Anna Rogantini Picco **Anna.Rogantini@eui.eu**

Field of Research:
International Macroeconomics, International Finance, Fiscal Policy

I am in my third year of PhD (out of five) at the European University Institute in Florence and I am working under the supervision of Prof. Evi Pappa. I am visiting the London School of Economics and Political Science under the supervision of Dr. Gianluca Benigno.

My current research focuses on two main papers: the first on fiscal policy coordination between two countries with labour market asymmetries, and the second, joint with Alessandro Ferrari, on risk sharing across Euro Area (EA) countries. After discussing what I am doing in these two papers, I briefly talk about research topics I explored in the past.

The aim of the first paper is to shed light on whether fiscal policy coordination among countries tightened by a currency union carries some welfare improvements for individual countries and the area as a whole. In particular, the novelty of the paper is to consider the issue of fiscal policy coordination among countries which are characterised by different levels of labour market frictions. The question is addressed with a two-country dynamic stochastic general equilibrium (DSGE) model in a currency union with sticky prices à la Calvo (1983). Labour market frictions are modelled as search and matching frictions. While monetary policy is set at currency union level by the monetary authority of the union, fiscal policy is set at country level according to a fiscal rule. In order to study whether fiscal coordination can be welfare improving, a welfare analysis is conducted. Two different fiscal policy scenarios are analysed and compared. In the first one, the two governments play a Nash game where they maximise their own welfare, while taking the fiscal policy of the other country as given. In the second one, instead, the two governments set their fiscal policy in a cooperative manner by maximising a weighted average of each country's welfare. While in the first scenario the potential externalities arising from a non-cooperative fiscal policy are not taken into account, in the second one they are internalised. Since labour mobility is not assumed in this model, the externality goes through variations in the terms of trade, which has the effect of switching expenditure from the goods of one country to those of the other.

My other paper, on international risk sharing, joint with Alessandro Ferrari, seeks to empirically assess the effect of the adoption of the euro on the ability of euro area member states to smooth consumption and share risk. With the objective of evaluating the economic performance of euro area countries in the scenario where the euro had not been adopted, we construct a counterfactual dataset of macroeconomic variables via the Synthetic Control Method as in Abadie and Gardeazabal (2003). In order to get some preliminary measures of risk sharing, we first compute bilateral consumption correlations and Brandt-Cochrane-Santa Clara Indexes across euro area member states. We then decompose risk sharing in different channels by means of the Asdrubali, Sorensen and Yosha (1996) output decomposition. Our preliminary measures and our decomposition of risk sharing are computed with both actual and synthetic data so as to identify whether there has been any effect of the adoption of the euro on risk sharing and through which channels it has occurred. We find that the euro has not affected the level of risk sharing across euro area countries, but has partially reduced the ability of member states to smooth consumption. We attribute this change to the higher GDP growth generated by the adoption of the euro, which has been accompanied by a greater output volatility. We also report differential effects for core and periphery countries, showing that the former have not suffered any negative effects from the adoption of the euro in terms of risk sharing.

In addition to the papers I am currently working on, I worked on two other topics: sovereign risk transmission and systemic risk. My research on sovereign risk aimed at explaining how monetary policy can impact the transmission of risk from sovereigns to banks. In particular, I estimated the impact of the ECB's announcement of the three-year Long Term Refinancing Operations and the Outright Monetary Transactions on the sovereign risk transmission to the funding and lending rates of Italian banks. While I found evidence of a break in the sovereign risk transmission to funding rates, the pass-through to lending rates did not seem to be weakened in the analysed time-span.
My research on systemic risk was an empirical work investigating the main trends and common components in a systemic risk indicator, the Marginal Expected Shortfall (MES), of major Italian and German financial institutions. The main goal was to investigate whether some common patterns of behaviour in the MES of the analyzed Italian and German financial institutions were discernible.