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The Role of Central Banks in Assisting Regional Economic Policy Making

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The Role of Central Banks in Assisting Regional Economic Policy Making

Bank of Korea Conference:
Central Bank Regional Economic Surveys:
Experiences and Challenges

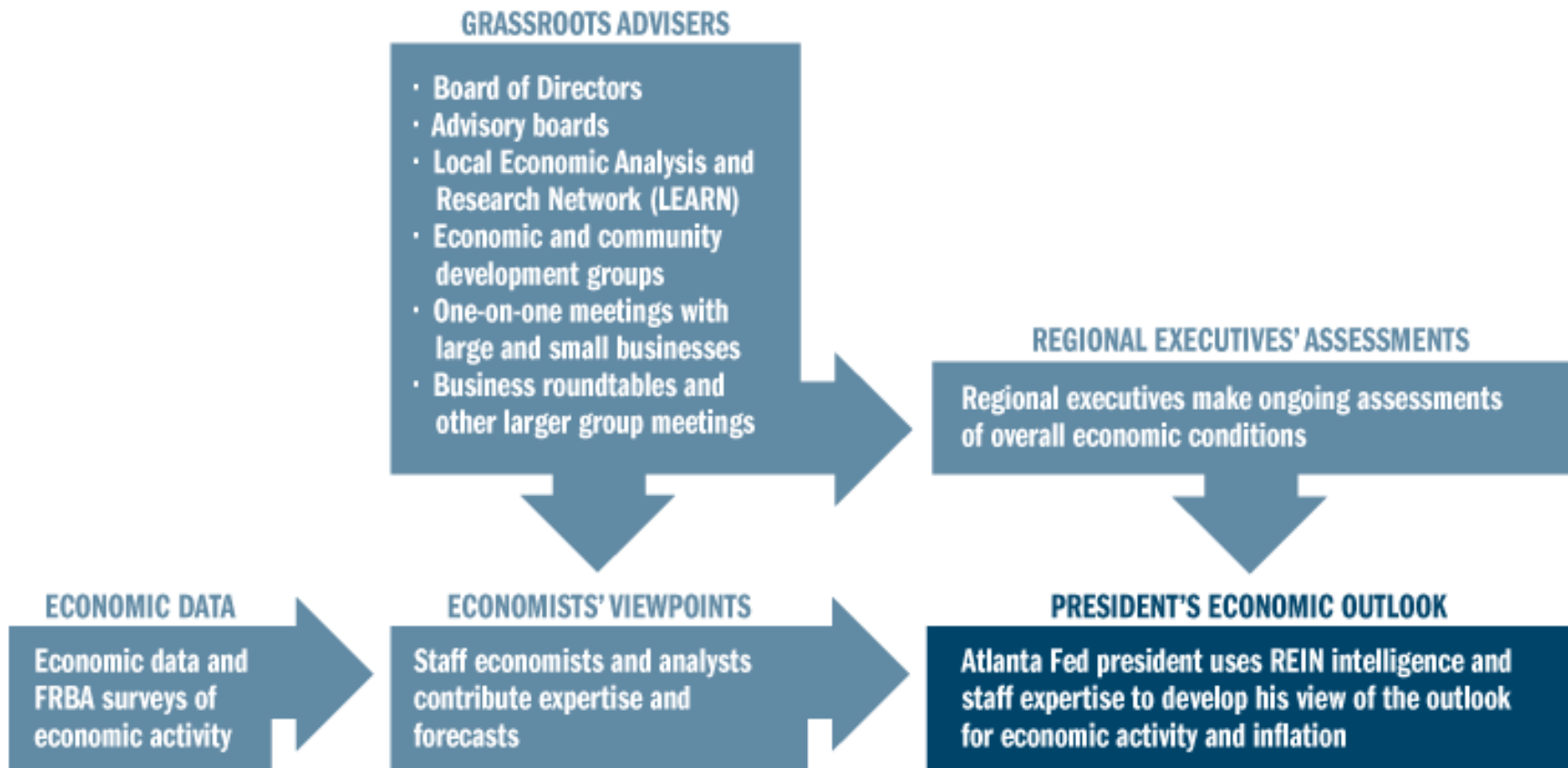
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BOK Golden Book

