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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

Randall W. Eberts
W.E. Upjohn Institute for Employment Research

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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

Monetary Policy Committee

Governor
Senior Deputy Governor
Deputy Governors

Departments in Head Office (14)
Domestic Branches (16)

Auditor
Audit Department

Regional outreach
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

<table>
<thead>
<tr>
<th></th>
<th>Key words</th>
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<tbody>
<tr>
<td></td>
<td>“Regional”</td>
</tr>
<tr>
<td></td>
<td>“Economic development”</td>
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<tr>
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<td>“Monetary”</td>
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<tr>
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<td>4,909</td>
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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

<table>
<thead>
<tr>
<th>Regional Bank</th>
<th>Manufacturing</th>
<th>Service</th>
<th>Agriculture</th>
<th>Small Business</th>
<th>Construction and Real Estate</th>
<th>Inflation</th>
<th>Other</th>
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<tbody>
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<td>2x year</td>
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<td>Monthly</td>
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<td>Dallas</td>
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<td></td>
<td></td>
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<td>Retail Survey</td>
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<td>Monthly</td>
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<td>Professional (annual)</td>
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<td>Business leaders (annual)</td>
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<td>Kansas City</td>
<td>Monthly</td>
<td></td>
<td>Credit (quarterly)</td>
<td></td>
<td></td>
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<td>Low &amp; moderate income</td>
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<td>St. Louis</td>
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<td>Credit (quarterly)</td>
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<td>Burgundy book (like Beige Book)</td>
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## Sample of Survey Titles

<table>
<thead>
<tr>
<th>Regional Bank</th>
<th>Name of Survey</th>
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<tbody>
<tr>
<td>Dallas</td>
<td>Texas Service Sector Outlook Survey</td>
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<tr>
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<td>Texas Manufacturing Outlook Survey</td>
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<td>Texas Retail Outlook Survey</td>
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<tr>
<td>Philadelphia</td>
<td>Business Outlook Survey</td>
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<td></td>
<td>Greater Philadelphia Camber of Commerce Economic Outlook Survey</td>
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<tr>
<td></td>
<td>South Jersey Business Survey</td>
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<tr>
<td>Richmond</td>
<td>5th District Survey of Manufacturing Activity</td>
</tr>
<tr>
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<td>5th District Survey of Service Activity</td>
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<td>5th District Survey of Agricultural Activity</td>
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<td></td>
<td>Carolinas Survey of Business Activity</td>
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<tr>
<td></td>
<td>Maryland Survey of Business Activity</td>
</tr>
<tr>
<td>Atlanta</td>
<td>Business Inflation Expectations</td>
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<tr>
<td></td>
<td>Business Contact Survey: construction and real estate</td>
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</table>
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

1. Dashboard
2. Detect Problem/Opportunity
3. Detailed Diagnostic Analysis
4. Develop Strategic Plan/Identify Initiatives
5. Evaluate Initiative

Cycle Process:
- Dashboard → Detect Problem/Opportunity
- Detect Problem/Opportunity → Detailed Diagnostic Analysis
- Detailed Diagnostic Analysis → Develop Strategic Plan/Identify Initiatives
- Develop Strategic Plan/Identify Initiatives → Evaluate Initiative
- Evaluate Initiative → Dashboard
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.