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The Role of Central Banks in Assisting Regional Economic Policy Making

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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

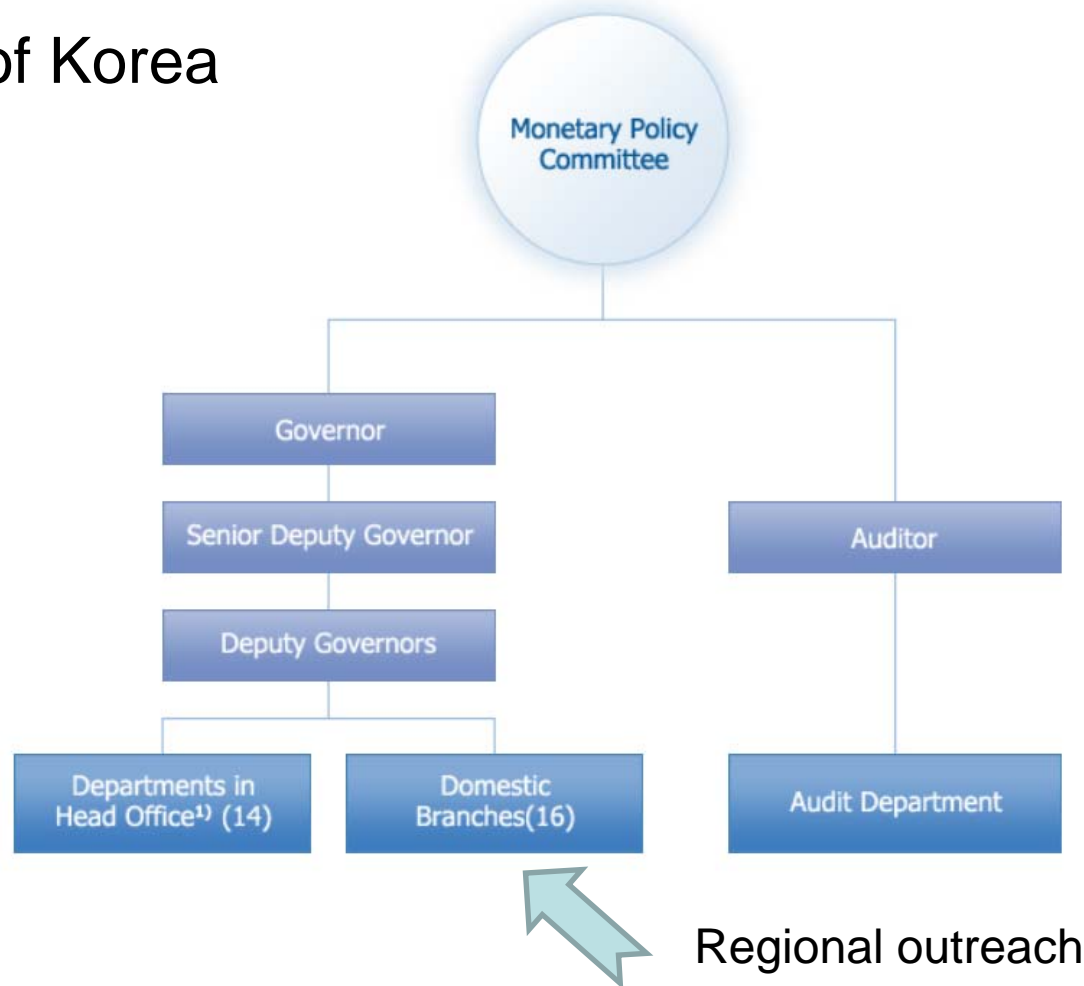
Bottom-Up Data Collection



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

Central Bank Structure

Bank of Korea



STRUCTURE



Alaska and Hawaii are part of the San Francisco District

●
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) |

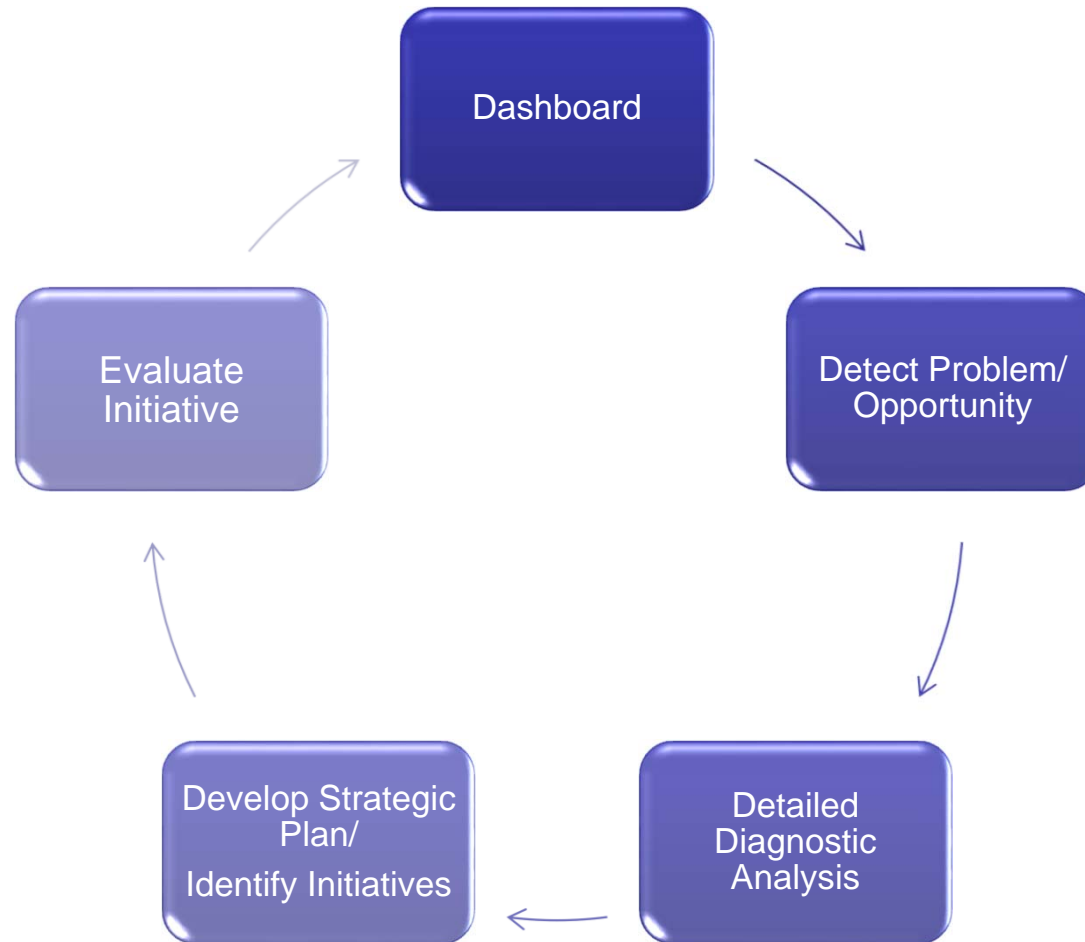
Sample of Survey Titles

| 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.