- Role of Central Banks:
 - Ensure price stability
 - Ensure financial stability
 - Promote full employment (in case of US)
- Since national economies are not monolithic, sound monetary policy can be well served by:
 - Identifying regional economies
 - Understanding regional economic dynamics
 - Closely monitoring regional economic conditions
- Can help detect early warning signs of important changes in the economy
- Similar information can help inform regional economic policy

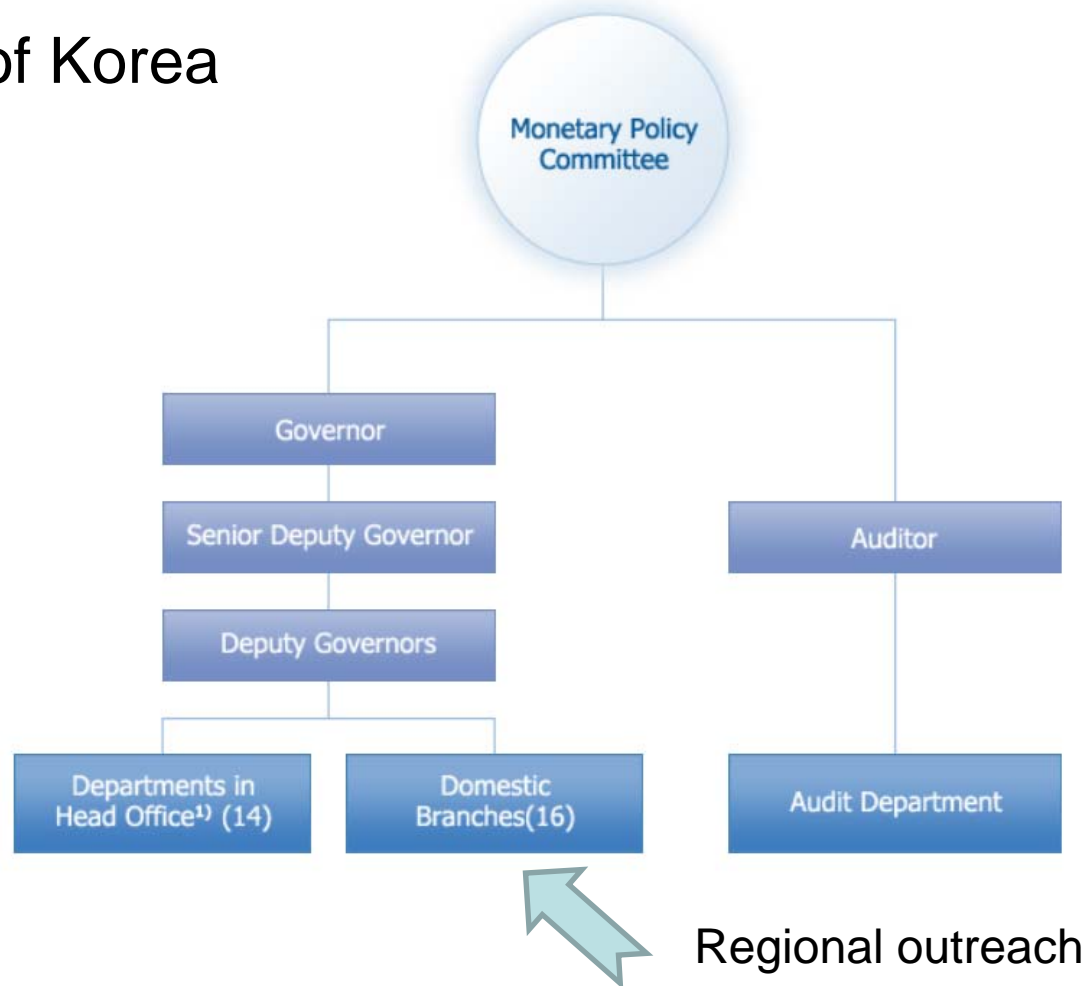
Bottom-Up Data Collection



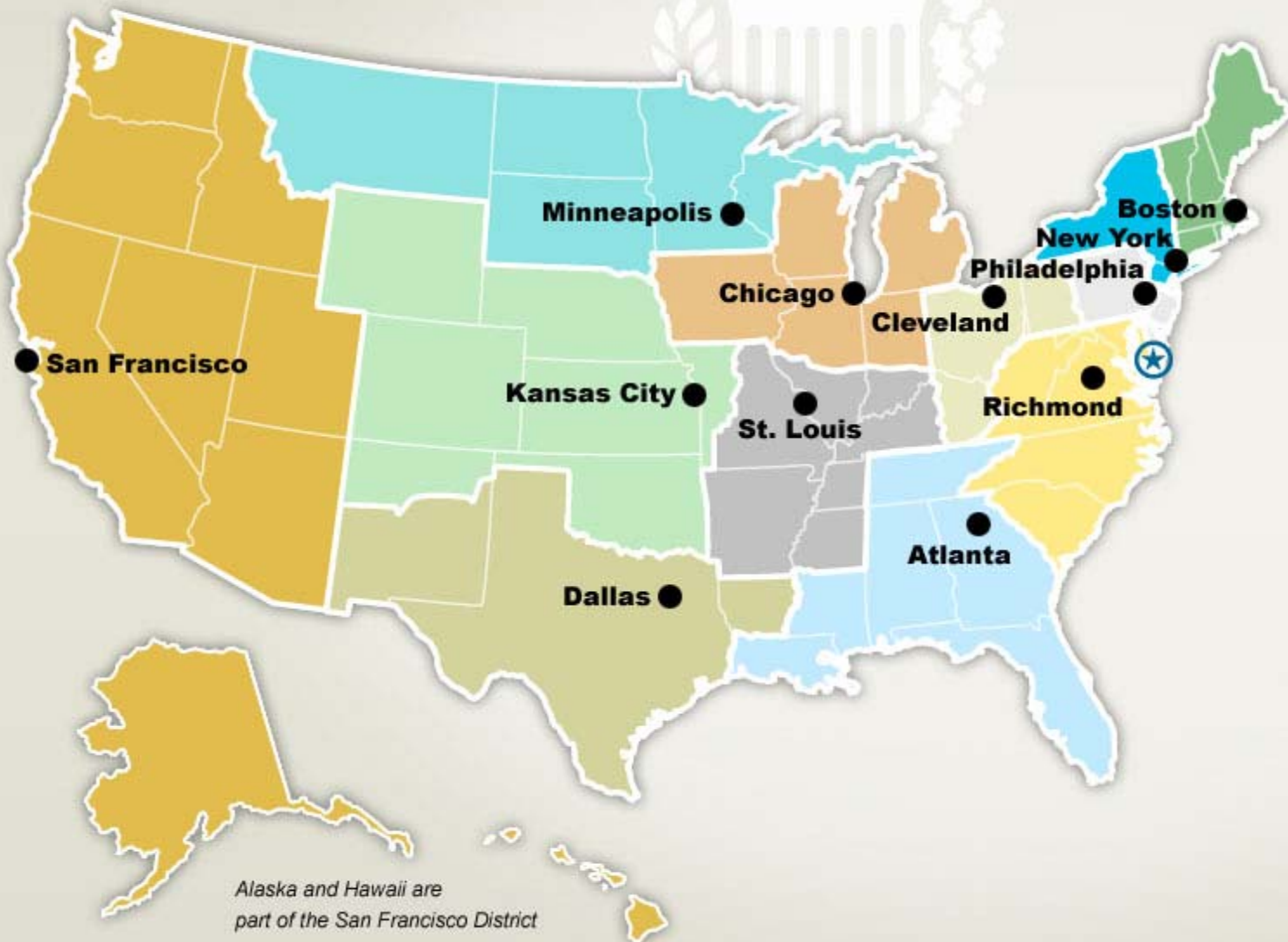
Source: Atlanta Fed's Regional Economic Information Network (REIN)

