

**MIDWEST MACROECONOMICS CONFERENCE, MARCH 30, 31, AND APRIL 1, 2001**  
**HOSTED BY THE FEDERAL RESERVE BANK OF ATLANTA**  
**WYNDHAM MIDTOWN ATLANTA**  
**125 10<sup>TH</sup> STREET**  
**ATLANTA, GEORGIA 30309**

**FRIDAY, MARCH 30**

- 2:00-2:10 P.M.     **WELCOME – Mitchell Room**
- 2:10-3:40 P.M.     **PLENARY SESSION – Mitchell Room**  
                          *Featured Speaker:* CHRISTOPHER SIMS, PRINCETON UNIVERSITY  
                          Topic: *Rational Inattention*
- 3:40-4:00 P.M.     **COFFEE BREAK – Woodruff Room**
- 4:00-5:45 P.M.     **SESSION 1: Banking and Monetary Policy – Doggett Room**  
                          *Presiding:* PING WANG, Vanderbilt  
                          *Papers:* NED PRESCOTT, Federal Reserve Bank of Richmond  
                                  Incentives, Communication, and Payment Instruments  
                                  WILLIAM ROBERDS, Federal Reserve Bank of Atlanta  
                                  A Theory of Transactions Privacy  
                                  MICHAEL LOEWY, University of South Florida  
                                  Demand Deposit Banking With a Fiat Reserve Asset and Intraday Credit  
                                  DAVID MILLS, Pennsylvania State University  
                                  A Model in Which Outside and Inside Money are Essential
- 4:00-5:45 P.M.     **SESSION 2: Monetary Transmission Mechanism – Bennett Room**  
                          *Presiding:* MARCO ESPINOSA, Federal Reserve Bank of Atlanta  
                          *Papers:* YI JIN, University of Iowa  
                                  Inventory Behavior, Credit Constraints, and the Monetary Transmission Mechanism  
                                  CHRISTIAN CALMES, Universite Du Quebec a Montreal  
                                  Nominal Dynamics in Expected Market-Clearing Models  
                                  YONGSUNG CHANG, University of Pennsylvania  
                                  Welfare Costs of Sticky Wages When Effort Can Respond
- 4:00-5:45 P.M.     **SESSION 3: Empirical Methods and Time Series Evidence – Mitchell Room**  
                          *Presiding:* KARSTEN JESKE, Federal Reserve Bank of Atlanta  
                          *Papers:* KEITH SILL, Federal Reserve Bank of Philadelphia  
                                  Can Central Banks Alleviate the Impacts of Oil Shocks?  
                                  ELLIS TALLMAN, Federal Reserve Bank of Atlanta  
                                  Conditional Forecasting Using Maximal Entropy  
                                  MARCO DEL NEGRO, Federal Reserve Bank of Atlanta  
                                  Monetary Policy Identification in a Factor Model  
                                  JENNIFER ROUSH, Indiana University  
                                  Evidence Uncovered: Long-Term Interest Rates, Monetary Policy, and the Expectations Theory
- 4:00-5:45 P.M.     **SESSION 4: Open Economy Macro – Whitman Room**  
                          *Presiding:* JORDAN RAPPAPORT, Federal Reserve Bank of Kansas City  
                          *Papers:* CLAUSTRE BAJONA, University of Miami  
                                  Specific Factors, Learning, and the Dynamics of Trade  
                                  SUNGHYUN HENRY KIM, Brandeis University  
                                  Spurious Welfare Reversals in International Business Cycle Models  
                                  JORDAN RAPPAPORT, Federal Reserve Bank of Kansas City  
                                  How Does Openness to Capital Flows Affect Growth?  
                                  AYHAN KOSE, Brandeis University  
                                  International Trade and Business Cycles: Is Vertical Specialization the Missing Link?
- 6:00 P.M.           **COCKTAIL RECEPTION – Woodruff Room**

**SATURDAY, MARCH 31**

7:45-8:45 A.M. **CONTINENTAL BREAKFAST – Woodruff Room**

8:45-10:30 A.M. **SESSION 5: Income Inequality & the Macroeconomy – Doggett Room**

