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PERSONAL DETAILS

Department of Economics
Stanford University
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EDUCATION

Ph.D. in Economics, Stanford University — Expected:2025
M.A. in Economics, Collegio Carlo Alberto — 2019
B.A. in Economics and Business, University of Turin — 2017

REFERENCES

Luigi Bocola (co-primary advisor)
Dept. of Economics, Stanford University
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Patrick Kehoe (co-primary advisor)
Dept. of Economics, Stanford University
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Adrien Auclert
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Elena Pastorino
Dept. of Economics, Stanford University
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Christopher Tonetti
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RESEARCH FIELDS

Macroeconomics

JOB MARKET PAPER

Wage Contracts and Financial Frictions with Luca Citino

Financial crises often lead to drastic reductions in firms' access to credit, significantly impacting their ability to finance operations. This paper argues that firms can partly offset the effects of these shocks by optimally adjusting their wage bills. We augment a baseline financial frictions model to account for two well-documented features of the labor market: wages are set at the firm level and within long-term employment relationships. Because of these features, wage dynamics depend on the financial conditions of firms, reflecting a trade-off between smoothing wages of risk-averse workers and investing in capital. We validate the model predictions on wage dynamics using matched employer-employee data from Italy. We find that more constrained firms adjust wages more in response to idiosyncratic shocks. In addition, firms that suffer the most during recessions back-load wages by offering steeper wage-tenure profiles to their workers. When matching these statistics with our general equilibrium model, we find that these wage adjustments reduce the sensitivity of output to financial shocks by 20%: wage back-loading enhances investment and job creation while improving allocative efficiency in general equilibrium. We conclude by studying policies aimed at reducing inputs cost during recessions. Our findings show that these wage adjustments diminish the effectiveness of temporary payroll subsidies while enhancing the effectiveness of temporary investment subsidies in stimulating output.

WORKING PAPERS

Fiscal Multipliers and Phillips Curves in a Consumption Network with Francesco Beraldi
(*Revision Requested,* ***American Economic Journal: Macroeconomics***)

We show that households spend their marginal and their average dollar differently across sectors. Crucially, marginal expenditure is biased toward sectors employing high-MPC workers, revealing a new redistribution channel that benefits high-MPC households during

expansions. We build a Multi-Sector, Two-Agent, New Keynesian model with non-homothetic preferences consistent with these findings. The new redistribution channel increases the fiscal multiplier by 10pp compared to an equivalent homothetic economy. The model also predicts steeper Phillips curves in sectors with high-MPC workers, a result we validate empirically with a novel identification strategy. The implied sectoral wage dynamics strengthen the redistribution towards high-MPC households and raise the inflationary impact of the shock by over 70 percent.

Risk Markups with Sebastian Di Tella and Christopher Tonetti

We study optimal policy in an economy where heterogeneous markups arise as compensation for uninsurable persistent idiosyncratic risk and cause misallocation. Entrepreneurs hire labor trading off expected profits against risk. We study the constrained-efficient allocation of a planner who can use a uniform labor tax and time-zero lump-sum transfers. The optimal keep rate equals the product of (1) the aggregate markup (2) workers' consumption share divided by their Pareto weight. The markup component reflects inefficient risk premia, and the consumption-share component reflects inefficient precautionary saving. In the long-run, the precautionary-saving component dominates, and the optimal policy is a tax.

SELECTED WORK IN PROGRESS

Are Wages Too Rigid? Wage Setting Externalities During a Credit Crunch

Wage rigidity and credit crunches are key drivers of macroeconomic fluctuations. Recent research suggests that wage rigidity can amplify the effects of a credit crunch by making firms more vulnerable to credit tightening. This paper studies constrained efficiency in economies with endogenous wage rigidity and aggregate financial shocks, finding that wages are too flexible rather than too rigid. Wage rigidity arises from bilaterally efficient negotiations between firms and risk-averse workers, yet this leads to a suboptimal allocation. During a credit crunch, firms reduce wages to free up resources for investment, but this creates a pecuniary externality: lower wages reduce household savings, raising borrowing costs in general. The constrained efficient allocation can be implemented with payroll subsidies during financial crises, a commonly used stabilization policy.

Labor Force Participation of the Elderly: Crowding-in or Crowding-out? with Andrea Cerrato

In recent decades, many developed countries have seen a significant increase in labor force participation among individuals aged 55 and above. This labor market shift has raised questions about its impact on younger workers. We show that rising educational attainment is a key driver of this trend. Higher education levels correlate with extended work participation, and newer cohorts of older individuals are notably more educated than previous ones. Isolating the effect of education on labor force participation, we find that increased participation among the elderly, driven by education, positively impacts young workers by increasing wages and reducing unemployment. Our analysis, supported by O*NET data, suggests that young workers and college-educated older workers complement each other in production, explaining the observed crowding-in effects.

The Puzzle of the Labor Wedge: A New Business Cycle Accounting Framework with Patrick Kehoe and Elena Pastorino

The labor wedge, defined as the deviation in the first-order condition for static labor supply in the growth model, plays a much larger role in explaining output fluctuations in the United States than in Europe. This is puzzling given the generally higher flexibility of U.S. labor markets compared to European ones. We propose an alternative accounting framework where labor markets are frictional and matches between firms and workers are governed by long-term contracts. This framework aims to reconcile the observed discrepancy between the contribution of the labor wedge in explaining recessions and the strength of labor market frictions across countries. A frictionless model

misinterprets credit shocks as productivity shocks, particularly in European economies during the Great Recession.

AWARDS AND FELLOWSHIP

Gale and Steve Kohlhagen Fellowship in Economics, SIEPR	2024 - 2025
Outstanding Teaching Assistant Award	2022
US PhD Scholarship, UniCredit Foundation	2019 - 2021
Allievi Scholarship, Honors Program, Collegio Carlo Alberto	2014 - 2019

RELEVANT POSITIONS

Department of Economics, Stanford University 2022 - 2024
Research Assistant for Patrick Kehoe and Elena Pastorino

Graduate School of Business, Stanford University 2021 - 2022
Research Assistant for Sebastian Di Tella and Christopher Tonetti

TEACHING EXPERIENCE

Department of Economics, Stanford University 2022 - 2024
Teaching Assistant, Macroeconomics III, for:
Patrick Kehoe and Luigi Bocola (2024), Patrick Kehoe and Adrien Auclert (2023), Patrick Kehoe and Pete Klenow (2022).

PROFESSIONAL ACTIVITIES

Student Member of the Academic Council, University of Turin 2017 - 2019
Student Representative, ESOMAS Department, University of Turin 2015 - 2019

LANGUAGES

English (fluent), Italian (native)