STEFANO PICA

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EDUCATION

Ph.D., Economics, Boston University, Boston MA, May 2022 (expected)
    Dissertation Title: *Essays On Monetary Policy in Europe*
    Dissertation Committee: Adam Guren, Stephen Terry, and Robert King

M.A., Political Economy, Boston University, Boston MA, 2018

M.Sc., Economics and Finance, CEMFI, Madrid, Spain, 2016

M.Sc., Economics and Finance, University of Naples Federico II, Naples, Italy, 2014

Erasmus Exchange, Goethe University, Frankfurt am Main, Germany, 2013

B.A., Economics, University of Naples Federico II, Naples, Italy, 2012

FIELDS OF INTEREST

Macroeconomics, Monetary Economics, Household Finance

WORKING PAPERS

"Housing Markets and the Heterogeneous Effects of Monetary Policy Across the Euro Area,"
    November 2021. Job Market paper.

WORK IN PROGRESS

"Household Beliefs Across Euro Area Countries During Covid-19" (joint with Clodomiro
    Ferreira)
"Future Policy and Information Dissemination: A Natural Language Processing Approach"
    (joint with Alden Porter)
"A New Keynesian Model with a Rigid Housing Market"

PRESENTATIONS

2021 European Winter Meeting of the Econometric Society, virtual, 2021
National Bank of Denmark, Copenhagen, Denmark, 2021
European Central Bank – Housing Market Team, Frankfurt, Germany, 2021
BU-BC Green Line Macro Meeting, Boston, MA, 2021
European Central Bank – Research Department, Frankfurt, Germany, 2021
BU Macro Dissertation Workshop, Boston, MA, 2018, 2019, 2020, 2021
BU Macro Student Workshop, Boston, MA, 2018, 2019, 2020, 2021

VISITING POSITIONS

European Central Bank, Frankfurt am Main, Germany, 2021
Bank of Spain, Madrid, Spain, 2018
Capital Markets Cooperative Research Center, Sydney, Australia, 2014

FELLOWSHIPS AND AWARDS

Doctoral Research Assistantship, Boston University, 2017-2021
ECB Summer Research Graduate Program, European Central Bank, 2021
Teaching Fellowship, Boston University, 2017-2019
Dean's Fellowship, Boston University, 2016-2017
Master Program Full Scholarship, CEMFI, 2014-2016
Messaggeri della Conoscenza Program Scholarship, Italian Ministry of Education, 2014
Erasmus Program Scholarship, University of Naples Federico II, 2013-2014

WORK EXPERIENCE

Research Assistant to Stephen Terry, Boston University, Boston, Fall 2021
Research Assistant to Adam Guren, Boston University, Boston, 2018-2021
Research Assistant to Jaime Luque, ESCP Business School, Madrid, Fall 2020
Research Assistant to Raul Santaeülalia-Llopis, CEMFI, Madrid, Summer 2015

DEPARTMENTAL SERVICE

Macroeconomics Reading Group, Boston University, Co-Organizer, 2017-19

TEACHING EXPERIENCE

Teaching Assistant, 1st-year Ph.D. Macroeconomics, Boston University, Department of Economics, Spring 2017-2019

LANGUAGES

Italian (Native), English (Fluent), Spanish (Fluent)

COMPUTER SKILLS: Python, Stata, R, Julia, Matlab, Dynare, Fortran, LaTeX

CITIZENSHIP/VISA STATUS: Italy/F1

REFERENCES

Professor Adam Guren	**Professor Stephen Terry**	**Professor Robert King**
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STEFANO PICA

Housing Markets and the Heterogeneous Effects of Monetary Policy Across the Euro Area
(Job Market Paper)

Monetary policy has heterogeneous effects across euro area countries. There are strong correlations between cross-country monetary policy potency and housing and mortgage market institutions, namely the share of adjustable-rate mortgages and the homeownership rate. To disentangle the relative importance of these institutions, I incorporate them into a quantitative currency-union New Keynesian model with rich household balance sheets. I calibrate the model to Spain and the euro area. The model fits well: the consumption response in Spain is 2.4 times stronger than the euro area in the model relative to 2.5 in the data. My results reveal that a higher adjustable-rate mortgage share and a higher homeownership rate interact to amplify the effects of monetary policy on economic activity due to smaller mortgage interest payments and a higher fraction of mortgaged homeowners operating in the market. I use the model to show that a banking union requiring shared financial regulation decreases the heterogeneous effects of monetary policy by weakening the pass-through to average mortgage interest rates. Finally, including house prices into the euro area price index stabilizes output at the cost of less stable goods inflation.

Household Beliefs Across Euro Area Countries During Covid-19 *(with Clodomiro Ferreira)*

How do households across euro area countries plan their spending during the covid-19 pandemic? Making use of the Consumer Expectation Survey administered by the European Central Bank, we find that current balance sheets positions, as well as expectations about individual and aggregate variables, play an important role in household planned expenditures in durables. Expectations about both house price growth and inflation shape such plans, and these impacts have been changing during the course of the pandemic. An increase in the number of Covid-related deaths in the region where households reside sharply decreases their planned expenditures over the following 12 months. Additionally, we uncover significant heterogeneity across education levels, age, and housing tenure.

Future Policy and Information Dissemination: A Natural Language Processing Approach *(with Alden Porter)*

Which words matter the most in central bank communication? Making use of a rather unique European monetary policy decision setting, we build the first monetary policy dictionary. We train the dictionary on high frequency movements of the stock market around press conferences of the European Central Bank. This allows us to precisely identify which phrases do the market mainly reacts to. We find that phrases such as "Improved economy", "Market development", and "Stability of the euro" are associated with positive returns. On the other hand, phrases such as "Heightened uncertainties" and "Growth of loans" are associated with negative returns.

A New Keynesian Model with a Rigid Housing Market

House price changes are strongly correlated in the data following monetary policy shocks. I build a New Keynesian model of the housing market where households choose the optimal amount of housing and mortgages. To accommodate realistic house price movements, I extend the housing market structure to include search frictions and house price rigidity so that the housing market clears through the relative fraction of successful buyers and sellers each period. I show that house price momentum coupled with the loan-to-value constraint forces the indebted households to cut their consumption for several quarters following a contractionary monetary shock.

December 2021