*Presiding:* JOYDEEP BHATTACHARYA, Iowa State University

*Papers:* FABRIZIO PERRI, New York University

Does Income Inequality Lead to Consumption Inequality? Empirical Findings and a Theoretical Explanation

DIANA WEYMARK, Vanderbilt University

Inflation, Income Redistribution, and Central Bank Independence

JOYDEEP BHATTACHARYA, Iowa State University

Inflationary Finance in a Simple Voting Model

KIRK WHITE, Duke University

Explaining Changes in U.S. Wealth Inequality, 1983-1989: The Role of the Tax Reform Act of 1986

8:45-10:30 A.M. **SESSION 6: Labor in Macro Models – Mitchell Room**

*Presiding:* FRANK SCHORFHEIDE, University of Pennsylvania

*Papers:* ROBERT RICH, Federal Reserve Bank of New York

Structural Change in U.S. Wage Determination

JONATHAN WILLIS, Federal Reserve Bank of Kansas City

The Economics of Labor Adjustment: Minding the Gap

MARC-ANDRE LETENDRE, McMaster University

Labour Market Dynamics in RBC Models

FRANK SCHORFHEIDE, University of Pennsylvania

Labor-Supply Shifts and Economic Fluctuations

8:45-10:30 A.M. **SESSION 7: Topics in Macro – Whitman Room**

*Presiding:* SATYAJIT CHATTERJEE, Federal Reserve Bank of Philadelphia

*Papers:* WILLIAM GAVIN, Federal Reserve Bank of St. Louis

Inflation Persistence and Flexible Prices

TOM TALLARINI, Carnegie Mellon University

Whose Habit is It Anyway?

SATYAJIT CHATTERJEE, Federal Reserve Bank of Philadelphia

Deconcentration: An Alternative View of America's Postwar Urban Evolution

TOSHIYA ISHIKAWA, Kyushu Kyoritsu University

Near-Future Expectations, Intertemporal Substitution, and Business Cycles

8:45-10:30 A.M. **SESSION 8: International Convergence – Bennett Room**

*Presiding:* MARCO ESPINOSA, Federal Reserve Bank of Atlanta

*Papers:* PETER RANGAZAS, IUPUI

Neoclassical Convergence in an Open Economy

BENJAMIN BRIDGMAN, Federal Reserve Bank of Minneapolis

For Sale: Barriers to Riches

SHANKHA CHAKRABORTY, University of Oregon

Costly Intermediation and the Poverty of Nations

10:30-10:45 A.M. **COFFEE BREAK – Woodruff Room**

10:45-12:30 P.M. **SESSION 9: International Evidence on Business Cycles – Mitchell Room**

*Presiding:* ELLIS TALLMAN, Federal Reserve Bank of Atlanta

*Papers:* CHARLES WHITEMAN, University of Iowa

International Business Cycles: World, Region, and Country- Specific Factors

SOYOUNG KIM, University of Illinois at Urbana-Champaign

Dynamic Risksharing in the U.S. and in Europe

MARIOS ZACHARIADIS, Louisiana State University

Cross-Sectional Variation in European Real Exchange Rates: 1975-1990

LAWRENCE HUIYAN ZHANG, Johns Hopkins University

Sacrifice Ratios with Long-Lived Effects

**SATURDAY, MARCH 31**

10:45-12:30 P.M. **SESSION 10: Sunspots – Doggett Room**

*Presiding:* JANG-TING GUO, University of California, Riverside

*Papers:* JANG-TING GUO, University of California, Riverside

Sunspots, Animal Spirits, and Economic Fluctuations

RICHARD BARNETT, University of Arkansas

Sunspots, and the Balance of Trade

TAREK COURY, Cornell University

Global Indeterminacy and Chaos in Standard RBC Models

10:45-12:30 P.M. **SESSION 11: Trading Arrangements – Whitman Room**

*Presiding:* VICTOR LI, Federal Reserve Bank of Atlanta

*Papers:* FILIP VESELY, Purdue University

End of Days

ALAIN DELACROIX, Purdue University

Bargaining or Price Posting?

