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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
  – C 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>Key words</th>
<th>“Regional”</th>
<th>“Economic development”</th>
<th>“Monetary”</th>
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<tbody>
<tr>
<td>Number of articles</td>
<td>2,750</td>
<td>4,909</td>
<td>3,302</td>
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</table>

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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</thead>
<tbody>
<tr>
<td>New York</td>
<td>Monthly</td>
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<tr>
<td>Richmond</td>
<td>Monthly</td>
<td>Monthly</td>
<td>Monthly</td>
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<td>2x year</td>
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<td>Chicago</td>
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<tr>
<td>Dallas</td>
<td>Monthly</td>
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<td></td>
<td></td>
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<td>Retail Survey</td>
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<td>Minneapolis</td>
<td>Monthly</td>
<td>Professional (annual)</td>
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<td>Business leaders (annual)</td>
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<tr>
<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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<tr>
<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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<tr>
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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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<td></td>
<td>South Jersey Business Survey</td>
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<td>Richmond</td>
<td>5th District Survey of Manufacturing Activity</td>
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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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<td>Maryland Survey of Business Activity</td>
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<tr>
<td>Atlanta</td>
<td>Business Inflation Expectations</td>
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<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

The cycle is continuous, with feedback loops to ensure ongoing evaluation and improvement.
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.