movements. (For a complete set of working paper abstracts, see page 20.)

## Conferences and Seminars

Staff economists affiliated with the institute have been active presenting their research at conferences and seminars. Over the past year, they have participated at the October 2007 meeting of the Federal Reserve System Committee on International Economic Analysis, the summer meetings of the Society for Economic Dynamics, the Midwest Macro Meetings, Midwest Economic Association, North American summer meetings of the Econometric Society, 16th Annual Symposium of the Society for Nonlinear Dynamics and Econometrics, Conference on Methods and Topics in Economic and Financial Dynamics at the University of Texas at Dallas, 14th International Conference on Computing in Economics and Finance, the 2008

NBER Summer Institute and the 2008 Far Eastern Econometric Society Meeting. They have taken part in seminars at Texas A&M University, University of Texas at Arlington, Hong Kong University of Science and Technology, Chinese University of Hong Kong, Hong Kong Monetary Authority, Shanghai University of Finance and Economics, Vanderbilt University and the University of Western Ontario.

Staff have also served as discussants at a number of conferences and as referees for journals such as the *Journal of Monetary Economics*, *Journal of International Economics*, *Journal of Development Economics* and *Review of Economic Dynamics*.

Institute staff have also been developing joint projects with researchers at other institutions (Bank of England, Federal Reserve Bank of Boston, Federal Reserve Bank of San Francisco, Federal Reserve Board of Governors) and universities (University of Wisconsin, Yale University, Boston University, University of Virginia, Vanderbilt University), and one economist taught a course on globalization and monetary policy at the University of Alicante in Spain in December 2007.

The institute cosponsored the Murray S. Johnson Memorial Conference at the University of Texas at Austin in April. We organized a session on international pricing that featured research done at the institute (some preliminary findings from Anthony Landry's IKEA project) and invited other prominent researchers on international pricing to participate in the session. (More details are provided in the conference summary on page 16.)

### Bank Publications

In addition to producing working papers intended for publication in academic journals and other peer-reviewed publications, the institute disseminates research through the Federal Reserve Bank of Dallas' publications. Over the past year, institute economists contributed two articles to the Bank's *Economic Letter* series: "Why Are Exchange Rates So Difficult to Predict?" by Jian Wang, which appeared in the June 2008 issue, and "The Big Mac:

A Global-to-Local Look at Pricing" by Anthony Landry, in the September 2008 issue. On the basis of his *Economic Letter* article, Wang was invited to contribute a web article to VoxEU, a policy portal maintained by the Center for Economic Policy Research in London to promote rigorous policy commentary by top researchers. (Wang's article is available on the Internet at [www.voxeu.org](http://www.voxeu.org).)

Mark Wynne and Erasmus Kersting published an article on "The Globalization of U.S. Business Investment" in the Bank's *Staff Papers* series in February 2008, and Wynne gave an interview that appeared in the January/February 2008 issue of *Southwest Economy* sketching out plans for the institute. Institute senior fellow Charles Engel discussed globalization and the current financial crisis in a *Southwest Economy* interview. (Read the interview on page 30.) The institute also produces a regular update on international economic conditions to complement the national and regional updates that have been published on the Bank's website for several years.

### Visiting Scholars

Since its creation, the institute has hosted a number of visitors. In December 2007, professors Eric Young from the University of Virginia and Kim Ruhl from the University of Texas at Austin spent several days at the institute and gave seminars. In the spring, Jens Søndergaard of the Bank of England and professors Rody Manuelli from the University of Wisconsin, Costas Arkolakis from Yale University and Mario Crucini from Vanderbilt University each visited for a week, as did professors Ronald Jones of the University of Rochester and Roy Ruffin of the University of Houston. Søndergaard has since joined the institute as a research associate, and Crucini has joined as a senior fellow.

—Mark Wynne