ROBERT REED, University of Kentucky

Decentralized International Exchange

AHMET AKYOL, University of Iowa

A Quantitative Evaluation of Government Student Loan Guarantees and Subsidies

10:45-12:30 P.M. **SESSION 12: Real Effects of Monetary Policy – Bennett Room**

*Presiding:* WILLIAM GAVIN, Federal Reserve Bank of St. Louis

*Papers:* BEATRIX PAAL, Stanford University

The Sub-optimality of the Friedman Rule and the Quantity Theory of Money

ZHENG LIU, Clark University

On the Transmission of Monetary Policy Shocks

STEVEN RUSSELL, Iowa State University

The Long-Run Real Effects of Monetary Policy: "Keynesian" Predictions from a Neoclassical Model

DAVE GORDON, Clemson University

Price Level Determination: The Quantity Theory, the Fiscal Theory, and the Tobin Effect

12:30-1:45 P.M. **LUNCH – Woodruff Room**

2:00-3:30 P.M. **SESSION 13: Monetary Policy: Theory and Evidence – Mitchell Room**

*Presiding:* ROBERT RICH, Federal Reserve Bank of New York

*Papers:* DAVID VANHOOSE, University of Alabama

Competition, Contracting, and Discretionary Monetary Policy How Greater Goods-Market Competition Enhances the Pursuit of Price Stability

MARC TOMLJANOVICH, Colgate University

Central Bank Transparency and Market Efficiency: An Econometric Analysis

MICHAEL OWYANG, Federal Reserve Bank of St. Louis

Regime Switching and Monetary Policy Measurement

2:00-3:30 P.M. **SESSION 14: Human Capital and Growth – Doggett Room**

*Presiding:* ROBERT TAMURA, Clemson University

*Papers:* CHRIS PAPAGEORGIU, Louisiana State University

Growth Miracles Reexamined

LUTZ HENDRICKS, Arizona State University

How Do Taxes Affect Human Capital? The Role of Intergenerational Mobility?

MICHAEL BEN-GAD, University of Houston

Importing Human Capital: Immigration in the Endogenous Growth Model

ROBERT TAMURA, Clemson University

Human Capital and Economic Development

**SATURDAY, MARCH 31**

- 2:00-3:30 P.M.     **SESSION 15: Dollarization – Bennett Room**  
*Presiding:* ROBERTO CHANG, Rutgers University  
*Papers:* CHRIS WALLER, University of Kentucky  
Dollarization via Currency Substitution  
ALEX MOURMOURAS, IMF  
Smuggling, Currency Substitution and the Feasibility of Money-Financed Deficits  
ROBERTO CHANG, Rutgers University  
Dollarization: Analytical Aspects  
HUBERTO ENNIS, Federal Reserve Bank of Richmond  
Banking and the Political Support for Dollarization
- 2:00-3:30 P.M.     **SESSION 16: Borrowing Constraints and Macroeconomic Activity – Whitman Room**  
*Presiding:* DON SCHLAGENHAUF, Florida State University  
*Papers:* PAUL MCNELIS, Georgetown University  
The Heterogeneity of Heterogeneous Agents and Volatility Persistence in Real Returns  
FACUNDO SEPULVEDA, Michigan State University  
Precautionary Savings in General Equilibrium  
DON SCHLAGENHAUF, Florida State University  
Housing and Asset Holding in a Dynamic General Equilibrium Model  
DIRK KRUEGER, Stanford University  
Consumption and Saving over the Life Cycle: How Important are Consumer Durables?
- 3:30-3:45 P.M.     **COFFEE BREAK – Woodruff Room**
- 3:45-5:30 P.M.     **SESSION 17: Financial Intermediation – Mitchell Room**  
*Presiding:* MARCO ESPINOSA, Federal Reserve Bank of Atlanta  
*Papers:* CHRISTIAN ZIMMERMAN, Université du Québec à Montréal  
Financial Intermediation with Heterogeneous Projects: An Application to Japan  
PAMELA LABADIE, George Washington University  
Ricardian Equivalence in a General Equilibrium Banking Model  
JAMES BULLARD, Federal Reserve Bank of St. Louis  
The Dynamics of Bank Runs in an Economy with Capital  
PIETRO PERETTO, Duke University  
Oligopoly Banking and Capital Accumulation
- 3:45-5:30 P.M.     **SESSION 18: Technology – Doggett Room**  
*Presiding:* MICHAEL PAKKO, Federal Reserve Bank of St. Louis  
*Papers:* PIERRE-DANIEL SARTE, Federal Reserve Bank of Richmond  
Investigating Fluctuations in U.S. Manufacturing: What are the Direct Effects of Informational Frictions?  
BAOLINE CHEN, Rutgers University  
Estimated U.S. Manufacturing Capital and Technology Based on an Estimated Dynamic Economic Model  
MICHAEL PAKKO, Federal Reserve Bank of St. Louis  
What Happens When the Technology Growth Trend Changes?: Transition Dynamics and Growth Accounting
- 3:45-5:30 P.M.     **SESSION 19: Social Security – Whitman Room**  
*Presiding:* STEPHEN KAY, Federal Reserve Bank of Atlanta  
*Papers:* ALESSANDRA FOGLI, New York University  
Family Ties  
JORGE SOARES, George Washington University  
Social Security Evaluation: A Critique  
GERHARD GLOMM, Indiana University  
Latin American Budgets and Capital Accumulation

