

LUCA FORNARO

LONDON SCHOOL OF ECONOMICS & POLITICAL SCIENCE

Department of Economics

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UNDERGRADUATE STUDIES

2007 - 2008 MRes Economics (with Distinction), London School of Economics
2006 - 2007 Master Economics (First Class Honors), Paris School of Economics
2005 - 2006 Master Economics, Université Paris 1 – Panthéon Sorbonne
2002 - 2005 BSc Economics (First Class Honors), Università di Torino

GRADUATE STUDIES PhD in Economics, London School of Economics

DATES: 2008 - present

THESIS TITLE: "Essays on Financial Crises and Exchange Rate Policy"

EXPECTED COMPLETION DATE: June 2013

THESIS ADVISOR AND REFERENCES:

Dr. Gianluca Benigno (Advisor)
Department of Economics
London School of Economics
Houghton Street
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Prof. Christopher Pissarides (Advisor)
Department of Economics
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Prof. Romain Ranciere
Paris School of Economics
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DESIRED TEACHING AND RESEARCH

Primary Fields: International Macroeconomics, Monetary Economics

Secondary Fields: Macroeconomics, Growth

TEACHING EXPERIENCE

2009 - 2011 International Economics, LSE (3rd year undergraduate)

2008 - 2009 Macroeconomic principles, LSE (2nd year undergraduate)

2007 - 2008 Introduction to Economics, LSE (Macro- and Microeconomics, 1st year undergraduate)

RELEVANT POSITIONS HELD

2009 - 2011 Research assistant to Gianluca Benigno

2010 Research assistant to Christopher Pissarides

Summer 2008 European Central Bank, intern

LANGUAGES

English (fluent), Italian (native), French (fluent), Spanish (fluent spoken, basic written)

CITIZENSHIP Italian

HONORS, SCHOLARSHIPS AND FELLOWSHIPS

2011 - present Paul Woolley Centre Fellow

2010 - 2011 Royal Economic Society Junior Fellowship

2008 - 2010 Economic and Social Research Council Scholarship (covering tuition fees)

2007 - 2010 Ministère Français de l'Enseignement Supérieur et de la Recherche Doctoral Scholarship

REFEREEING

Review of Economics and Statistics, Review of Economic Studies

SOFTWARE SKILLS

Matlab, Fortran, Stata

COMPLETED PAPERS

Job Market Paper:

International Debt Deleveraging, October 2012

I provide a framework for understanding debt deleveraging in a group of financially integrated countries. During an episode of international deleveraging world consumption demand is depressed and the world interest rate is low, reflecting a high propensity to save. If exchange rates are allowed to float, deleveraging countries can depreciate their nominal exchange rate to increase production and mitigate the fall in consumption associated with tighter access to credit. The key insight of the paper is that in a monetary union this channel of adjustment is shut off, and so the falls in consumption demand and in the world interest rate are amplified. Hence, monetary unions are especially prone to hit the zero lower bound on the nominal interest rate and enter a liquidity trap during deleveraging. In a liquidity trap deleveraging gives rise to a union-wide recession, particularly severe in high-debt countries. The model suggests several policy interventions that mitigate the negative impact of deleveraging on output in monetary unions.

Other Papers:

Reserve Accumulation, Growth and Financial Crises (with Gianluca Benigno), July 2012

We present a model that reproduces two salient facts characterizing the international monetary system: Faster growing countries are associated with i) Lower net capital inflows and ii) Faster accumulation of international reserves and higher net private inflows. We study a two-sector, tradable and non-tradable, small open economy. There is a growth externality in the tradable sector and agents have imperfect access to international financial markets. By accumulating foreign reserves, the government induces a real exchange rate depreciation and a reallocation of production towards the tradable sector that boosts growth. Financial frictions generate imperfect substitutability between private and public debt flows so that private agents do not perfectly offset the government policy. The possibility of using reserves to provide liquidity during crises amplifies the positive impact of reserve accumulation on growth. We use the model to compare the laissez-faire equilibrium and the optimal reserve policy in an economy that is opening to international capital flows. We find that the optimal reserve management entails a fast rate of reserve accumulation, as well as higher growth and larger current account surpluses compared to the economy with no policy intervention. We also find that the welfare gains of reserve policy are large, in the order of 1 percent of permanent consumption equivalent.

RESEARCH IN PROGRESS

Financial Crises and Exchange Rate Policy, Work in progress

This paper develops a dynamic small open economy model highlighting a fundamental trade-off between financial and price stability. The key element of the analysis is a pecuniary externality arising from frictions in the international credit markets. The goal is to study the performance of alternative exchange rate policies in sudden stop-prone economies. The main result is that the presence of pecuniary externalities in the credit markets makes a narrow focus on price stability sub-optimal.

PRESENTATIONS

- 2012 Seminars: LSE/CEP money-macro workshop, Paris School of Economics macro PhD workshop
Conferences: Society for Economic Dynamics (Limassol, Cyprus), European Economic Association Meeting (Malaga, Spain), RIEF Meeting (Milan, Italy), CEPR conference on “Exchange Rates and External Adjustment” (Zurich, Switzerland), scheduled presentation at the CEPR/Bank of England conference on “International Capital Flows and Spillovers in a Post-Crisis World” (London, UK)
- 2011 Seminars: University of Surrey, LSE money-macro work in progress seminar, Paris School of Economics macro PhD workshop
Conferences: XVI Workshop on Dynamic Macroeconomics (Vigo, Spain), 13th ZEW Summer Workshop for Young Economists (Mannheim, Germany)
- 2010 Seminars: LSE money-macro work in progress seminar
Conferences: “Advances in International Economics and Economics Dynamics: A Conference in Honor of Giancarlo Gandolfo”, Università La Sapienza (Roma, Italy)
- 2009 Seminars: LSE money-macro work in progress seminar, Paris School of Economics macro PhD workshop
Conferences: XXXIV Spanish Economic Association conference (Valencia, Spain), CRENOS workshop on “Financial Market Imperfections, Corporate Governance and Economic Outcomes” (Alghero, Italy)
- 2008 Seminars: LSE money-macro work in progress seminar, ECB (Monetary Policy Strategy division seminar)