

Summary of Activities 2011

The Globalization and Monetary Policy Institute continued to build strength in important research areas and contribute to the study of international economics during 2011. The institute marked a milestone with the issuance of the 100th paper in its working paper series, the institute's core business product. Submissions originate from permanent staff in Dallas as well as from a global network of research associates and senior fellows. A major initiative in 2011 was the creation of an annual public lecture on globalization and monetary policy. Jürgen Stark, an outgoing member of the executive board of the European Central Bank (ECB), delivered the inaugural lecture, "Globalization and Monetary Policy: From Virtue to Vice?" on Nov. 29.

Academic Research

Jian Wang's paper "The Taylor Rule and Forecast Intervals for Exchange Rates" (with Jason J. Wu) was accepted for publication by the *Journal of Money, Credit and Banking*. Two papers by Alexander Chudik were accepted. "Econometric Analysis of High Dimensional VARs Featuring a Dominant Unit" (coauthored with M. Hashem Pesaran) will appear in *Econometric Reviews*. "And Then Current Accounts (Over)Adjusted" (with Michele Ca' Zorzi and Alistair Dieppe) was published in *Empirical Economics*. Scott Davis' paper "International Real Business Cycles with Endogenous Markup Variability" was published in the *Journal of International Economics*. At year-end, institute staff had papers under review at the *American Economic Journal: Macroeconomics*, the *Journal of Economic Dynamics and Control*, the *Journal of International Economics*, the *Journal of International Money and Finance*, the *Journal of Econometrics*, *Economics Letters*, the *Journal of Applied Econo-*

metrics, the *Review of Economics and Statistics* and the *Journal of Money, Credit and Banking*.

Conferences

The institute sponsored three conferences during the year. The main research conference—"Microeconomic Aspects of the Globalization of Inflation"—was cosponsored with the Swiss National Bank and held Aug. 19–20 in Zurich. It featured presentations by researchers from the Paris School of Economics, the U.S. Bureau of Labor Statistics, the Graduate Institute Geneva, Brandeis University, Pennsylvania State University, Central European University, the Federal Reserve Bank of New York and the Board of Governors of the Federal Reserve System.

The institute also cosponsored the 10th annual "Advances in Econometrics Conference: Dynamic Stochastic General-Equilibrium Modeling" with the economics department at Southern Methodist University. Held Nov. 4–6 on the SMU campus in Dallas, the conference featured presentations by researchers from the Federal Reserve Banks of Dallas and Kansas City, Chiba Keizai University, the University of Padova, the University of Kiel, the University of California at Irvine and Boston University. A third conference, "Immigration Policy in an Era of Globalization," was cosponsored with SMU's Tower Center for Political Studies and included migration scholars from the University of Sydney, Oxford University, the University of Toronto, Stockholm University, the University of California, the University of Texas at Austin, SMU and the Dallas Fed, among others. Synopses of the three conference proceedings follow this summary.

As in previous years, institute staff presented work in a variety of external forums. In 2011, staff

members gave seminars before the Fed's Board of Governors and at Bowling Green State University, the Federal Reserve Bank of Cleveland, the European University Institute, Banque de France, Fudan University, the Hong Kong Institute for Monetary Research, the University of Kansas, Université Laval, Shanghai University of Finance and Economics, Shanghai Institute of Law and Finance, Sveriges Riksbank and Texas A&M University.

Staff members also presented their work at major professional conferences, including the American Economic Association annual meeting, the Canadian Macroeconomics Study Group, the Seventh Dynare Conference, the Econometric Society North American summer meeting, European Economic Association and Econometric Society meetings, the International Economic Association World Congress, the Midwest Macroeconomics Meetings, the Shanghai Macroeconomics Workshop, the Society for Computational Economics meeting, Southern Economic Association meetings, the Spanish Economic Association annual meeting and Western Economic Association meetings. Davis organized a session at the Midwest Macroeconomics Meetings on "Trade and Real Exchange Rates." Enrique Martínez-García chaired sessions at the Western Economic Association and European Economic Association meetings.