Central Bank Structure

Bank of Korea



STRUCTURE



●
12 FEDERAL
RESERVE BANKS



org

★
BOARD OF
GOVERNORS



gov

★
FOMC - FEDERAL OPEN
MARKET COMMITTEE



org + gov

Relationships with Regional Entities

- Many regional Fed banks have developed strong relationships with local organizations and regional governments
 - State and local governments
 - Economic development organizations
 - Workforce development agencies
 - Regional partnership initiatives
- Regional Fed bank research departments may assist these organizations through their research on regional issues, either in general or customized
- Bank support of regional initiatives lends credence to such efforts

Regional Fed Bank Research

- Each regional Fed bank has an independent research department and many have an active regional component
- Some have a distinct identity with respect to the regional research they conduct
 - Kansas City focuses on rural issues
 - Dallas focuses on energy
 - Cleveland and Chicago on industrial sector
- Regional research may focus on topics:
 - Employment and unemployment
 - Education
 - Housing
 - Crime rates
 - Productivity
 - Income inequality
 - Wages
 - More

12 Regional Fed Bank Publications

	Key words		
	“Regional”	“Economic development”	“Monetary”
Number of articles	2,750	4,909	3,302

Source: Fed in Print

- Some banks have created special regional centers
 - Boston: New England Public Policy Center
 - Atlanta: Regional Economic Information Network (REIN)

Regional Bank Indexes and Surveys

Regional Bank	Manufacturing	Service	Agriculture	Small Business	Construction and Real Estate	Inflation	Other
New York	Monthly	Monthly					
Philadelphia	Monthly	Monthly					
Richmond	Monthly	Monthly	Monthly				
Atlanta				2x year	Monthly	Monthly	
Chicago	Monthly						
Dallas	Monthly	Monthly					Retail Survey
Minneapolis	Monthly	Professional (annual)					Business leaders (annual)
Kansas City	Monthly		Credit (quarterly)				Low & moderate income
St. Louis			Credit (quarterly)				Burgundy book (like Beige Book)

