

MARCO DI MAGGIO
COLUMBIA BUSINESS SCHOOL

Division of Economics and Finance
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ACADEMIC POSITIONS Assistant Professor, Columbia Business School July 2013-present
Division of Finance and Economics

EDUCATION Massachusetts Institute of Technology (MIT), 2013
PhD, Economics
DISSERTATION: "Essays on Amplification Mechanisms in Financial Markets"
Committee: Daron Acemoglu, Stephen Ross, Abhijit Banerjee and Andrey Malenko

Northwestern University, Visiting Scholar, 2006-2007

University of Naples Federico II, 2003-2008
Laurea in Economics *summa cum laude* (110/110 *cum laude*)

RESEARCH INTERESTS Corporate Finance, Market Microstructure, Asset Pricing with Frictions

RELEVANT POSITIONS Research Associate, Credit Suisse, New York, NY

FELLOWSHIPS, HONORS, AND AWARDS Inquire Europe Research Grant
J. A. Chazen Institute of International Business Research Grant
Dissertation Grant, Shultz Fund
American Finance Association, PhD Travel Grant
European Economic Association, Travel Grant
George and Obie Shultz Fund Grants
"F. Adipietro" Prize for an outstanding research thesis
MIT Department of Economics, Supplemental Fellowship
"Giovanna Crivelli" Fellowship, Unicredit Group
"Ando-Modigliani" Fellowship, Bank of Italy (declined)

PROFESSIONAL ACTIVITIES *Invited Seminars:*
Stanford GSB, Chicago Booth, Boston College Carroll, Duke Fuqua, Northwestern Kellogg, Harvard Business School, Columbia Business School, UNC Kenan-Flagler, New York University (Stern), Berkeley Haas, Federal Reserve Boards of Governors, Federal Reserve of New York, Federal Reserve Bank of Philadelphia, EIEF, Collegio Carlo Alberto.

Other Presentations (scheduled):*

NBER Summer Institute Real Estate*	2014
NBER Summer Institute Monetary Economics*	
European Summer Symposium in Economic Theory; Gerzensee*	
International finance and Macro finance Workshop, Sciences Po Paris*	
Barcelona GSE Summer Forum*	
3rd ITAM Finance Conference 2014*	
The Financial Intermediation Research Society Meeting Quebec City*	
Csef-IGIER Conference - June 2014*	
2014 SFS Finance Cavalcade	
Texas Finance Festival McCombs Business School	
Adam Smith Conference Asset Pricing	
American Finance Association (Asset Pricing Theory)	
Econometric Society (Financial Regulation and Information)	
Sixth Erasmus Liquidity Conference, Rotterdam, The Netherlands	2013
European Finance Association, Cambridge, UK	
Ninth CSEF-IGIER Symposium on Economics and Institutions, Capri, Italy	
SFS Finance Cavalcade, Miami, FL	
Financial Intermediation Research Society, Dubrovnik, Croatia	
North American Summer Meeting of the Econometric Society, Evanston, IL	2012
MOOD 12th Workshop in Economic Theory and Econometrics, Rome, Italy	
CREI-CEPR conference on "Decision Theory and its Applications to Economics and Finance", Barcelona, Spain	
Workshop on Information in Networks, NYU Stern School of Business	2011
NBER Summer Institute 2011, Cambridge, MA	
European Finance Association. Stockholm, Sweden	
European Economic Association, Oslo, Norway	
Conference on The Economics of Intellectual Property, Software and the Internet, Toulouse	
MIT Field Lunch Workshops (Finance, Macroeconomics, Theory, Org. Economics)	

Referee:

American Economic Review, Econometrica, Journal of Finance, Review of Economic Studies, Review of Financial Studies, Journal of Economic Theory.

