

Summary of Activities

For 2009, the Dallas Fed had two high-priority objectives that pertained to research: “Produce high-quality current analysis and long-term research that enable the Dallas Fed to be an active player and intellectual leader in the Federal Open Market Committee’s monetary policy deliberations” and “Promote research that deepens our understanding of the implications of globalization for U.S. monetary policy through the Globalization and Monetary Policy Institute.” Contributing to these two high-priority objectives, Enrique Martínez-García and Mark Wynne gave a presentation on the global slack hypothesis to the full FOMC at its December 2009 meeting. This presentation was part of a broader set of presentations on inflation dynamics. The paper underlying the presentation is forthcoming as a *Staff Paper* in 2010.

Academic Research

The core business product of the institute is its Working Paper series. By year end, we had circulated 40 papers in the series. One of the working papers contributed by our advisory board member William White on “Should Monetary Policy ‘Lean or Clean’?” received some high-profile press coverage and was one of the most downloaded publications on our website in 2009.

However, working papers are just an intermediate step—the ultimate objective is to have the research meet the standards of the peer-reviewed literature and be published in academic journals. Jian Wang’s paper “Home Bias, Exchange Rate Disconnect, and Optimal Exchange Rate Policy,” which was circulated as Research Department Working Paper No. 0701,

was accepted for publication at the *Journal of International Money and Finance* in December 2008 (too late for inclusion in last year’s annual report). Anthony Landry’s paper “Expectations and Exchange Rate Dynamics: A State-Dependent Pricing Approach,” which was circulated as Research Department Working Paper No. 0604, was accepted for publication at the *Journal of International Economics* in December 2008. Ananth Ramanarayanan’s paper “Vertical Specialization and International Business Cycle Synchronization” (joint with Costas Arkolakis of Yale University), which appeared as Institute Working Paper No. 21, was accepted for publication in the *Scandinavian Journal of Economics* in a December 2009 special issue of that journal on “Heterogeneous Firms and International Trade.” Enrique Martínez-García’s paper “Investment and Trade Patterns in a Sticky-Price, Open-Economy Model” (coauthored with Globalization and Monetary Policy Institute research associate Jens Søndergaard of the Bank of England) was accepted for publication in a book of conference proceedings. (For recent working paper abstracts, see page 30.)

Bank Publications

The institute published eight international updates on the web and five *Economic Letters* on “Seeking Stability: What’s Next for Banking Regulation?” (by Simona Cociuba), “Trade, Globalization and the Financial Crisis” (by Mark Wynne and research associate Erasmus Kersting), “Ties that Bind: Bilateral Trade’s Role in Synchronizing Business Cycles” (by Ananth Ramanarayanan), “Has Greater Globalization Made Forecasting Inflation More Difficult?”

(by Mark Wynne and Patrick Roy) and “Labor Market Globalization in the Recession and Beyond” (by W. Michael Cox, Richard Alm and Justyna Dymerska). The institute also published one *Staff Paper* on “Exchange Rate Policies” by senior fellow Charles Engel. The staff also received some external recognition for their contributions to Bank publications. The Winter 2009 issue of the *Journal of Economic Perspectives*, a publication of the American Economic Association, highlighted Anthony Landry’s 2008 *Economic Letter* on “The Big Mac: A Global-to-Local Look at Pricing” in its Recommendations for Further Reading listing. Simona Cociuba’s *Economic Letter* on bank regulation is featured on the St. Louis Fed’s website dedicated to the financial crisis.

Conferences and Seminars

Institute economists have been active over the past year presenting their work at conferences and seminars. Staff gave several presentations at the January 2009 meeting of the American Economic Association and organized sessions at the meeting. In April, the institute organized a conference on “Globalization, Political Economy and Trade Policy” jointly with the Department of Economics at Southern Methodist University. (More details are provided in the conference summary on page 18.) On Oct. 1–2, we hosted the annual meeting of the Federal Reserve System Committee on International Economic Analysis at the San Antonio Branch. On Nov. 13–14, we hosted a joint conference with the Bank of Canada on international capital flows at the Dallas office. (More details are provided in the conference summary on page 24.) The institute also cosponsored a conference with the O’Neil Center for Global Markets and Freedom at SMU on Oct. 16 on “What Do Businesses Need to Succeed in Today’s Global Economy?”

Staff presented their research at a number of prestigious venues (such as the Bank

of England and the Bank for International Settlements), as well as several high-profile conferences (most notably the Econometric Society North American summer meeting and the Canadian Economics Association annual meeting). Mark Wynne gave a series of lectures on “Globalization and Financial Services” at the American Bankers Association Stonier National Graduate School of Banking at the University of Pennsylvania in June.

The institute hosted a number of external seminar speakers over the course of the year, and we added 11 research associates to our network. (A list of all the research associates is on page 44.)

Other Activity

Governor Masaaki Shirakawa of the Bank of Japan formally joined the advisory board of the institute effective July 3, and Heng Swee Keat, managing director of the Monetary Authority of Singapore, joined the advisory board in August.

A key component of the institute’s strategy to promote research and raise the visibility of the Dallas Fed in the broader research community is to run a very active visitor and seminar program. We hosted a number of visitors over the summer, including Ina Simonovska of the University of California at Davis, Karen Lewis of the University of Pennsylvania, Pengfei Wang of Hong Kong University of Science and Technology and Chikako Baba of the University of Wisconsin and IMF. Erasmus Kersting, a recent Texas A&M Ph.D. and currently a visiting assistant professor at SMU, spent the summer working with Mark Wynne on a project on international trade finance and its role in the contraction of global trade over the last year. Tatsuma Wada from Wayne State University began an extended visit to the institute in September. Several of these visitors have subsequently joined our network of research associates.

—Mark Wynne