

Giovanni Nicolò

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Personal

Citizenship: Italian

Birth date: May 6, 1986

Research Areas

Macroeconomics, Monetary Economics and Bayesian Econometrics

Education

Ph.D., Economics *Jun 2018*
University of California, Los Angeles

M.A., Economics *Sep 2014*
University of California, Los Angeles

M.A., Economics *Apr 2011*
Bocconi University, Milan, 110/110 cum laude

B.A., Institutions and Financial Markets Management *Jun 2008*
Bocconi University, Milan, 110/110

Employment

Board of Governors of the Federal Reserve System, Washington DC *Aug 2018 - Present*
Economist, Monetary Affairs Division

Board of Governors of the Federal Reserve System, Washington DC *Jun - Sep 2017*
Dissertation Fellow, Monetary Affairs Division

National Institute of Economic and Social Research, London *Sep - Dec 2016*
Visitor, Research Division

Federal Reserve Bank of St. Louis *Jun - Jul 2016*
Dissertation Fellow, Research Division

European Central Bank, Frankfurt am Main *Mar - Aug 2015*
Consultant, Directorate General Research

European Central Bank, Frankfurt am Main *Sep 2011- Jul 2012*
Research Assistant, Directorate General Research

Job Market Paper

"Monetary Policy, Expectations and Business Cycles in the U.S. Post-War Period."

This paper examines the interactions between monetary policy and the formation of expectations to explain U.S. business cycle fluctuations in the post-war period. I estimate a conventional medium-scale New-Keynesian model, in which I relax the assumption that the central bank pursued an 'active' monetary policy — i.e. that stabilizes inflation and output growth — over this entire period. I find that between 1955 and 1979 monetary policy was 'passive', and structural shocks de-anchored inflation expectations from the central bank's long-run target. Fundamental productivity and cost shocks were the primary cause of volatility and propagated via persistent self-fulfilling inflationary expectations. By contrast, non-fundamental 'sunspot' shocks, caused by unexpected changes in inflation expectations, were insignificant sources of uncertainty.

Publications

"Keynesian Economics Without the Phillips Curve," with Roger E. A. Farmer, *Journal of Economic Dynamics and Control*, April 2018, Vol. 89, pp. 137-150. [Prepublication version](#).

We extend Farmer's (2012b) Monetary (FM) Model in three ways. First, we derive an analog of the Taylor Principle and we show that it fails in U.S. data. Second, we use the fact that the model displays dynamic indeterminacy to explain the real effects of nominal shocks. Third, we use the fact that the model displays steady-state indeterminacy to explain the persistence of unemployment. We show that the FM model outperforms the New-Keynesian model and we argue that its superior performance arises from the fact that the reduced form of the FM model is a VECM as opposed to a VAR.

"Solving and Estimating Indeterminate DSGE Models," with Roger E. A. Farmer and Vadim Khramov, *Journal of Economic Dynamics and Control*, 2015, Vol. 54, pp. 17-36.

We propose a method for solving and estimating Linear Rational Expectations models that exhibit indeterminacy and we provide step-by-step guidelines for implementing this method in the Matlab-based packages Dynare and Gensys. Our method redefines a subset of expectational errors as new fundamentals. This redefinition allows us to treat indeterminate models as determinate and to apply standard solution algorithms. We prove that our method is equivalent to the solution method proposed by Lubik and Schorfheide (2003, 2004), and using the New-Keynesian model described in Lubik and Schorfheide (2004), we demonstrate how to apply our theoretical results with a practical exercise.

Working Paper

"A Generalized Approach to Indeterminacy in Linear Rational Expectations Models," with Francesco Bianchi, *R&R to Quantitative Economics*.

We propose a novel approach to deal with the problem of indeterminacy in Linear Rational Expectations models. The method consists of augmenting the original model with a set of auxiliary exogenous equations that are used to provide the adequate number of explosive roots in presence of indeterminacy. The solution in this expanded state space, if it exists, is always determinate and is identical to the indeterminate solution of the original model. The proposed approach accommodates determinacy and any degree of indeterminacy, and it can be implemented even when the boundaries of the determinacy region are unknown. Thus, the researcher can estimate the model by using standard packages without restricting the estimates to a certain area of the parameter space. We apply our method to simulated and actual data from a prototypical New-Keynesian model for both regions of the parameter space. We show that our method successfully recovers the true parameter values independent of the initial values.

