



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.

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.