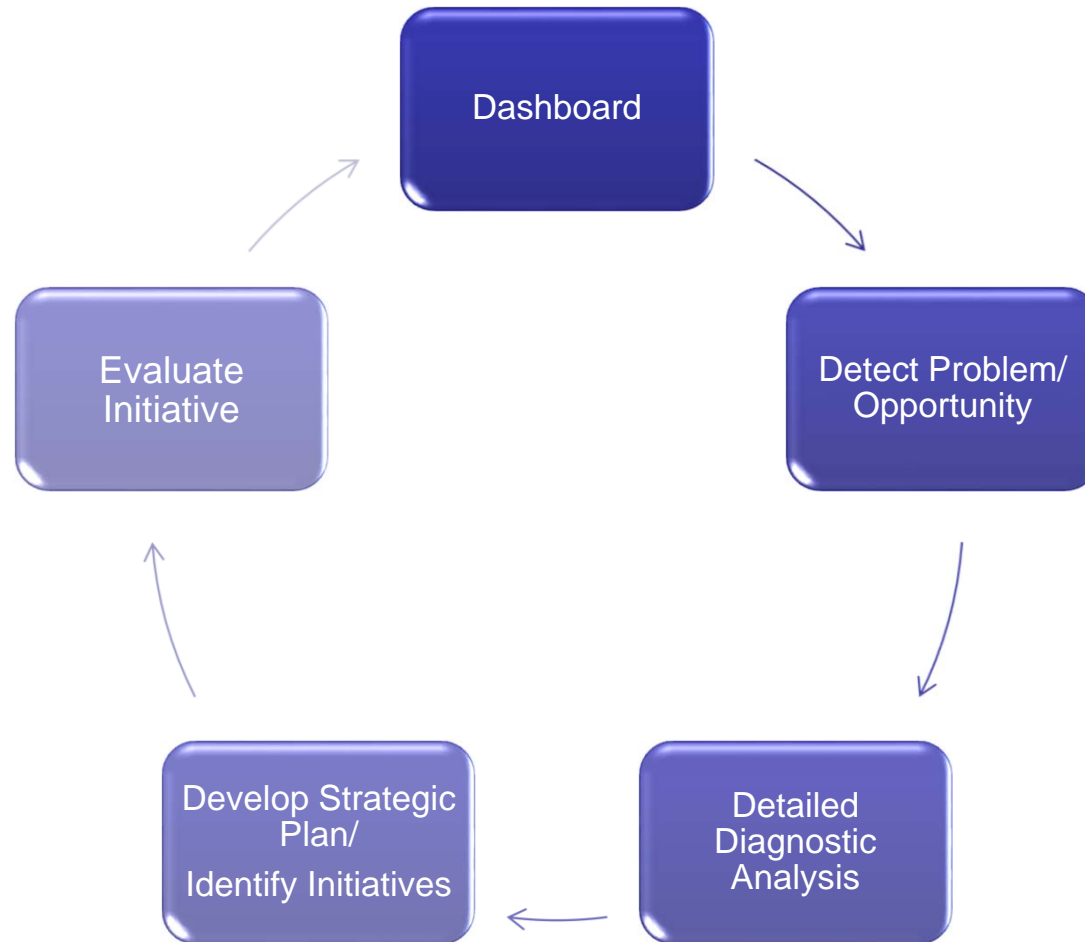
Sample of Survey Titles

Regional Bank	Name of Survey
Dallas	Texas Service Sector Outlook Survey
	Texas Manufacturing Outlook Survey
	Texas Retail Outlook Survey
Philadelphia	Business Outlook Survey
	Greater Philadelphia Chamber of Commerce Economic Outlook Survey
	South Jersey Business Survey
Richmond	5 th District Survey of Manufacturing Activity
	5 th District Survey of Service Activity
	5 th District Survey of Agricultural Activity
	Carolinas Survey of Business Activity
	Maryland Survey of Business Activity
Atlanta	Business Inflation Expectations
	Business Contact Survey: construction and real estate

Information Needed to Help Promote Regional Economic Policy Making

- Variety of organizations and government entities are involved in regional economic policy making
 - State and local governments (taxes, incentives)
 - Economic development organizations (site selection, attraction, partnerships)
 - Workforce development organizations (training, labor exchange)
 - Educational institutions (training, education)
- Organizations may work independently or in partnerships
- Process of regional economic policy making is interactive and continuous

Cycle of Regional Policy Making



Central Bank's Contribution

- Indexes can serve as components of regional dashboard indicators
- Research can further our understanding of the drivers of regional economic growth
 - Research serves the dual purpose of informing national monetary policy as well as informing regional policy
- Research departments may also work closely with regional organizations to conduct research customized to their needs
 - Such a relationship may be best established when a bank official sits on an organization's board or the bank partners with a regional initiative

Conclusions

- Golden Book provides a means to monitor regional economic conditions and detect early signs of changes in the economy, at both regional and national levels
- Golden Book collects information needed for sound policy decisions at both regional and national levels
- Additional regional information can be useful for both regional and national policy making
- Regional research that identifies the drivers of economic development and that highlights differences and similarities across regions can well serve both levels of policy making.