PAOLO VARRASO

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NEW YORK UNIVERSITY

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Placement Director: David Cesarini	david.cesarini@nyu.edu	646-413-8576
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Education

PhD In Economics, New York University, 2017-2024 (expected)
Thesis Title: *Essays on Macroeconomics and Financial Frictions*
MSc in Economics, Bocconi University, 2014-2016
MRes in Economics, Université Catholique de Louvain, 2014-2016
BSc in Economics and Finance, Bocconi University, 2011-2014

References

Professor Diego J. Perez
19 West Fourth St., 6th Floor
New York, NY 10012-1119
212-998-8951 (office)
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Professor Mark Gertler
19 West Fourth St., 6th Floor
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Professor Pablo Ottonello
Tydings Hall, 3114 Preinkert Dr
College Park, MD 20742
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Teaching and Research Fields

Macroeconomics, Macro-Finance, International Economics

Teaching Experience

Spring, 2023	Macroeconomic Analysis, NYU, Graduate Assistant for Professor Alessandra Peter
Summer, 2020	Introduction to Macroeconomics, NYU, Instructor
Fall, 2021	Intermediate Macroeconomics, NYU, Graduate Assistant for Professor Jess Benhabib

Research Experience and Other Employment

2023	Federal Reserve Board, Dissertation Fellow
2019 - 2023	New York University, Research Assistant for Professor Diego Perez
2017	European Central Bank, DG Macroprudential Policy and Financial Stability, Trainee
2016 - 2017	Bocconi University, Research Assistant for Professor Marco Ottaviani
2015	Bocconi University, Research Assistant for Professor Nicola Gennaioli
2014	European Commission, DG for Economics and Financial Affairs, Trainee

Other Professional Activities

Referee: *Journal of Monetary Economics*

Seminar and Conference Presentations

2023	Stern Macro Lunch Seminar, NYU
	International Finance Workshop, Federal Reserve Board
	Student Macro Lunch Seminar, NYU
2022	2022 Annual Meeting for the Society for Economic Dynamics, University of Wisconsin-Madison
	Student Macro Lunch Seminar, NYU
2021	Student Macro Lunch Seminar, NYU
2020	Third-Year Paper Conference, NYU

Honors, Scholarships, and Fellowships

2023	Dissertation Fellowship, Federal Reserve Board
2022	NYU GSAS Dean's Student Travel Grant
2022 - 2023	NYU Department of Economics Dissertation Fellowship
2017-2022	NYU MacCracken Fellowship
2014-2016	Bocconi Graduate Merit Award

Publications

Ottonello, Pablo, Perez, Diego J., and Varraso, Paolo (2022), "Are Collateral-Constraint Models Ready for Macroprudential Policy Design?" *Journal of International Economics*, 139, 103650.

Research Papers

Banks and the Macroeconomic Transmission of Interest Rate Risk (Job Market Paper)

I study the role of financial intermediaries in the transmission of interest rate risk. I develop a quantitative model where banks can invest in assets of different duration and choose optimally their exposure to interest rate fluctuations. I embed this portfolio problem in a heterogeneous-banks framework with financial frictions and endogenous default. The model predicts that in periods of loose monetary policy banks face weaker financial constraints. As a result, they become more tolerant of interest rate risk and invest more extensively in long-duration assets. However, when the economy undergoes a sudden monetary tightening, this portfolio shift amplifies contractions in asset prices, credit and output. I calibrate the model to match aggregate and cross-sectional patterns in banks' duration profile. In terms of untargeted moments, I show that consistent with the data the model features (a) a negative aggregate co-movement between maturity mismatch and interest rates, and (b) a negative cross-sectional correlation between maturity mismatch and bank leverage. A quantitative application to the 2022 monetary tightening shows that a lengthening of duration in periods of low interest rates gives rise to significant financial amplification. A liquidity requirement that restricts banks' investment in long-term assets makes the economy less vulnerable to sudden interest rate raises.

Optimal Fiscal Policy in Collateral-Constraint Models

I study optimal government spending in a canonical, small-open-economy model where a collateral constraint gives rise to overborrowing. I show quantitatively that excess procyclicality - a pervasive feature of emerging markets - makes the economy more vulnerable to sudden stops. In normal times, pro-cyclical spending encourages borrowing and magnifies the inefficiency; during a sudden stop, it depresses collateral values and exacerbates deleveraging pressures on households. I characterize the optimal time-consistent policy and show that it would significantly reduce both the likelihood and severity of a sudden stop.

Impact of Higher Capital Buffers on Banks' Lending and Risk-Taking: Evidence from the Euro Area Experiments (with Giuseppe Cappelletti and Aurea Ponte Marques), Revise and Resubmit at the *Journal of Financial Stability*

We study the impact of higher bank capital buffers, namely the other systemically important institutions (O-SII), on lending and banks' risk-taking behavior at different horizons from the first implementation. Although there is already evidence that higher capital buffers constrain credit supply and might lead to bank risk-shifting in the short-term, in this paper we shed more light on the medium-term effects of these types of policy measures. Relying on 2014 to 2017 confidential granular supervisory data, we find that O-SII banks reduced their credit supply to households and financial sectors in the short-term, shifting their lending to less risky counterparts. In the medium-term the reduction in credit supply becomes not significant from an economic perspective, whereas there is evidence that banks shift their lending to less risky borrowers within sectors. Our findings support the hypothesis that the implementation of higher capital buffers could have a positive disciplining effect by reducing banks' risk-taking. At the same time, there is evidence of only a reduced adverse impact on the real economy through a temporary decrease in credit supply restricted to the moment when there is a tightening of the macroprudential policy.

Research In Progress

Durable Consumption and Monetary Policy Transmission in Emerging Economies

Other Information

Programming: Julia, R, Stata, Matlab
Languages: English (fluent), Italian (native), French (intermediate)
Citizenship: Italy