UNIVERSITY OF CAMBRIDGE

Faculty of Economics

OLIVER VIZETELLY DE GROOT

https://sites.google.com/site/oliverdegroot/
ovd20@cam.ac.uk

Placement Director:	Dr Alexei Onatski	ao319@cam.ac.uk	+44(0)1223335240
Placement Assistant:	Louise Cross	lc100@cam.ac.uk	+44(0)1223335206

Office Contact Information:
Faculty of Economics, University of Cambridge
Cambridge, CB3 9DD,UK
Mobile phone number: +44(0)7828226218

Home Contact Information:
73 Great Eastern Street
Cambridge, CB1 3AB, UK

Graduate Studies:

PhD, University of Cambridge, 2006-2008 & 2009 to present — *Thesis Title:* "Essays in Macroeconomic Dynamics"
Expected Completion Date: March 2012

MPhil, Economics, University of Cambridge, 2006 — Distinction (highest mark in the year)

References:

Dr Chryssi Giannitsarou
University Senior Lecturer
University of Cambridge
cg349@cam.ac.uk

Prof. Giancarlo Corsetti
Professor of Economics
University of Cambridge
gc422@cam.ac.uk

Prof. Hashem Pesaran
Professor of Economics
University of Cambridge
mhp1@cam.ac.uk

Dr Ben Broadbent
External MPC Member
Bank of England
ben.broadbent@bankofengland.co.uk

Research Fields:

Primary fields — Financial Markets and the Macroeconomy

Secondary fields — Macroeconomic Policy

Research Papers:

"Coordination Failure and the Financial Accelerator" (Job Market Paper)

"Cost of Borrowing Shocks and Fiscal Adjustment" with F. Holm-Hadulla (ECB) and N. Leiner-Killinger (ECB)

"The Risk Channel of Monetary Policy" with M. Paustian (BoE)

"Learnability of Sunspot Equilibria: RBC vs. New-Keynesian Modeling"

Teaching Experience:

2010-2011	MPhil Macroeconomics (Best teacher award)
2010-2011	MPhil Advanced Macroeconomics (Best teacher award)
2007-2008 & 2010-2011	Undergraduate Macroeconomics (Part IIA and Part IIB)
2009-2011	Undergraduate Mathematics and Statistics for Economists (PI)
2005-2006 & 2009-2010	Undergraduate Microeconomics (PI Consumer and Producer Theory and PIIA General Equilibrium and Welfare)

Research Experience and Other Employment:

2011 (3 months)	PhD Intern, Monetary Strategy Division, Bank of England
2011 (3 months)	PhD Intern, Fiscal Policy Division, European Central Bank
2010-2013	Mead Research Fellow in Economics, Emmanuel College, University of Cambridge
2010-2011	Research Assistant , "Government Debt Management" for Prof. A. Scott, Prof. A. Marcet and Dr E. Faraglia
2008-2009	Macroeconomics Research Analyst, Global Economics Research, Goldman Sachs, London, (On leave from my PhD studies)
2008	Bye-Fellow and Director of Studies, Girton College, University of Cambridge,

Personal Information:

Born: 1st December 1982, Sex: Male, Citizenship: British and Dutch

Undergraduate Studies:

2005	MA, Economics, University of Cambridge, First Class Honours

Presentations:

2011	Bank of England (forthcoming) European Central Bank (forthcoming) Mid-West Macroeconomics Conference, Vanderbilt University, Nashville, TN Cambridge Finance Seminar, University of Cambridge
2010	COOL Macro 3, Birbeck, University of London ISNE Annual Meeting, Trinity College Dublin EDGE Jamboree, University College Dublin Macroeconomics Workshop, University of Cambridge RES Summer School, University of Birmingham
2006, 2007 & 2008	Macroeconomics Workshop, University of Cambridge

Discussions:

"The Role of Bank Credit in the International Business Cycle", by T.T. Xu at the RES Easter School, 2010, University of Birmingham.

"Bank's Liquidity Creation and Central Bank's Liquidity: A Global VAR Approach" by D'Avino, C., E. Girardin, and L.V. Smith at the EDGE Jamboree, 2010, University College Dublin.

