

Paola Di Casola

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Placement Coordinators:

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Personal Information

Citizenship: Italian

Date of birth: April 21st, 1984

Civil status: Married

Research Interests

Macroeconomics, Econometrics, Institutional Economics

Education

Stockholm School of Economics

PhD Candidate in Economics

Supervisor: Prof. Lars Ljungqvist

2010–2015(expected)

University of Southampton

MSc in Economics and Econometrics (with Distinction)

2008–2009

Università La Sapienza di Roma

Laurea Specialistica in Statistical Sciences (with Distinction)

2006–2008

Università La Sapienza di Roma

Laurea Triennale in Statistical Sciences (with Distinction)

2003–2006

References

Lars Ljungqvist (supervisor)

Professor

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Tore Ellingsen

Professor

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David Domeij

Associate Professor

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Publications in Non-refereed Journals

The Italian disinflation. The unmissable opportunity of the Nineties. *Rivista di Storia Economica*, a. XXV, n.2, august 2009.

Research

JOB MARKET PAPER

Domestic and External Sovereign Debt (with Spyridon Sichlimiris)

Abstract: We develop a theory of sovereign debt in the presence of limited enforcement, by analysing both domestic and external debt. In a financially repressed economy, a government that exploits its market power in the domestic asset market can increase its debt capacity in the international asset market. The reason is the additional endogenous default cost: a government in default loses the gains from trading across these segmented asset markets. We can account for the empirically observed composition of sovereign debt for developing countries. We obtain a higher share of external debt over domestic debt and higher default incentives in recessions than in booms. We also find a run up in external debt before default. After re-entering the markets, the external debt increases rapidly. Finally, the level of financial development determines the long-run levels and composition of debt. Economies with low (high) financial development have high (low) average total debt and high (low) shares of external debt.

News shocks and structural breaks (with Spyridon Sichlimiris)

Abstract: Do news shocks explain business cycle fluctuations? A positive answer is provided by Beaudry, Portier (AER, 2006), who develop an identification strategy for "news shocks" in a vector error correction model (VECM) with TFP and Stock Prices on US data. Refining their analysis, we find evidence of a structural break in the long-run relationship between Stock Prices and TFP in 1980, at the beginning of the Volcker Era. In the second part of the paper we extend the sample period and analyse the news shock before and after 1980. Our results support the news view of the business cycle only after 1980. The news shock explains the majority (65 to 80 percent) of business cycle fluctuations of output, consumption and investment at any horizon and generates strong comovement among them. Moreover, TFP movements are well explained at medium and long-term horizons.

A Theory of Charismatic Authority and Social Norms in Coordination Games (with Eleonora Freddi and Spyridon Sichlimiris)

Abstract: Max Weber thought of Charisma as a revolutionary force, which can lead to a social change. In this paper we study the role of the charismatic authority in coordination problems, when individuals internalize social norms. We show that the charismatic authority emerges to solve coordination problems when the costs for violating the social norm are low. Moreover, the charismatic authority is more likely to emerge in coordination games with conflict of interest rather than coordination games with common interest. The type of social norm is crucial in determining which agent gains through the charismatic authority. The social change that occurs in the presence of the charismatic authority needs support from a larger part of the population if the underlying coordination problem features common interest, rather than conflict of interest.

The response of the Bank of England to the stock market: before and after independence (Msc Dissertation)

Abstract: The paper investigates the response of the Bank of England to the stock market during the last two decades, searching for a structural break around the independence. I use a VAR model to analyze the relation between monetary policy rate and the stock market, where the simultaneity problem is solved by using the identification through heteroschedasticity proposed by Rigobon (2003). The volatility regimes are identified with Markov-switching models. The estimates indicate that the Bank of England was not reacting to the stock market before 1997, but started reacting after the

independence. The estimate indicates that a 10% rise in the FTSE 100 index tends to increase the three-month Treasury bill rate by 5 basis points. Being more inflation averse, the central bank may have taken more into account the role of wealth effect on households' consumption. However, the size of the response is smaller than what Rigobon and Sack (2003) have found for US.

Teaching Experience

TA for Macroeconomics (undergraduate level) <i>Stockholm School of Economics</i>	Dr. David Domeij 2013–2014
TA for Economics of Organization (undergraduate level) <i>Stockholm School of Economics</i>	Prof. Tore Ellingsen 2013–2014
TA for Macroeconomics (undergraduate level) <i>Stockholm School of Economics</i>	Dr. David Domeij 2012–2013
TA for Microeconomics (undergraduate level) <i>Stockholm School of Economics</i>	Prof. Richard Friberg 2011–2012
TA for Macroeconomics 1 (PhD level) <i>Stockholm School of Economics</i>	Prof. Lars Ljungqvist 2011–2012

Work Experience

Internship at Bank of Italy <i>Economic Outlook and Monetary Policy Department</i>	summer 2010
Internship at European Central Bank <i>DG Market Operations, Investment Division</i>	2009–2010 (September to May)

Conference, Seminar Presentation

Swedish House of Finance <i>lunch seminar</i>	2014 (planned)
Stockholm University <i>lunch seminar</i>	2014
2nd Macro, Banking and Finance Workshop	2014
20th International Conference in Computing in Economics and Finance	2014
Toulouse School of Economics <i>lunch seminar</i>	2014
Jamboree ENTER conference (discussant)	2014
Stockholm School of Economics <i>lunch seminar</i>	2013, 2014

Grants and Awards

PhD Scholarship <i>Jan Wallanders och Tom Hedelius Research Foundation</i>	2012–2015
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PhD Scholarship*Stockholm School of Economics**2010–2012***Best performance in the examinations at the MSc level in Economics***Andrew Dumble Prize, University of Southampton**2009***Scholarship for Master studies abroad***Paolo Andreini e Efisio Piana scholarship, Bank of Italy**2008–2009*

Languages

Italian (mother tongue), English (fluent), Spanish (Intermediate), Greek (basic).

Computer skills

Matlab, Fortran, R, Winrats, Eviews, Stata, Latex, Dynare.