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Prior Education:

M.Phil. in Economic Research, University of Cambridge, Trinity College, Distinction, 2016
B.A. in Economics, University of Cambridge, Trinity College, First Class Honours, 2015

Graduate Studies:

Harvard University, 2016 to present
Ph.D. Candidate in Business Economics
Thesis Title: “Partial Equilibrium Thinking: micro-foundations and macro implications”
Expected Completion Date: May 2022

References:

Professor John Y. Campbell
Harvard University
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Professor Andrei Shleifer
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Professor Jeremy Stein
Harvard University
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Professor Samuel Hanson
Harvard Business School
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Teaching and Research Fields:

Primary fields: Finance (Asset Pricing, Behavioral Finance)
Secondary fields: Behavioral Economics, Macroeconomics

Teaching Experience:

Fall 2020 Finance Reading Group, Harvard, co-organizer for Profs. John Campbell, Xavier Gabaix, Sam Hanson, and Adi Sunderam

- Spring 2020 Finance Reading Group, Harvard, co-organizer for Profs. John Campbell, and Xavier Gabaix
Spring 2019 Finance Reading Group, Harvard, co-organizer for Prof. John Campbell
Fall 2018 Asset Pricing (2nd year Ph.D.), Harvard, teaching fellow for Prof. John Campbell

Professional Activities:

Conference Presentations, and Invited Talks:

- 2021 NBER Behavioral Finance, SITE Workshop on Psychology and Economics
2020 London School of Economics, AFA, ECSOC World Congress
2019 10th Miami Behavioral Finance Conference

Referee for: *Quarterly Journal of Economics*

2018-present Harvard Finance Lunch co-organizer

Honors, Scholarships, and Fellowships:

- 2021 Martin Award for Excellence in Research, Harvard Business School
2019 – 2021 NBER Pre-Doctoral Fellowship in Behavioral Macroeconomics
2015 Internal Graduate Studentship, University of Cambridge, Trinity College
2015 Senior Academic Scholarship, University of Cambridge
2014 Summer Research Studentship, University of Cambridge, Trinity College
2013 Junior Academic Scholarship, University of Cambridge

Research Papers:

“Partial Equilibrium Thinking, Extrapolation, and Bubbles” (with Paul Fontanier) [**Job Market Paper**]

We model a financial market where some agents mistakenly attribute any price change they observe to new information alone, when in reality part of the price change is due to other agents’ buying/selling pressure, a form of limited thinking that we refer to as “Partial Equilibrium Thinking” (PET). PET provides a micro-foundation for price extrapolation, where the degree of extrapolation depends on the informational edge of informed agents. In normal times, this edge is constant and bubbles and crashes do not arise. By contrast, following a large one-off innovation in fundamentals that temporarily wipes out informed agents’ edge (a “displacement event”), extrapolation by PET traders is initially very aggressive but then gradually dies down, leading to bubbles and endogenous crashes. Micro-founding the degree of extrapolation in this way allows us to shed light on both normal market dynamics and on the Kindleberger (1978) narrative of bubble within a unified framework.

“Partial Equilibrium Thinking in General Equilibrium” (with Paul Fontanier)

We develop a theory of “Partial Equilibrium Thinking” (PET), a type of misinference whereby agents fail to understand the general equilibrium consequences of their actions when inferring information from endogenous outcomes. PET generates a two-way feedback between outcomes and beliefs, which can lead to arbitrarily large deviations from fundamentals. In financial markets, PET equilibrium outcomes exhibit over-reaction, excess volatility, high trading volume, and return predictability. We draw a distinction between models of misinference and models with biases in Bayesian updating, and study how these two departures from rationality interact. We show that misinference from mistakenly assuming the world is rational can vastly amplify biases in Bayesian updating, and that the distinction between these two biases can have important quantitative implications.

Research Papers in Progress:

“Credit Cycles with Model Misspecification” (with Paul Fontanier)

We propose a behavioral theory of credit cycles that rests on model misspecification. Banks infer information about the underlying quality of the pool of borrowers by looking at credit volume, but use a misspecified model to do so. Their inferred beliefs then influence their current lending standards, which in turn lead to changes in aggregate credit volume and future beliefs, thus giving rise to a two-way feedback between outcomes and beliefs. We highlight three sets of results. First, following a positive shock, agents' beliefs become decoupled from fundamentals, and banks perceive the quality of the pool of borrowers to be increasing even when it is in fact decreasing. This helps rationalize the well-established fact that booms are associated with decreasing credit spreads and a deteriorating quality of funded borrowers. Second, we allow the quality of the pool of borrowers to be endogenous, and we show how the interaction of our behavioral bias with dynamic strategic substitutabilities in lending standards generates endogenous credit cycles with systematic reversals. Third, we turn to forecast errors to show that since the influence of beliefs on aggregate credit volume is state-dependent, the size of the behavioral bias is also state-dependent, and the response to positive and negative shocks is asymmetric.

“On the Predictability of Forecast Errors” (with Paul Fontanier)

Regressions aimed at detecting forecast errors predictability are a widespread tool to assess deviations from the full information rational expectations equilibrium benchmark. We show that interpreting these regression coefficients as evidence of over- or under-reaction may be misleading when the object of interest is an endogenous variable. We simulate scenarios where an econometrician would detect short-term under-reaction and long-term over-reaction, when in reality the equilibrium outcome exhibits over-reaction at all horizons when compared to the rational expectations benchmark. We then turn to stock market expectations data and compare regression results on earnings and dividends (exogenous variables) with those on price targets (endogenous variable). Regressions of forecast errors predictability are still instructive of the precise biases agents have, but only when they are interpreted through the lens of the underlying structural model.

Older Research

“Identification of Factor-Augmenting Technical Growth and the Decline of the Labor Share” (with Robert Lawrence, Eben Lazarus, and James Stock)

This project ties together some time series theory on weak identification with macro-related questions on the drivers of the decline in the labor share. In a standard Neoclassical production framework, the decline in the labor share could be due to either capital augmenting technological progress if capital and labor are substitutes, or to labor-augmenting technological progress if capital and labor are complements. It is well known that when the elasticity of substitution between capital and labor is unity, the production function is Cobb-Douglas and the growth rate of capital- and labor-augmenting technical progress are not separately identified. In this project, we develop asymptotic theory for the distribution of these estimators for the case when the elasticity of substitution between capital and labor is close to unity, so that identification is weak. We then develop methods for weak-identification-robust inference extended to the cointegration context relevant for this empirical setting. Although confidence sets for some industries and sectors are uninformative, overall our results come down on the side of labor and capital being complements and technical change on net being labor-augmenting.