
Financial Innovation and Monetary Transmission

A conference organized by
The Federal Reserve Bank of New York

April 5 and 6, 2001
New York, NY

The past few years have been an extraordinary period of financial innovation and change. New payments instruments have been developed. Banks' reserve balances have shrunk, and the supply of Treasuries has dwindled. Loan securitization has accelerated, and derivatives have proliferated. And consolidation has led to increasingly integrated financial institutions and markets.

This conference will bring together research aimed at assessing the impact of these developments on the efficacy of monetary policy, and how the formulation and implementation of policy may evolve in the coming years.

The presentations are organized into three sessions along the following thematic lines:

- **The reserves market.** Is banks' reserve demand still relevant? How important are changes in reserve supply? In what ways will operating procedures evolve in response to changes in this market?
- **The macroeconomic environment.** Do interest rates have the same macroeconomic impact as they have had in the past? Has the "wealth channel" become a bigger factor? What are the roles of construction, inventories, and financial constraints in transmitting the effects of monetary policy?
- **Financial markets and institutions.** Does monetary policy still work by affecting the availability of bank loans, and does this depend on banks' capital adequacy? Have securitization and globalization weakened this channel?

More information on the conference is available from the organizers, Ken Kuttner (kenneth.kuttner@ny.frb.org) and Patricia Mosser (patricia.mosser@ny.frb.org). To register, contact Ms. Rose Carofalo at 212-720-1819, or rose.carofalo@ny.frb.org.

Federal Reserve Bank of New York

conference on

Financial Innovation and Monetary Transmission

April 5–6, 2001

Twelfth Floor Conference Center

33 Liberty Street, New York, NY

Preliminary Program*

Thursday, April 5, 2001

7:30 a.m. Continental breakfast

8:15 a.m. Opening Remarks: William J. McDonough, President, Federal Reserve Bank of New York

8:30 a.m. **Session 1: *The Reserves Market***

Oscar Jordá (University of California at Davis) and Selva Demiralp (Board of Governors of the Federal Reserve System) on “The Announcement Effect: Evidence from Open Market Desk Data.” Discussant: Charlie Evans (Federal Reserve Bank of Chicago).

Paul Bennett and Stavros Peristiani (Federal Reserve Bank of New York), “Are U.S. Reserve Requirements Effective?” Discussant: Jim Clouse (Board of Governors of the Federal Reserve System).

Leonardo Bartolini (Federal Reserve Bank of New York), Giuseppe Bertola (European University Institute), and Alessandro Prati (International Monetary Fund), “Money Markets and Central Bank Operating Procedures: Lessons from the G-7 Countries.” Discussant: Jack Selody (Bank of Canada).

Round table discussion, “Monetary Policy in the New Millennium: The Evolution of Central Banks’ Operating Procedures and Practices.” Participants: Spence Hilton (Federal Reserve Bank of New York), Michael Woodford (Princeton University), and Marvin Goodfriend (Federal Reserve Bank of Richmond).

12:45 p.m. Luncheon, 10th Floor. Featured speaker: TBA.

* As of January 31, 2001.

2:15 p.m. **Session 2: *The Macroeconomic Environment***

Jean Boivin (Columbia Business School) and Marc Giannoni (Federal Reserve Bank of New York), “The Monetary Policy Transmission Mechanism: Has it Changed?”
Discussant: Mark Watson (Princeton University).

Martin Lettau, Sydney Ludvigson and Charles Steindel (Federal Reserve Bank of New York), “Monetary Policy and the ‘Wealth Effect’ on Consumption.” Discussant: Stephen Zeldes (Columbia Business School).

Jonathan McCarthy and Richard Peach (Federal Reserve Bank of New York), “The Evolution of the Monetary Policy Transmission Mechanism to the U.S. Housing Sector.” Discussant: Chris Mayer (Wharton).

5:45 p.m. Reception, 10th Floor

7:00 p.m. Dinner, 10th Floor Officers’ Dining Room. Featured speaker: TBA.

Friday, April 6, 2001

7:45 a.m. Continental breakfast

8:30 a.m. **Session 2: *The Macroeconomic Environment*** (continued)

Kosuke Aoki, James Proudman and Gertjan Vlieghe (Bank of England), “A Financial Accelerator Model of the Household Sector.” Discussant: Simon Gilchrist (Boston University).

James Kahn, Margaret McConnell, and Gabriel Perez Quiros (Federal Reserve Bank of New York), “The Reduced Volatility of the U.S. Economy: Policy or Progress?”
Discussant: Spencer Krane (Board of Governors of the Federal Reserve System).

11:00 a.m. **Session 3: *Financial Markets and Institutions***

Cara Lown and Don Morgan (Federal Reserve Bank of New York), “The Role of Commercial Credit Standards in Monetary Transmission.” Discussant: John Driscoll (Brown University).

12:00 p.m. Informal lunch, 12th floor

1:30 p.m. **Session 3: *Financial Markets and Institutions*** (continued)

Arturo Estrella (Federal Reserve Bank of New York), “Securitization and the Efficacy of Monetary Policy.” Discussant: Sonya Williams-Stanton (JAT Analysis).

Skander Van den Heuvel (Wharton), “The Bank Capital Channel of Monetary Transmission.” Discussant: Jeremy Stein (Harvard University).

William English (Board of Governors of the Federal Reserve System), “Financial Consolidation and Monetary Policy.” Discussant: Ignazio Angeloni (European Central Bank).

5:00 p.m. Closing remarks and adjournment