

# Supervisor Project Idea

## Supervisor

Insert a brief CV and/or external link, the total number of publications, the ORCID link, 5 of the most significant/recent publications, and a list of funded projects and awards. **max 300 words**

Alberto Russo is Professor of Economics at the Department of Economic and Social Sciences, Università Politecnica delle Marche, Ancona (Italy).

Short CV: [www.univpm.it/alberto.russo](http://www.univpm.it/alberto.russo) (see section Curriculum - CV)

He has about 70 publications, including more than 40 papers in internationally recognized journals, on the following topics: agent-based macroeconomics; inequality, financial fragility, and crisis; inequality, innovation, and growth; fiscal and monetary policy with heterogeneous interacting agents; adaptive expectations in lab experiments.

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5 significant/recent publications:

1. Fierro L.E., Giri F., Russo A. (2023), "Inequality-constrained monetary policy in a financialized economy", *Journal of Economic Behavior and Organization*, 216, 366-385
2. Botta A., Caverzasi E., Russo A. (2022), "When Complexity Meets Finance: A Contribution to the Study of the Macroeconomic Effects of Complex Financial Systems", *Research Policy*, 52, 103990.
3. Botta A., Caverzasi E., Russo A., Gallegati M., Stiglitz J.E. (2021), "Inequality and Finance in a Rent Economy", *Journal of Economic Behavior and Organization*, 183: 998-1029.
4. Colasante A., Palestini A., Russo A., Gallegati M. (2017), "Adaptive Expectations versus Rational Expectations: Evidence from the Lab", *International Journal of Forecasting*, 33(4): 988-1006.
5. Delli Gatti D., Gallegati M., Greenwald B., Russo A., Stiglitz J.E. (2010), "The Financial Accelerator in an Evolving Credit Network", *Journal of Economic Dynamics and Control*, 34(9): 1627-1650.

Recent funded projects as PI:

- "Exploring EXPACE. The Complementarities Between Experimental Economics and Agent-Based Computational Economics", Valencian Community (AICO/2021/005).
- "Inequality, financial fragility and monetary policy in a macro agent-based framework with experimentally tested boundedly rational expectations", Universitat Jaume I (UJI-B2020-16).

Kapp Prize 2020 (ex-aequo) for the best paper awarded by the EAEPE (European Association for Evolutionary Political Economy)

## Research Group Description

*Provide the name the reference department and a brief description of the research group, including external links, and available instrumentations and infrastructures. max 300 words*

The project will be developed at the Department of Economic and Social Sciences (DiSES).

DiSES has a long tradition in economic analysis, starting from the research group that formed around Giorgio Fuà.

One of the directions of the department has regarded the analysis of the economy as a complex system mainly through the application of agent-based modelling (ABM), under the guidance of Prof. Mauro Gallegati.

The present research is led by one of the members of that group, Prof. Alberto Russo, who is currently supervising three doctoral students at DiSES working on ABM applied to the following topics: inequality and the transmission channels of monetary economics; energy economics; multi-sector dynamics and the inequality-inflation nexus; secular stagnation, demography, and inheritance.

The project idea is related to a research project on how inequality influences monetary policy under financialization, with Federico Giri (Assistant Professor at DiSES) and Luca E. Fierro (Post-Doc Fellow at IIASA, Vienna), and benefits from their collaboration.

An initial version of the project has been developed at Universitat Jaume I, under a financing from the Valencian Community, with which there is an active collaboration, including the Laboratory of Experimental Economics (LEE).

The part of the project on financialization is related to another idea initially developed in a paper with Alberto Botta (Greenwich University, London), Eugenio Caverzasi (University of Insubria), Mauro Gallegati, and Joseph E. Stiglitz, with whom we will have the opportunity to interact and exchange ideas.

Last but not least, one of the department's strengths is the presence of experts in microeconometrics and computational econometrics, who can support the empirical part of the project, as well as economic historians and sociologists to put the project idea in perspective.

## Title and goals

Provide the title of the topic and a short summary of the project idea. max 200 words

### *Central Bank Independence from what? Inequality, financial fragility, and monetary policy*

Modern central banking is rooted in the principle of Central Bank Independence (CBI) to insulate monetary policy from political pressures. This is aimed at countering the inflationary bias, thus proposing a solution to the time-inconsistency problem, perhaps through appointing a 'conservative' central banker.

Our hypothesis is that, though *de jure* independence may be assured, the same political dimension of economic analysis and policy makes it impossible for central banks to be *de facto* independent. The project explores a different interpretation of CBI as an ideology that enforced a tendency to control inflation under declining workers' bargaining power and deregulated finance. Indeed, the 'conservative' turn in central banking, as part of a broader political change started between the 1970s and the 1980s, has evolved along with increasing inequality and financial fragility, creating an unstable system that required declining interest rates to guarantee the sustainability of households' debt and a steady flow of liquidity to rescue finance.

We will perform an empirical analysis (based on CBI indexes) and build a theoretical model with Heterogenous Interacting Agents to assess the role of CBI in an unequal and financially unstable environment.

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