Academic Trainings

Princeton University, *Sep 11-13, 2015*

Princeton Initiative: "Macro, Money and Finance," taught by Markus Brunnermeier and Yuliy Sannikov

European University Institute, *May 15-17, 2012*

EABCN Training School: "Forecasting Inflation," taught by Jonathan Wright

Teaching Assistant

Graduate

Ph.D. course, Macroeconomic Theory (University of Warwick): *Fall 2016* (Prof. Roger Farmer)

ECON 406, Money and Banking: *Spring 2017* (Prof. Andrew Atkeson)

ECON 402B, Applied Macroeconomics: *Winter 2017* (Prof. Roger Farmer)

Undergraduate

ECON 102, Macroeconomic Theory: *Spring 2014, Fall 2014, Fall 2015, Winter 2016, Spring 2016*

ECON 2, Principles of Economics (macroeconomics): *Fall 2013, Winter 2014*

ECON 1, Principles of Economics (microeconomics): *Winter 2015*

Conferences & Seminars

Conferences: European Winter Meeting of the Econometric Society (Barcelona GSE, Dec 13, 2017), Monetary Affairs Workshop (Federal Reserve Board, Aug 15, 2017), The Society for Economic Measurement's Fourth Conference (MIT, Jul 26-28, 2017), Applications of Behavioral Economics, and Multiple Equilibrium Models to Macroeconomic Policy Conference (BoE, Jul 3-4, 2017), Asian Meeting of the Econometric Society (Hong Kong, Jun 3-5, 2017), NBER-NSF Conference on Bayesian Inference in Econometrics and Statistics (Washington University in St. Louis, May 26-27, 2017), University of Warwick (UK, Nov 15, 2016), National Institute of Economic and Social Research (London, Nov 11, 2016), 12th Dynare Conference (Bank of Italy, Sep 30, 2016), Presentation to the President of the Federal Reserve Bank of St. Louis, James Bullard (Jul 7, 2016), Society for Economic Dynamics (SED, Toulouse, Jun 30, 2016), Federal Reserve Bank of St. Louis (Jun 14, 2016), CEPR-IMFS New Methods for Macroeconomic Modeling, Model Comparison and Policy Analysis (Frankfurt, Apr 6, 2016), NBER Multiple Equilibria and Financial Crises (NYU, Feb 27, 2016), NBER Summer Institute (Boston, July 9, 2015), European Central Bank (Frankfurt, June 12, 2015)

Seminars: University of California, Irvine (Apr 11, 2018)

Fellowships, Awards and Prizes

Dissertation Year Fellowship: a.y. 2017-2018 (\$20,000)

Marcia and Herbert Howard Graduate Fellowship, Best Paper Award, 2017 (\$4,300)

UCLA Alumni Association Fellowship Award: a.y. 2016-2017 (\$10,000)

Graduate University Fellowship: a.y. 2012-2013 (\$19,500), a.y. 2013-2014 (\$4,345)

UCLA Graduate Dean Scholarship Award: Fall 2012 (\$2,500), Summer 2013 (\$6,000)

References

Prof. Roger E. A. Farmer
Department of Economics
UCLA
rfarmer@econ.ucla.edu

Prof. Aaron Tornell
Department of Economics
UCLA
tornell@econ.ucla.edu

Prof. Francesco Bianchi
Department of Economics
Duke University
francesco.bianchi@duke.edu

Prof. Vincenzo Quadrini
Department of Finance and Business Economics
Marshall School of Business, USC
quadrini@usc.edu

Academic Refereeing

American Economic Journal: Macroeconomics, Econometrica, Journal of Applied Econometrics, Journal of Macroeconomics, Macroeconomic Dynamics, Review of Economic Dynamics, Society for Computational Economics

Skills and Languages

Programming: Matlab, Stata, \LaTeX , Scientific WorkPlace, LyX
Languages: Italian (Native language), English (Fluent), Spanish (Fluent), Portuguese (Advanced)

Vox CEPR's Policy Portal

Video Vox: "[Psychology and the Economy](#)," Bank of England, July 2017.