**SATURDAY, MARCH 31**

3:45-5:30 P.M.      **SESSION 20: On Macro Market Frictions – Bennett Room**

*Presiding:* VICTOR LI, Federal Reserve Bank of Atlanta

*Papers:* VICTOR LI, Federal Reserve Bank of Atlanta

Financial Matchmaking and Moral Hazard

CHIA-YING CHANG, Vanderbilt University

Job Matching, Fertility Choice, and Wage Gap

DEREK LAING, Pennsylvania State University

Firms and Markets

STEPHEN D. WILLIAMSON, University of Iowa

Private Money, Settlement, and Discounts

**\*\* TIME CHANGES TONIGHT – ADVANCE CLOCKS ONE HOUR \*\***

**SUNDAY, APRIL 1**

9:00-10:00 A.M.      **CONTINENTAL BREAKFAST – Woodruff Room**

10:00-11:45 A.M.      **SESSION 21: Empirical Macro – Mitchell Room**

*Presiding:* DANIEL LEVY, Emory University

*Papers:* YI WEN, Cornell University

The Business Cycle Effects of Christmas

TSUNAO OKUMURA, Yokohama National University

Nonparametric Identification of Supply and Demand Shocks

DANIEL THORNTON, Federal Reserve Bank of St. Louis

The Bias in the Conventional Test of the Expectations Theory: Resolving the Anomalies at the Very Short End of the Term Structure

DANIEL LEVY, Emory University

The Real Thing: Price Rigidity of the Nickel Coke, 1886-1959

10:00-11:45 A.M.      **SESSION 22: Fiscal Policy – Whitman Room**

*Presiding:* FELIX RIOJA, Georgia State University

*Papers:* DORSEY FARR, Balentine

Capacity Utilization and the Short-Run Effects of Fiscal Policy

CHRISTOPHER SLEET, University of Iowa

Optimal Taxation with Private Government Information

STEVE CASSOU, Kansas State University

Environmental Policy Design in an Endogenous Growth Economy: Environmental Targets vs. Abatement Targets

THOMAS RENSTROM, University of Durham

Inequality, Environmental Protection and Growth

10:00-11:45 A.M.      **SESSION 23: Credit Market Frictions – Bennett Room**

*Presiding:* PETER ROUSSEAU, Vanderbilt University

*Papers:* HAIBIN WU, Vanderbilt University

Collusion, Overinvestment and Bad Loans: A New Look at Lending Relationship Abstract

PETER ROUSSEAU, Vanderbilt University

Why Wait? A Century of Life Before IPO?

JUAN SOLÉ, Federal Reserve Bank of Minneapolis

Lending Resumption After Default: Lessons from the Capital Markets During the 19th Century

ZHIXIONG ZENG, Northwestern University

Banking Frictions and Monetary Policies

11:45 A.M.      **Adjournment**