

# Cristian Badarinza

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CONTACT INFORMATION	Department of Money and Macroeconomics Goethe University - House of Finance Grüneburgplatz 1 60323 Frankfurt am Main	<i>Tel:</i> (69) 798-33828 <i>Fax:</i> (69) 798-33923 <a href="mailto:badarinza@wiwi.uni-frankfurt.de">badarinza@wiwi.uni-frankfurt.de</a>
CITIZENSHIP	Romanian	
RESEARCH INTERESTS	Household debt, Heterogeneous agents, Imperfect information, Structural macroeconomic modeling, Monetary policy and central bank communication	
EDUCATION	<b>Goethe University</b> , Frankfurt am Main, Germany  Ph.D., Economics (expected graduation date: July 2012) <ul style="list-style-type: none"><li>• Thesis Topic: Information, Heterogeneity and Macroeconomic Dynamics</li><li>• Advisor: Professor Michalis Haliassos</li><li>• Area of Study: Macroeconomics</li></ul> M.Sc., Quantitative Economics, October 2008 <ul style="list-style-type: none"><li>• Thesis Topic: Fiscal Policy Spill-Overs in the European Union</li><li>• Advisor: Professor Michael Binder</li><li>• Areas of Specialization: Macroeconomics and Econometrics</li></ul> <b>Academy for Economic Studies</b> , Bucharest, Romania  B.Sc., Business Administration <ul style="list-style-type: none"><li>• Thesis Topic: Risk Measurement in Portfolio Management</li><li>• Advisor: Professor Camelia Ratiu-Suciu</li><li>• Area of Study: Macroeconomics</li></ul>	
AWARDS	Deutscher Akademischer Austauschdienst (DAAD) <ul style="list-style-type: none"><li>• Graduate Scholarship, 2006 - 2008</li><li>• MSQE Program at Goethe University, Frankfurt am Main</li></ul> Deutscher Akademischer Austauschdienst (DAAD) <ul style="list-style-type: none"><li>• Undergraduate Guest Scholarship, 2004 - 2005</li><li>• Economics of the European Union at the University of Trier</li></ul>	
ACADEMIC EXPERIENCE	<b>Goethe University</b> , Frankfurt am Main  <i>Teaching Assistant</i> <span style="float: right;"><b>since January 2009</b></span> <ul style="list-style-type: none"><li>• Chair: Professor Michalis Haliassos</li><li>• Macroeconomics for Bachelor students. Course content: Growth theory, Business cycles, Monetary policy</li><li>• Advanced Macroeconomics for first-year Ph.D. students. Course content: Household Allocation Models, Asset Pricing, Monetary Models, Overlapping Generations</li></ul>	

PROFESSIONAL  
EXPERIENCE

**European Central Bank**, Frankfurt am Main

*Research Assistant*

**August 2008 to January 2009**

- Directorate General Research - Monetary Policy Research Division
- DSGE Modeling and Estimation, EU Consumption Survey Data, Central Bank Communication and Trust

CONFERENCES

BMRC-QASS Conference on Macro and Financial Economics  
London, UK, May 2010.

Workshop on Inflation and the Media  
Zurich, Switzerland, October 2010.

Conference on Consumer Inflation Expectations  
Federal Reserve Bank of New York, November 2010.

COURSES

Initiative for computational economics  
Prof. Kenneth Judd  
University of Zurich, September 2011.

Solving DSGE models with heterogeneous agents  
Prof. Wouter J. den Haan  
Tinbergen Institute, Amsterdam, August 2010.