**RESEARCH
PAPERS**

“Credit-Induced Boom and Bust” (with Amir Kermani)

Can a credit expansion induce a boom and bust in house prices and real economic activity? This paper exploits the federal preemption of national banks from local laws against predatory lending to gauge the effect of the supply of credit on the real economy. Specifically, we exploit the heterogeneity in the market share of national banks across counties in 2003 and that in state anti-predatory laws to instrument for an outward shift in the supply of credit. First, a comparison between counties in the top and bottom deciles of presence of national banks in

states with anti-predatory laws suggests that the preemption regulation produced an 11% increase in annual lending. Our estimates show that to this lending increase is associated with a 12% rise in house prices and a 2% expansion of employment in the non-tradable sectors, followed by drops of similar magnitude in subsequent years. Finally, we show that the increase in the supply of credit reduced mortgage delinquency rates during the boom years but increased them in bust years. These effects are even stronger for subprime and inelastic regions.

“Market Turmoil and Destabilizing Speculation” *submitted*

This paper explores how speculators can destabilize financial markets by amplifying negative shocks in periods of market turmoil, and confirms the main predictions of the theoretical analysis using data on money market funds (MMFs). I propose a dynamic trading model with two types of investors - long-term and speculative - who interact in a market with search frictions. During periods of turmoil created by an *uncertainty shock*, speculators react to declining asset prices by liquidating their holdings in hopes of buying them back later at a gain, despite the asset's cash flows remaining the same throughout. Moreover, I show that a reduction in trading frictions leads to more severe fluctuations in asset prices. At the root of this result are the strategic complementarities between speculators expected to follow similar strategies in the future. Using a novel dataset on MMFs' portfolio holdings during the European debt crisis, I gauge the strength of funds' strategic interactions as the number of funding relationships each issuer has with MMFs. I show that funds are more likely to liquidate the securities of issuers that have fewer funding relationships with other funds, obliging them to borrow at shorter maturity and higher interest rates.

“Financial Disclosure and Market Transparency with Costly Information Processing”
(with Marco Pagano) *submitted*

We study a model where some investors ("hedgers") are bad at information processing, while others ("speculators") have superior information-processing ability and trade purely to exploit it. The disclosure of financial information induces a trade externality: if speculators refrain from trading, hedgers do the same, depressing the asset price. Market transparency reinforces this mechanism, by making speculators' trades more visible to hedgers. As a consequence, asset sellers will oppose both the disclosure of fundamentals and trading transparency. This policy is socially inefficient if a large fraction of market participants are speculators and hedgers have low processing costs. But in these circumstances, forbidding hedgers' access to the market may dominate mandatory disclosure.

“Fake Alphas, Tail Risk and Reputation Traps”

This paper presents a model in which the investment funds' desire to enhance their reputation is decisive in determining the severity of aggregate shocks. Fund managers can generate active returns at a disutility or try to time the market, while investors learn about the manager's skill by observing past returns. During booms, star funds exploit their status by extracting higher rents from investors, while poor performers may end up in a reputation trap, limiting their ability to attract investment. In a crisis, the funds exploit their reputation more frequently and tend to exacerbate fluctuations insofar as in the search for higher short-term returns they expose investors' capital to tail risk. The model's predictions on the effect of volatility, skewness of returns and inflows of funds, are all supported by recent empirical evidence on fund managers' behavior.

“Information Sharing, Social Norms and Performance” (with Marshall Van Alstyne) *submitted*

What drives workers to seek information from their peers? And how does communication affect employee performance? We address these questions using an original panel data set that includes all accesses to an information-sharing platform, together with performance measures of all loan officers at a major commercial bank. We show that low skill agents benefit the most from consuming others' information. Moreover, we provide evidence that job rotation destroys specialized human capital, such as soft information about local borrowers. Finally, by instrumenting the demand for information with the exogenous variation arising from differences in social norms among branches, we are able to assess the causal effect of information sharing on performance.

**RESEARCH IN
PROGRESS**

“The Unintended Consequences of the Zero-Lower Bound” (with Marcin Kacperczyk)
COMING SOON

We investigate the effect of the zero-lower bound interest rate policy on money market funds industry. We find that, as the Fed funds rate approaches zero bound, money funds display reaching for yield incentives in that they invest in riskier asset classes and hold less diversified portfolios. The reduction in interest rates also increases the likelihood of funds exiting the market and lowers expenses funds charge to investors. Consistent with the reputation concerns at stake, we find that funds affiliated with large financial institutions are more likely to exit the market while funds managed by independent asset management companies take on relatively more risk. Additional evidence from the Fed's forward guidance policy corroborates the findings.