



## 2020 Research Working Papers

December 23, 2020

The Kansas City Fed's research staff members produce working papers covering a wide range of economic topics, including monetary policy, payment methods, banking and more. These are the papers produced in 2020.

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### **Mining for Oil Forecasts**

By Charles W. Calomiris, [Nida Cakir Melek](#) and Harry Mamaysky

Forecasting oil market outcomes remains a challenge even with novel text-based analysis.

### **Flight to Liquidity or Safety? Recent Evidence from the Municipal Bond Market**

By [Huixin Bi](#), [W. Blake Marsh](#) and Joanna Stavins

Policy interventions during the COVID-19 pandemic stabilized the municipal bond market and shifted the pricing of localized credit risks from short-maturity bonds to longer-dated bonds.

### **Distributional Effects of Payment Card Pricing and Merchant Cost Pass-through in the United States and Canada**

By Marie-Hélène Felt, [Fumiko Hayashi](#), Joanna Stavins and Angelika Welte

Low-income consumers in the United States and Canada pay the highest net transaction costs as a percentage of their purchases.

### **Why Does Structural Change Accelerate in Recessions? The Credit Reallocation Channel**

By [Cooper Howes](#)

The loss of credit during recessions hit the U.S. manufacturing sector disproportionately, accelerating its long-term decline in its share of economic activity.

## **Money, Growth, and Welfare in a Schumpeterian Model with the Spirit of Capitalism**

By Qinchun He, Yulei Luo, *Jun Nie* and Heng-fu Zou

A new model incorporating the spirit of capitalism shows higher nominal interest rates could promote economic growth in the long run.

## **Death of Coal and Breath of Life: The Effect of Power Plant Closure on Local Air Quality**

By *Jason P. Brown* and Colton Tousey

The closure of a coal-fired power plant reduces local air pollution and mortality probabilities with an estimated local benefit of \$1 to \$4 billion.

## **Deciphering Federal Reserve Communication via Text Analysis of Alternative FOMC Statements**

By *Taeyoung Doh*, Dongho Song and Shu-Kuei Yang

A new text-analysis method finds that the wording of FOMC statements can have significant effects on financial markets.

## **Household Financial Distress and the Burden of “Aggregate” Shocks**

By Kartik Athreya, Ryan Mather, *José Mustre-del-Río* and Juan M. Sánchez

Accounting for household financial distress helps explain large regional differences in spending responses during recessions.

## **Fiscal Implications of Interest Rate Normalization in the United States**

By *Huixin Bi*, Wenyi Shen and Shu-Chun S. Yang

Interest rate normalization is unlikely to pose an immediate threat to U.S. government debt sustainability at the current level of 90 to 100 percent of GDP.

## **Did the Federal Reserve Break the Phillips Curve? Theory and Evidence of Anchoring Inflation Expectations**

By *Brent Bundick* and *A. Lee Smith*

Communicating a longer-run inflation objective better anchored inflation expectations in the United States, which may explain the weaker relationship between inflation and unemployment in recent years.

### **Payments Crises and Consequences**

*By Qian Chen, Christoffer Koch, Gary Richardson and [Padma Sharma](#)*

Novel econometric analysis using U.S. state-level data shows that payments suspensions during banking crises lengthen and deepen downturns.

### **Forecasting U.S. Economic Growth in Downturns Using Cross-Country Data**

*By Yifei Lyu, [Jun Nie](#) and Shu-Kuei X. Yang*

Incorporating cross-country data helps forecast U.S. GDP growth in economic downturns.

### **Capital Flows in Risky Times: Risk-On / Risk-Off and Emerging Market Tail Risk**

*By Anusha Chari, [Karlye Dilts Stedman](#) and Christian Lundblad*

A sudden decrease in the risk appetite of global investors increases the probability of uncommonly large bond outflows from emerging markets.

### **Unemployment Insurance during a Pandemic**

*By Lei Fang, [Jun Nie](#) and Zoe Xie*

Recent expansions of unemployment insurance could raise unemployment by 3.7 percentage points but reduce cumulative deaths by 4.7 percent.

### **Public Pension Reforms and Fiscal Foresight: Narrative Evidence and Aggregate Implications**

*By [Huixin Bi](#) and Sarah Zubairy*

News about future pension retrenchments leads to a decline in the labor force participation rate for people close to retirement and an increase in old-age pension spending.

## **Housing Market Value Impairment from Future Sea-level Rise Inundation**

By [David Rodziewicz](#), [Christopher J. Amante](#), [Jacob Dice](#) and [Eugene Wahl](#)

Sea level rise will pose increased risks to U.S. coastal real estate markets in the coming decades, though the direct economic costs depend on the severity and uncertainty within climate-change scenarios.

## **The Unintended Consequences of Employer Credit Check Bans for Labor Markets**

By [Kristle Cortés](#), [Andrew Glover](#) and [Murat Tasci](#)

Job vacancies decline significantly when laws forbid employers from using credit reports in the hiring process.

## **Health versus Wealth: On the Distributional Effects of Controlling a Pandemic**

By [Andrew Glover](#), [Jonathan Heathcote](#), [Dirk Krueger](#) and [José-Víctor Ríos-Rull](#)

A lockdown policy that mitigates the effects of COVID-19 for both older and younger people would be less extensive than in April but remain in place through the summer.

## **Examining the Relationships between Land Values and Credit Availability**

By [Ana Cláudia Sant'Anna](#), [Cortney Cowley](#) and [Ani Katchova](#)

Considering factors that represent credit availability at agricultural banks together, rather than separately, can better capture their effects on farmland values.

## **Should We Be Puzzled by Forward Guidance?**

By [Brent Bundick](#) and [A. Lee Smith](#)

Forward guidance that lowers the expected path of policy continues to stimulate economic activity and prices.