RESEARCH RAP

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WHAT ACCOUNTS FOR THE DECLINE IN EMPLOYMENT VOLATILITY?

This study documents a general decline in the volatility of employment growth during the period 1956 to 2005 and examines its possible sources. Estimates from a state-level pooled cross-section/time-series model indicate that aggregate and state-level factors each account for an important share of the total explained variation in state-level volatility. Specifically, state-level factors have contributed as much as 16 percent, while aggregate factors are found to account for up to 46 percent of the variation. With regard to state-level factors, the share of state total employment in manufacturing and state banking deregulation each contributed significantly to fluctuations in volatility. Aggregate factors that are quantitatively important in accounting for volatility include monetary policy, the state of the national business cycle, and oil-price shocks.

Working Paper 09-9, "The Long and Large Decline in State Employment Growth Volatility," Gerald Carlino, Federal Reserve Bank of Philadelphia, Robert DeFina, Villanova University, and Keith Sill, Federal Reserve Bank of Philadelphia

AN OPTIMAL MECHANISM FOR REPORTING CONTRACTS

When contracts are unobserved, agents may have the incentive to promise the same asset to multiple counterparties and subsequently default. The author constructs an optimal mechanism that induces agents to reveal all their trades voluntarily. The mechanism allows agents to report every contract they enter, and it makes public the names of agents who have reached some prespecified position limit. In some cases, an agent's position limit must be higher than the number of contracts he enters in equilibrium. The mechanism has some features of a clearinghouse.

Working Paper 09-10, "Inducing Agents to Report Hidden Trades: A Theory of an Intermediary," Yaron Leitner, Federal Reserve Bank of Philadelphia

MEASURING NATIONAL INCOME: NEW GOODS AND INTANGIBLES

In this paper the author relates the measurement of intangibles to the project of measuring the sources of growth. He focuses on three related and difficult areas of the measurement of national income: the measurement of new goods, the deflation of intangible investment, and the divergence between the social and private valuations of intangible assets. The author argues that the economic theory and practice underlying measurement of these items is currently controversial and incomplete, and he points toward how concretely to move forward. (Revision forthcoming in *Review of Income and Wealth)*

Working Paper 09-11, "Intangible Assets and National Income Accounting: Measuring a Scientific Revolution," Leonard I. Nakamura, Federal Reserve Bank of Philadelphia