Training courses attended:

2010	Royal Economic Society Easter School on "Credit, Business Cycles and Finance" with Prof. N. Kiyotaki and Prof. S. Morris

Honors, Scholarships, and Fellowships:

2011	Award for Best MPhil Teacher
2010-2013	Mead Research Fellowship, Emmanuel College, University of Cambridge
2010-2011	RES Junior Research Fellowship (Declined)
2006-2008 & 2009-2010	ESRC Postgraduate Studentship
2006-2008 & 2009-2010	ESRC Advanced Quantitative Methods Stipend
2005, 2006 & 2007	J.R. Bellerby Award, Gonville and Caius College, University of Cambridge
2006	Stevenson Prize for Best MPhil Mark, Faculty of Economics, University of Cambridge
2005	CUBC President's Prize for Academic Excellence
2004	Co-president of the Caius Economics Society

Skills and Qualifications:

Computing	Excel, MatLab, GAUSS, Mathematica, RATS, Eviews, Microfit, Stata, Fortran and Latex
Languages	English (mother tongue), Dutch (father tongue), German (A at GCSE Level), Spanish (Cambridge University Basic Certificate, 2008)

Abstract of Papers

"Coordination Failure and the Financial Accelerator" (Job Market Paper)

This paper studies the effect of liquidity problems in markets for short-term debt within a DSGE model with leveraged borrowers. Creditors (financial intermediaries) receive imperfect signals regarding the profitability of borrowers (entrepreneurs) and, based on these signals and their beliefs about other intermediaries' actions, choose between rolling over and foreclosing on the debt. Due to the uncoordinated actions of intermediaries, the incidence of rollover is suboptimal, generating endogenous capital scrapping and an illiquidity premium on external finance. As entrepreneurs become more leveraged, the magnitude of the coordination inefficiency increases as do the premiums paid on external finance. The interaction between entrepreneurial leverage and the illiquidity premium generates significant amplification of technology shocks, and predicts that periods of illiquidity in credit markets can generate sharp contractions in output. Two unconventional policy responses are analyzed. Direct lending to entrepreneurs is found to dampen output fluctuations. Equity injections into entrepreneurs' balance sheets, however, are significantly more powerful in dampening the contemporaneous effect of illiquidity shocks, but cause output deviations from potential to persist.

The Risk Channel of Monetary Policy (with M. Paustian)

We follow Gertler et al. (2011) in endogenizing the strength of the financial accelerator by making it dependent on the funding structure of banks. By using a second order approximation method, banks optimally choose their mix of short-term debt and equity financing. We show that this financing decision of banks is a function of the magnitude of the underlying shocks in the economy and the policy environment in which they operate. Developed within a canonical New-Keynesian model, we investigate the often quoted claim by commentators that monetary policy and the great moderation induced banks to leverage themselves and take more risk on their balance sheets. In light of this risk channel of monetary policy, we search for an optimal Ramsey monetary policy rule.

Cost of Borrowing Shocks and Fiscal Adjustment (with F. Holm-Hadulla and N. Leiner-Killinger)

Do investors in sovereign bond markets impose fiscal discipline on public finances? We investigate the responses of fiscal variables to a change in cost of public debt service using a panel of 14 European countries over several decades. In the context of a panel vector autoregressive (PVAR) model, and using sign restrictions via the penalty function method of Mountford and Uhlig (2009) to identify structural shocks, we find that fiscal consolidation does follow a rise in the cost of borrowing. Our baseline estimation finds that a one percentage point rise in the cost of borrowing leads to a cumulative contraction of the primary deficit-to-GDP ratio of 2.5 % of GDP over 10 years while the debt-to-GDP ratio rises by 1% of GDP over the same horizon. However, the evidence suggests that the fiscal response is only gradual with significant primary deficit adjustments only evident 2 years following the shock. Of further interest, we find the pre-1992 (prior to the signing of the Maastricht Treaty) EMU countries, and the non-EMU countries both pre- and post-1992 are unresponsive to changes in the cost of borrowing, suggesting a positive effect of the Maastricht Treaty on fiscal behaviour in EMU countries. Finally, we find that the majority of fiscal adjustment following a rise in the cost of borrowing takes place via a rise in government revenues rather than cuts in primary expenditures.

Learnability of Sunspot Equilibria: RBC vs. New-Keynesian Modeling

There exists a puzzle in the current literature on monetary policy and learning. New-Keynesian models with forward-looking interest rate rules have learnable sunspots (Evans and McGough, 2005). On the other hand, in RBC models there exist no learnable sunspots (Duffy and Xiao, 2007). This paper identifies which feature of the new-Keynesian models causes the learnability result to switch. It extends the literature by creating a model which fully nests both a new-Keynesian model and the RBC model. This allows the model parameters to be adjusted, adding/removing capital, money, monopolistic competition and sticky prices. A thorough analysis of sunspot equilibria under learning is conducted under differing model assumptions.