# Paolo Cavallino

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## NEW YORK UNIVERSITY

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## Education

PhD. in Economics, New York University, 2009-2015 (expected)
Thesis Title: *Essays in International Economics*.

M.Sc. in Economics and Social Sciences, Bocconi University, 2006-2009
B.A. in Public Relations and Advertising, IULM University, 2003-2006

## References

Professor Mark Gertler
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Professor Xavier Gabaix
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Professor Matteo Maggiori
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## Teaching and Research Fields

International Macroeconomics and Finance, Macroeconomics, Finance

## Teaching Experience

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|---|---|
| Spring, 2011 – Spring, 2014 | Microeconomics, New York University Stern, teaching fellow for Professors Simon Bowmaker, Vasiliki Skreta and Allan Collard-Wexler |
| Summer, 2011 | Money and Banking, New York University, instructor |
| Fall, 2010 | Economics of Global Business, New York University Stern, teaching fellow for Professor Paul Wachtel |
| Spring, 2009 | Mathematics and Statistics for Economics Bocconi University, teaching fellow for Professor Marco Bonetti |

## Research Experience

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| Fall, 2012 | New York University, research assistant to Professor Sydney Ludvigson |
| Summer, 2012 | New York University Stern, research assistant to Professor Thomas Philippon |
| Spring, 2012 | New York University, research assistant to Professor Thomas Sargent |
| Fall, 2008 | Bocconi University, research assistant to Professor Roberto Perotti |

## Honors, Scholarships, and Fellowships

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| 2015-2016 | MFM Dissertation Fellowship, Becker Friedman Institute |
| 2009-2014 | Henry R. MacCracken Fellowship, New York University |

## Research Papers

*Capital Flows and Foreign Exchange Intervention* (Job Market Paper)

I consider a New Keynesian model of a small open economy, where international financial markets are imperfect and the exchange rate is determined by capital flows. This allows me to analyze the effects of capital flow shocks and study optimal foreign exchange interventions. Capital flow shocks affect the exchange rates and alter the relative share of domestic and foreign demand. Domestic output and consumption move in opposite directions, away from their efficient levels. I analytically characterize the optimal intervention policy in a continuous-time log linearized framework. The optimal foreign exchange intervention leans against the wind to stabilize the exchange rate, and the relative share of domestic and foreign demand. Monetary policy can only move domestic and foreign demand in the same direction. Thus, any attempt to stabilize foreign demand has adverse effects on domestic inflation. In dealing with capital flow shocks, currency intervention is the main tool while monetary policy plays a supplementary role.

## Working Papers

*Asset Pricing with Financial Frictions*

I develop a model of limited stock market participation where financial intermediaries are the marginal investors. Risk-averse households can invest in the stock market only through intermediaries but their investment might be constrained due to an agency problem. I study the effect of such a constraint on asset prices. The model replicates the non-linearity of equity premia observed during financial crises (interpreted as states of the world in which the capital constraint is binding). The model generates procyclical leverage during normal times while countercyclical leverage during crises which, to the best of my knowledge, is new for this class of models. I calibrate the model to match some features of the financial intermediation sector, such as average debt-to-assets ratio and a measure of financial managers' compensation, and show that the simulated asset prices moments are close to those observed in the data.