MARTINA FAZIO

LONDON SCHOOL OF ECONOMICS & POLITICAL SCIENCE **Department of Economics**

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CITIZENSHIP: Italian

PRE-DOCTORAL STUDIES:

2014-2016 MRes in Economics, London School of Economics
2011-2013 MSc in Financial Economics, LUISS Guido Carli University
2008-2011 BSc in Economics, LUISS Guido Carli University

DOCTORAL STUDIES: London School of Economics

DATES: 2016 - present

THESIS TITLE: “Essays on Financial Externalities”

EXPECTED COMPLETION DATE: March 2021

THESIS ADVISOR AND REFERENCES:

Professor Ricardo Reis (Advisor)
Department of Economics
London School of Economics
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Professor David Miles
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Imperial College
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DESIRED TEACHING AND RESEARCH:

Primary Fields:	Macroeconomics
Secondary Fields:	Monetary Economics, International Macroeconomics

TEACHING EXPERIENCE:

2019-present	Globalisation and Economic Policy	2nd year MPA
2019-present	Economics	1st year BSc Economics
September 2018, 2019, 2020	Economic Policy Analysis	Executive MPA and MPP
Summer 2019, 2017, 2016	Money and Banking	LSE Summer School
2018-2019	Macroeconomics	MRes/PhD Economics
2016-2018	Monetary Economics	3rd year BSc Economics
Summer 2017	International Economics	LSE Summer School

RELEVANT POSITIONS HELD:

2019	Research Assistant to Prof Ricardo Reis
Summer 2018	Internship at Bank of England, Macroprudential Strategy and Support Division
2015-2016	Research Assistant to Prof Francesco Caselli
2015	Research Assistant to Dr Gianluca Benigno
2013-2014	Research Assistant, The Conference Board Europe

LANGUAGES

Italian (native), English (fluent), French (intermediate), German (basic)

HONORS, SCHOLARSHIPS AND FELLOWSHIPS:

2019-2020	LSE Academic Staff Contribution Pay Award
2016-2018	LSE Economics Departmental Scholarship
2014-2016	UniCredit and Universities Foundation Marco Fanno Scholarship
2012	A.N.A.S.F. Ivo Taddei Scholarship

WORKING PAPERS:

Job Market Paper:

"Financial Stabilisation Policies in a Credit Crunch: Zombie Firms and the Effective Lower Bound"

Does a looser financial regulation during recessions stifle the forces of creative destruction or does it help to avoid job losses and a weak aggregate demand? This paper analyses the effects of a limit on firms' borrowing restricting debt to a fraction of their profits. Constrained firms can invest less, demand for investment is lower than available savings, so a reduction in the interest rate helps reestablish an equilibrium by inducing unconstrained firms with lower productivity to start production. The constrained equilibrium features too many low-productivity firms: zombies. They generate a negative spillover on the borrowing capacity of more productive firms, as they contribute to reducing the value of profits for all firms, by inflating labour costs. When the interest rate is at the effective lower bound, the opportunity cost of operation is artificially high, so the economy features less investment. As fewer low productivity firms

invest, future aggregate productivity is improved, however aggregate demand is low in the present, and output is demand-determined. While liquidating zombie firms away from the lower bound can improve the efficiency of the allocation, it can be counterproductive at the lower bound, as these firms are not zombies but make use of idle resources, boosting output and welfare.

Other Papers:

"Financial Stabilisation Policies and the Allocation of Capital"

Are financial stability and allocative efficiency compatible policy objectives? This paper explores the role played by collateral assets in determining the distribution of capital across heterogeneous producers, as well as in inducing business cycle amplifications. From a prudential point of view, moderating firms' access to credit is helpful in avoiding dangerous fire sale externalities in a financial crisis; however, it reduces borrowing ability of productive firms and negatively affects the distribution of capital. From a normative perspective, the use of capital requirements can help implement the constrained efficient allocation, provided the regulator can commit to future policies. The optimal policy under commitment is in general not time consistent, due to both the forward-looking nature of the price of capital as well as the non-linear stochastic discount factor used to price the asset.

RESEARCH IN PROGRESS:

"Limiting Mortgage Debt: Aggregate Demand Externalities and Housing Market Distortions" (with Andrew Gimber and David Miles)

Many households prefer homeownership to renting but cannot afford to buy without borrowing, so mortgages can improve allocative efficiency in housing markets. However, highly indebted households may impose aggregate demand externalities when there are nominal rigidities and monetary policy is constrained. Optimal macroprudential limits on mortgage borrowing would trade off housing market distortions against reductions in aggregate demand externalities. In a model calibrated to match features of UK data, we find that debt limits affect interest rates, house prices and rents. Depending on the size and incidence of these general equilibrium effects, macroprudential policy can have different distributional consequences.