

Research Summary

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My research spans the areas of monetary economics and most notably of the unconventional monetary policy in the Euro Area.

In my Job Market paper, I examine the impact of quantitative easing on aggregate demand and inequality in a restricted financial participation economy. I show that when the level of asset markets participation high, QE stimulates aggregate demand. This is conditional on the level of wage stickiness and thus the cyclicalities of profits which I study empirically. This result extends the work of Bilbiie (2008) on the conventional monetary policy. Secondly, I show that QE provides redistribution by reducing income and consumption inequality. This complements mainly empirical studies for the impact of conventional monetary policy to inequality (see Slacalek, Tristani, and Violante (2020); Coibion, Gorodnichenko, Kueng, and Silvia (2017) among others).

To study these phenomena, I develop and calibrate a New-Keynesian dynamic, general equilibrium model with sticky prices and wages for the Euro Area that incorporates limited assets market participation, financial frictions and allows central bank purchases from banks and households. The model is based on the work of Galí, López-Salido, and Vallés (2007) and Gertler and Karadi (2013). Bond purchases increase aggregate demand and benefit financially restricted households more due to the dominance of QEs indirect effects, reducing income and consumption inequality. When wages are flexible and thus profits countercyclical, low financial participation levels invert QEs stimulating effects. The threshold value of participation that makes the policy contractionary depends on the fiscal policy redistribution. Introducing wage rigidities, the negative effects of QE are muted. Due to the importance of the role of profits in the analysis, I assess empirically their cyclical behaviour. Specifically, I employ an external instrument SVAR based on Gertler and Karadi (2015) while I identify QE policy surprises as in Altavilla, Brugnolini, Gürkaynak, Motto, and Ragusa (2019) using the Euro Area Monetary Policy Event Study Database. Results show that profits move pro-cyclically supporting the specification of sticky wages in the model.

In the main chapter of my PhD thesis I examine the post-2008 European Central Banks liquidity enhancing policies namely the Long Term Refinancing Operations (LTROs) and provided evidence of risk-taking incentives of monetary policy. Using a novel DSGE model with financial frictions on the supply and the demand side of credit, estimated with Bayesian techniques for the Euro Area, I show that when the central bank supplies liquidity during turbulent times, banks grant loans to riskier firms and this consequently has a negative impact on the performance of the economy. Additionally, I find that borrower's risk increase can explain the recent reserve accumulation by the banking system. Lastly, I evaluate the effects of negative interest rates on excess reserves and assess the welfare implications of the liquidity provision policies.

In parallel work, I also participate as a leader in a joint project of the Banco de Portugal with the University of Surrey on the interaction of capital (CCyB) and borrower (such as the LTV and DSTI ratios) based measures. A model with occasionally binding borrower and bank constraints is under development. The first results are anticipated in the end of 2020. Furthermore, in joint work with Paul Levine (University of Surrey) and Joseph Pearlman (City University London) I develop a model to analyse optimal liquidity rules by the central bank in the banking sector. Finally, in a project initiated at my PhD internship in the Bank of Greece, which belongs to the growth accounting literature broadly developed by Kehoe and Prescott, we show that the Total Factor Productivity can explain a great portion of fluctuations during the Greek recession either in the Neoclassical model or in the Bernanke, Gertler, and Gilchrist (1999).

I have presented my work in numerous conferences in Europe as detailed in my CV. At the ECB Forum on Central Banking I had the opportunity to present my job market paper and get feedback from top academic economists after successfully passing the selection by a committee including Ricardo Reis, John Muellbauer and ECB senior economists. In other academic activities, I was one of the organisers of the workshop in "Inequality and Discrimination" at the EUI and also the third Annual International PhD Economics Conference at the University of Leicester.

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