

**PhD THESIS**

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**Essays in Applied Macroeconomics**

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## **Abstract**

In Chapter 1, written jointly with Maddalena Galardo, we propose a new indicator of central bank's verbal guidance, which measures the communication about future based on the frequency of future verbs in monetary policy statements. We consider the press conferences of the European Central Bank as testing case. First, we analyze the main determinants of our index and estimate the unexpected component. Second, we investigate the effects of the identified innovation of verbal guidance on daily changes of forward money markets rates between September 2007 and December 2015. Our results show that financial markets' expectations on future short-term interest rates react to a shock of communication about future: the effect is negative and larger for longer horizons, after controlling for the standard policy rate shock and the announcement of unconventional monetary policies. This suggests that the verbal guidance has been an effective policy instrument to signal further accommodative monetary policy stance.

In Chapter 2, written jointly with Caterina Mendicino, we investigate the relevance of the wealth channel, i.e. whether and the extent to which wealth changes affect households' consumption. To address these questions, we use newly available harmonized euro area wealth data and the methodology in Carroll, Otsuka and Slacalek (*JMCB*, 2011). We find that the marginal propensity to consume out of total wealth averaged across the largest euro area economies is around 3 cents per euro, with a marginal propensity to consume out of financial wealth significantly larger than that of housing wealth. Country-groups estimates document no significant differences between the largest economies and the rest of the sample. In contrast, remarkable differences emerge between periphery and core countries. Total and financial wealth effects are about 2 and 4 times larger in periphery economies.