TECHNICAL SKILLS

**MATLAB** experience: Dynare, numerical methods, heterogeneous agents  
Programming: C, Visual Basic, PHP, JavaScript  
Data processing: STATA, EViews  
Text editing: L<sup>A</sup>T<sub>E</sub>X, Microsoft Office

WORKING PAPERS

**Collateralized Debt and Social Externalities**

In this paper I analyze the implications of social status concerns on debt holdings at individual and aggregate level, first in a stylized simple household finance model and second in a partial equilibrium life-cycle framework with heterogeneous agents. The focal point of the analysis is the inclusion of durable goods, in their triple role as a part of utility, a collateralizable portion of life-time wealth and a social positioning device. I show that in an economy featuring social externalities, the debt-to-income ratio is higher, a shift of resources towards the beginning of life arises and the effects of changes in financial conditions are more pronounced.

**News and Policy Foresight in a Macro-Finance Model of the US**

*with Emil Margaritov*

We study the effects of information shocks on macroeconomic and term structure dynamics in an estimated medium-scale DSGE model for the US economy. We consider news about total factor productivity and investment-specific technology, as well as foresight about monetary policy. Our empirical investigation confirms the findings of previous studies on the limited role played by productivity news in this class of models. In contrast, we uncover a non-trivial role for investment-specific news and anticipated monetary policy shocks not only in the historical and variance decomposition of real economic variables but also for the overall dynamic behavior of the term structure of interest rates. We also document substantial qualitative differences in the dynamic responses of the macroeconomy and the bond yield term structure to anticipated and surprise structural and policy innovations.

## **Information Flows and Disagreement**

*with* Marco Buchmann

Companion paper: Inflation Perceptions and Expectations in the Euro Area: the Role of News, ECB Working Paper No. 1088/2009.

The aim of this study is to assess the extent to which the degree of heterogeneity of inflation expectations is driven by the flow of information related to current and future price developments. To that end, we follow three routes: i) We propose different measures of information flow that have either a sender or a receiver perspective; ii) We present empirical results for the US that aim to corroborate the hypothesis that news have the ability to densify expectations, i.e. to reduce forecast heterogeneity; and iii) We augment an otherwise standard model of expectation formation by allowing the individual updating frequency to depend on the observed measure of information flow; since the updating frequency is higher at times of high inflation and decreasing thereafter, this mechanism can contribute to the appearance of an upward bias in inflation expectations over long periods of time.

## **Macroeconomic Vulnerability and Disagreement in Expectations**

*with* Marco Buchmann

We aim to illustrate that changing levels of aggregate agreement about the future course of the economy can have a marked impact upon the propensity of the economy to switch between different regimes (say between expansions, normal-growth, and recessions). We argue that more (less) heterogeneous beliefs shall render the economy less (more) vulnerable to exogenous shocks. Our hypothesis finds robust empirical support from an endogenous Markov-switching model for US output growth in which the transition probabilities are allowed to be depending on the lagged level of economy-wide disagreement. We further argue that our disagreement metric is of avail for the purpose of measuring and assessing financial stability. Focus has so far been on various sorts of interest rates, interest rate spreads, volatilities, and the like, which may signal stress in financial markets, while the fact that stress could arise can be seen as being reflective of vulnerability of the market prior to the arrival of shocks. The disagreement measure can therefore signal potential economic up-, and in particular downturns, farther in advance.

## **Economic Development, Costly State Verification and Global Imbalances**

*with* Alexis Meyer-Cirkel

We study the effects of different forms of economic and financial development on current account movements for a wide range of countries. Rather than approaching the issue from the macroeconomic side of the literature, we resort to developments in the field of finance, particularly using the Costly State Verification (CSV) framework as a theoretical foundation. While neoclassical theory would predict capital to flow towards regions where marginal rates of productivity are higher - which under normal circumstances would be found in less developed economies - under the presence of credit market imperfections such as CSV, the direction of flows can be reversed. We propose a method to quantify verification costs and provide robust evidence in support of the analytical framework. We show that current account deficits are associated with high capital intensity and low levels of financial frictions. By using a new measure of financial development and by including the foreign sector explicitly in the empirical model specifications, we show that there may be an essential (bilateral) role for financial development in determining global imbalances.