Luca Gemmi

CONTACT INFORMATION

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FIELDS

Macroeconomics, International Macro and Finance, Behavioral Economics.

EDUCATION

Boston College, Chestnut Hill, MA

Ph.D., Economics — May 2022 (Expected)
M.A., Economics — May 2018

University of Bologna, Bologna, Italy

M.A., Economics (*Summa cum laude*) — July 2016

- Final dissertation: *"The European Quantitative Easing and the Safety Premium"*
  Supervisor: Prof. Sergio Pastorello
- Exchange student at Ludwig Maximilian Univerisity of Munich, Spring 2016

B.A., Economics, Markets and Institutions (*Summa cum laude*) — July 2014

- Final dissertation: *"Impact of Austerity Measures: an Econometric Analysis"*
  Supervisor: Prof. Roberto Golinelli

PROFESSIONAL EXPERIENCE

European Central Bank

- Research Graduate Programme in Directorate General Research — Summer 2021 (expected)

Boston College

- Research Assistant to Professor Rosen Valchev — Fall 2018-
- Graduate Assistant to Professor Rosen Valchev — Fall 2016-Summer 2018

WORKING PAPERS

"Overoptimism and Moral Hazard in Credit Booms" (JMP, draft coming soon)
I develop a framework in which over optimism in credit booms originates from the rational decision of firm managers. Because of moral hazard, managers pay too little attention to the aggregate condition that generate risk, leading them to over borrow and over invest during booms. Period of low risk premia predict higher default rates and systematic negative banks excess returns, in line with existing evidence. I document a positive relation between the convexity of CEO's compensation and their information on a larger sample of firms, which is consistent with my theory. My model implies that compensation regulation can play an important role in macro prudential policy.

"Public Information in Expectation Surveys" *(with Rosen Valchev)*
We improve on the standard tests for the FIRE hypothesis by allowing for both public and private information, and find new interesting results. First, we propose a new empirical strategy that can accommodate this richer information structure, and find that the true degree of information rigidity is about a third higher than previously estimated. Second, we find that individual forecasts over-react to private information but under-react to public information. We show that this is consistent with a theory of strategic diversification incentives in forecast reporting, where forecasters are rational but report a biased measure of their true expectations. This has two effects. First, it generates what looks like behavioral "over-reaction" in expectations, and second biases the information rigidity estimate further downward. Overall, our results caution against the use of survey of forecasts as a direct measure of expectations, and suggest that the true underlying beliefs are rational, but suffer from a much larger degree of imperfect information than previously thought. This has particularly profound implications for monetary policy, where inflation expectations play a key role.

"International Trade and Portfolio Diversification: the Role of Information", March 2019
I show that information choice can explain the puzzling positive relation between bilateral investment and trade across countries. I present a model of endogenous information with both investment in assets and income from trade. While standard model of risk-hedging would require agents to invest in non-trading countries to diversify income risk, I show that limited information capacity and preferences for early resolution of uncertainty reverse this result. The intuition is that investors collect more information on trading partners to reduce income uncertainty, and therefore perceive foreign equity as less risky. I document that allowing for information choice reduces the role of risk hedging on portfolio decisions. I test model's implication on the positive relation between trade and attention in the data and find robust empirical support.

Honors and Awards

Boston College

- Clough Graduate Fellowship

University of Bologna

- Study-Abroad grant (Unicredit & Universities Foundation)
- Graduate Tuition merit-based exemption
- Undergraduate Certificate of Merit

Teaching Experience

Boston college

- Macroeconomic Theory (*Teaching Fellow*) — Fall 2021
- Graduate level Macroeconomics (*Teaching Assistant*, Prof. Susanto Basu) — Spring 2021

University of Bologna

- Principles of Macroeconomics (*Teaching Assistant*, Prof. Anna Soci) — Fall 2015

Other Experience

Co-organizer of Boston College Macro Reading Group — Fall 2018-

Presentations

2021: European Central Bank DGR, European Economic Association Congress (Virtual) Computing in Economics and Finance (Virtual), Inflation: Drivers and Dynamics (ECB & FED Cleveland), Spring Green Line Macro Meeting (Boston College & Boston University), Fall Green Line Macro Meeting (Boston College & Boston University)[1]

Other Information

Software: MATLAB, Stata, LaTeX
Born: November 4, 1992
Languages: English (fluent), Italian (native), French (basic)

References

Ryan Chahrour
Associate Professor
Department of Economics
Boston College
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Jaromir Nosal
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Rosen Valchev
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[1] Presentation given by coauthor