In addition to gatherings of major professional societies, staff members participated in a variety of one-off conferences. Simona Cociuba presented her paper, "Financial Intermediation, Risk Taking and Monetary Policy," at the second Bank for International Settlements Consultative Council for the Americas Conference in May. Davis presented "Financial Integration and International Business Cycle Co-Movement: The Role of Balance Sheets" at an October conference in Paris that was jointly

sponsored by Banque de France, the Centre for Economic Policy Research, the *American Economic Journal: Macroeconomics*, the Paris School of Economics and the European Center for Advanced Research in Economics and Statistics.

Anthony Landry discussed a paper on exchange rate pass-through at the Price Dynamics Conference at the University of Chicago's Milton Friedman Institute in February. Ananth Ramanarayanan presented "Imported Inputs and International Trade Dynamics" at the University of Warwick's International Trade Research Day in February and a second paper, "Default and the Maturity Structure in Sovereign Bonds," at the Wharton School of Business conference on "Sovereign Debt Risk" in April. Wang presented "The Effects of News About Future Productivity on International Relative Prices: An Empirical Investigation" at the ECB-Bank of Canada conference on "Exchange Rates and Macroeconomic Adjustment" in June.

Bank Publications

Institute staff contributed seven articles to the Dallas Fed's *Economic Letter* publication in 2011: "With Reforms in China, Time May Correct U.S. Current Account Imbalance" (Wang), "Upstream Capital Flows: Why Emerging Markets Send Savings to Advanced Economies" (Cociuba), "Will China Ever Become as Rich as the U.S.?" (Mark Wynne), "Distance and the Impact of 'Gravity' Help Explain Patterns of International Trade" (Ramanarayanan), "The Sluggish Recovery from the Great Recession: Why There Is No 'V' Rebound This Time" (Wynne), "How the U.S. Tax System Stacks Up Against Other G-7 Economies" (Landry) and "Relating Commodity Prices to Underlying Inflation: The Role of Expectations" (Davis). Wang contributed a paper on "Exchange Rate

Pass-Through into U.K. Import Prices: Evidence from Disaggregated Data” to the Dallas Fed’s *Staff Papers* series.

In addition, Martínez-García and Adrienne Mack created a database on international house prices (www.dallasfed.org/institute/houseprice/index.cfm), accessible to researchers and updated on a regular basis. (See “A Cross-Country Quarterly Database of Real House Prices: A Methodological Note,” by Martínez-García and Mack, institute Working Paper no. 99, 2011.)

People

Horst Köhler, president of the Federal Republic of Germany from 2004 to 2010 and head of the International Monetary Fund from 2000 to 2004, became a member of the institute’s advisory board effective May 24. Michael Bordo, professor of economics at Rutgers University, joined as a senior fellow.

The institute added 11 new research associates: Saroj Bhattacharai (Pennsylvania State University), Peter Egger (Swiss Federal Institute of

Technology Zurich), Mina Kim (Bureau of Labor Statistics), Julien Martin (Paris School of Economics), Dimitra Petropoulou (University of Oxford), Attila Rátfai (Central European University), Kim Ruhl (New York University), Filipa Sá (University of Cambridge), Tomasz Wieladek (London Business School), Hakan Yilmazkuday (Florida International University) and Jianfeng Yu (University of Minnesota).

Staff members Cociuba and Ramanarayanan left the Dallas Fed to become assistant professors in the economics department at the University of Western Ontario. Chudik, who earned a PhD from Cambridge University in 2008 and previously worked at the ECB, arrived in late November.

Landry won a prestigious Fernand Braudel Senior Fellowship for spring 2011 to the European University Institute in Florence, Italy. The Braudel Fellowship is highly competitive and provides a framework for established academics with an international reputation to pursue their research in this world-class program.