



UNIVERSITÀ
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DELLE MARCHE

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

Supervisor: Prof. Alberto Russo

Department of Economic and Social Sciences
(DiSES) - <https://dises.univpm.it/en/home-english/>



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Research Group Description



➔ Prof. Alberto Russo (Professor of Economics)

<https://orcid.org/0000-0001-8896-109X>, Scopus: 51 papers, 1068 citations, h-index 18

➔ **Past job positions:** Beatriz Galindo Distinguished Researcher, Universitat Jaume I, Spain (2019-2023); Assistant and then Associate Professor, Università Politecnica delle Marche (2008-2019); Post-Doc Fellow, Università Politecnica delle Marche (2007-8); Post-Doc Fellow, Scuola Normale Superiore, Pisa (2005-2007).

➔ **Research interests:** Agent-Based Macroeconomics; inequality, financial fragility, crisis; inequality, innovation, and growth; fiscal and monetary policy with Heterogeneous Interacting Agents.

➔ **Teaching activity:** Macroeconomics (undergraduate, graduate, PhD level); Agent-Based Economics (Graduate/PhD level, invited lectures in winter/summer schools), International Integration (master).

➔ **Research grants:** “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).

➔ **Most recent/relevant publications:**

- 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
- 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.
- Catullo E., Gallegati M., Russo A. (2022), “Forecasting in a Complex Environment: Machine Learning Firms Expectations in a Stock Flow Consistent Agent-Based Simulation Model”, *Journal of Economic Dynamics and Control*, 139, 104405.
- 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.



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The Department of Economic and Social Sciences (DiSES), formerly Department of Economics, 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* and *agent-based modelling* (ABM) under the guidance of Prof. Mauro Gallegati (h-index 36).

Coming from this group, Prof. Alberto Russo 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 can benefit from their collaboration.

An initial version of the project has been developed at the *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 further 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.



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The Department of Economics and Social Sciences

Director: Prof. Maria Cristina Recchioni

The Department of Economics and Social Sciences (DiSES) was established on 1 July 2011 from the merger of the Department of Economics with the Historical and Sociological area of the Department of Social Sciences, and the Applied Economics area of the Department of Management and Industrial Organization.

45 professors and researchers are affiliated with the Department: 27 belong to the economics area, 8 to economic statistics, 6 to the social sciences area, and 4 to economic history. The technical and administrative staff is made up of 10 people: the administrative secretary, 5 administrative and 4 technicians.

The main research areas developed concern: Growth and Economic Development, Demography, Econometrics, International Economics and Trade, Environmental Economics, Labor Economics, Industrial, Business and Innovation Economics, Monetary Economics, Public Economics, Regional Economics, Macroeconomics, Economic Sociology, Social and Health Organizations, Economic Statistics, History of Economic Thought, and Economic History.

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Research center: CRIS
Research group: MoFiR

Public Engagement:

- Paolo Canofari: Independent expert for the Economic and Monetary Affairs Committee of the European Parliament;
- Francesco Maria Chelli: ISTAT pro tempore President;
- Marco Cucculelli: General Secretary of the Italian Economic Association; Top 2% Most Influential Scientists (Ranking Stanford);
- Riccardo Lucchetti: Member of the GRETL developer team



Project Idea: Central Bank Independence from what? Inequality, financial fragility, and monetary policy

Background: 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.