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Doctoral Studies

London School of Economics 2021–2026
MRes/PhD in Economics
Supervisors: Benjamin Moll, Ricardo Reis

University of Oxford Summer 2025
Visiting Fellow, Department of Economics

Harvard University 2023–2024
Visiting Fellow, Department of Economics

References

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Professor Ethan Ilzetzki
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Prior Education

London School of Economics 2016–2019
BSc in Econometrics and Mathematical Economics, *First Class Honours*

Research interest Macroeconomics, Monetary and Fiscal Policy, Heterogeneous Agents, Currency Unions

Job Market Paper

The Confidence Channel of Fiscal Policy,
with M. Bellifemine and J. Tozzo

How does fiscal policy propagate to the economy? We uncover a new transmission channel — the sentiment channel — by showing that government spending makes firms overoptimistic about future demand, thereby stimulating investment and output. We construct a novel dataset linking microdata on Italian firms' sales, sales forecasts, and public procurement contracts. Using a natural experiment that shifted public spending across Italian municipalities, we find that an increase in government demand makes firms systematically overoptimistic about their future sales. This optimism extends beyond total revenues, as firms also raise their expectations about private sales. To interpret these findings, we develop a theory of expectations in which sentiment, a variable shaped by recent sales shocks, rises with public demand shocks and makes firms overoptimistic about both private and public sales. Incorporating sentiment into a q-theory of investment, we show that financial frictions are crucial for determining how belief distortions translate into real activity: investment rises with sentiment, but the effect is weaker for financially constrained firms. We embed this behavioral model of investment in a heterogeneous-firm New Keynesian model: calibrating the behavioral bias to our empirical estimates, we find that, by crowding-in investment, the sentiment channel nearly doubles the government spending multiplier. This amplification is state-dependent: the multiplier was a third smaller during the Global Financial Crisis than in recessions without financial distress.

Published Papers

Monetary Unions with Heterogeneous Fiscal Rules,
with M. Bellifemine and R. Jamilov
Journal of International Economics

This paper develops a multi-country Heterogeneous-Agent New Keynesian (HANK) model of a monetary union with ex-ante heterogeneity in legacy public debt across member states. We calibrate the model to the euro area and show that, following symmetric aggregate shocks, the systematic monetary policy reaction induces heterogeneous national outcomes, driven by differences in fiscal space. This generates a trade-off between union-wide macroeconomic stabilization and cross-country synchronization of economic activity for the central bank. We characterize a possibility frontier between union-wide inflation stability and cross-country synchronization, which is traced out by varying the degree of the central bank's hawkishness towards inflation. We study the role of deficit caps, fiscal and political unions, and augmented Taylor rules as instruments to navigate the stabilization-synchronization trade-off.

Working Papers

The Regional Keynesian Cross,
with M. Bellifemine and R. Jamilov

We study how regional heterogeneity shapes the aggregate transmission of monetary policy and its distributional implications across space. We build a multi-region Heterogeneous-Agent New Keynesian model with 3,140 U.S. counties and cross-county differences in (i) intertemporal Marginal Propensities to Consume (MPCs) and (ii) non-tradable employment shares. We analytically characterize the nationwide consumption response to monetary policy in terms of the joint distribution of (i) and (ii). Using U.S. and Italian micro-data, we construct novel empirical measures of regional MPCs to validate our theory. Quantitatively, geographic heterogeneity leads to large distributional consequences of monetary policy across space and can sizably amplify its aggregate effects.

A Distributional Theory of Household Sentiment,
with M. Bellifemine and S. Hosseini

We embed diagnostic expectations into an otherwise standard incomplete-markets model of consumption-saving with idiosyncratic income risk. In this framework, households form beliefs that overweight recent income shocks, a bias we summarize with a sufficient statistic—sentiment—that distorts perceptions of future income. We discipline our model empirically using the Italian Survey of Household Income and Wealth. Taking advantage of a continuous-time formulation, we derive a closed-form characterization of how sentiment dampens the saving motive under optimism and amplifies it under pessimism, causing households to overreact to income shocks in their consumption-saving choices. We then show that the interaction of sentiment with borrowing constraints generates a "diagnostic poverty trap": positive shocks fuel over-consumption rather than asset accumulation, making it harder for constrained households to escape the hand-to-mouth state. This simple behavioral friction rationalizes the persistence of hand-to-mouth households observed in the data and helps match their empirical prevalence without invoking illiquid assets or preference heterogeneity.

The Ecological Consumption Atlas,
with L. Gadenne, M. Dumas and X. Jaravel

Work in Progress

Crises without FIRE: animal spirits and the financial accelerator,
with M. Bellifemine

Firms' expectations and directed innovations: implications for growth,
with M. Bellifemine

Policy Papers Evaluation of French Covid Policies using a HANK model, with B. Moll, R. Reis and S. Sabet

Referee Services American Economic Review

Seminars & Conferences

2025: Oxford, LSE

2024: CEPR Paris Symposium; Harvard; HEC–Banque de France–CEPR–PSE conference; LSE; NBER International Seminar in Macroeconomics; European Economic Association

2023: European Economic Association Congress; Society for Economic Dynamics

2022: European Winter Meeting of the Econometric Society

Past employment

London School of Economics 2019–2021
Predoctoral Fellow (Benjamin Moll and Ricardo Reis)

Teaching

London School of Economics 2022–2025
EC413, Macroeconomics (Graduate level)
EC417, Advanced Macroeconomics (Graduate level)
EC1B1, Macroeconomics I (Undergraduate level)
EC331, Quantitative Thesis (Undergraduate level)

Grants

STICERD Hayek Programme PhD Grant (with M. Bellifemine) 2022
LSE Departmental Scholarship 2021–2026

Citizenship & Residency French citizen, UK settled status

Languages French (native), English (fluent)