

Anil Ari

International Monetary Fund
Research Department
1900 Pennsylvania Ave NW
Washington, DC 20431, USA

aari@imf.org
www.anil-ari.com

EMPLOYMENT

Sep 2017- **International Monetary Fund**, Washington, DC, USA
Economist, Macro-Financial Division, Research Department

Jun 2014- **European Central Bank**, Frankfurt, Germany
Jan 2015 PhD Trainee, DG-Macroeconomic Policy & Financial Stability

Jul-Sep **Barclays Capital**, London, UK
2010 Summer Analyst, Credit Risk

EDUCATION

2012-2017 **PhD in Economics, University of Cambridge**, UK
Dissertation: *"Essays on Banking and Default"*
Advisors: Chryssi Giannitsarou, Giancarlo Corsetti
Examiners: Charles Brendon, Alberto Martin

2011-2012 **MPhil in Economics, University of Cambridge**
with Distinction

2008-2011 **BA in Economics, University of Cambridge**, UK

RESEARCH INTERESTS

Primary fields: Macroeconomics, International Finance
Secondary fields: Monetary Economics, Banking

PRIZES AND AWARDS

2016 Best Article in International Macro Award, RIEF Network
Best Student Paper Prize, Cambridge Finance

2015 Klaus Liebscher Award, Oesterreichische Nationalbank
Money, Banking & Finance Best Paper Award, UniCredit & Universities

2014 Faculty Prize for Best Teaching Fellow, Cambridge University

FELLOWSHIPS AND GRANTS

2016	Lamfalussy Research Fellowship, European Central Bank Keynes Fund Research Grant, Cambridge University
2015	Junior Fellowship, Royal Economic Society Tudor Studentship, Cambridge University
2014	PhD Scholarship, Cambridge-INET Institute Wrenbury Scholarship, Cambridge University
2012	Gradaute Studentship, Wolfson College
2011	Graduate Scholarship for Turkish Cypriots, European Union

WORKING PAPERS

Gambling Traps

Previously circulated as *Sovereign Risk and Bank Risk-Taking*

Abstract: I propose a dynamic general equilibrium model in which strategic interactions between banks and depositors may lead to endogenous bank fragility and slow recovery from crises. When banks' investment decisions are not contractible, depositors form expectations about bank risk-taking and demand a return on deposits according to their risk. This creates strategic complementarities and possibly multiple equilibria: in response to an increase in funding costs, banks may optimally choose to pursue risky portfolios that undermine their solvency prospects. In a bad equilibrium, high funding costs hinder the accumulation of bank net worth and lead to a "gambling trap" with a persistent drop in investment and output. I bring the model to bear on the European sovereign debt crisis, in the course of which undercapitalized banks in default-risky countries experienced an increase in funding costs and raised their holdings of domestic government debt. The model is quantified using Portuguese data and accounts for macroeconomic dynamics in Portugal in 2010-2016. Policy interventions face a trade-off between alleviating banks' funding conditions and strengthening risk-taking incentives. Liquidity provision to banks may perpetuate gambling traps when not targeted. Targeted interventions have the capacity to eliminate adverse equilibria.

Awards: Klaus Liebscher Award, UniCredit & Universities Money Banking Finance Best Paper Award, RIEF Network Best Article in International Macro Award, Cambridge Finance Best Student Paper Prize, shortlisted for Young Economist Award at the Third ECB Forum on Central Banking (Sintra) and the Ieke van den Burg Prize.

Shadow Banking and Market Discipline on Traditional Banks

(joint with Christoffer Kok, Matthieu Darracq Pariès and Dawid Żochowski)

Abstract: We present a model in which shadow banking arises endogenously and undermines market discipline on traditional banks. Depositors' ability to withdraw their deposits early imposes market discipline on traditional banks: without shadow banking, traditional banks optimally pursue a safe portfolio strategy to prevent early withdrawals. Shadow banking constitutes an alternative banking strategy that combines high risk-taking with early liquidation in times of crisis. We bring the model to bear on the 2008 financial crisis in the United States, during which shadow banks experienced a sudden dry-up of funding and liquidated their assets. We derive an equilibrium in which shadow banks expand until their liquidation causes a fire-sale and exposes traditional banks to liquidity risk. Higher deposit rates in compensation for liquidity risk also deter early withdrawals, leading traditional banks to pursue risky portfolios which

may leave them in default. Deposit insurance and bank regulation on traditional banks fuel further expansion of shadow banking but mitigate its negative effects on financial stability. Financial stability can also be achieved with a tax on shadow bank profits.

Debt Seniority and Sovereign Debt Crises

(joint with Giancarlo Corsetti and Luca Dedola)

Abstract: Is the seniority structure of sovereign debt neutral for a government's decision between defaulting and raising surpluses? In this paper, we address this question using a model of debt crises where a discretionary government endogenously chooses distortionary taxation and whether to apply an optimal haircut to bondholders. We show that when the size of senior tranches is small, a version of the Modigliani-Miller theorem holds: tranching just redistributes government revenues from junior to senior bondholders, while taxes and government borrowing costs remain unchanged. However, as senior tranches become sufficiently large, default costs on senior debt transpire into a stronger commitment to repay not only the senior tranche, but also the junior one. We show that there is a lower threshold for senior bonds above which tranching can eliminate default on both junior and senior debt, and an upper threshold beyond which the government defaults also on senior debt.

POLICY & NON-REFEREED PUBLICATIONS

Global Investors, House Price Dispersion, and Synchronicity, Box in Global Financial Stability Report, April 2018

A Dynamic Economic and Monetary Union (ADEMU) Conference Proceedings, October 2015

(joint with Simon Lloyd)

Lessons from Cyprus that did not make it to Greece, short article on VoxEU.org, August 2015

(joint with Andria Lysiotou and Giancarlo Corsetti)

Media Coverage: [World Economic Forum](#), [Phileleftheros](#) (in Greek)

PRESENTATIONS

- 2018 *Conferences:* NBER Spring IFM, 1st IMF Annual Macro-Financial Research Conference, 3rd Fordham University Macroeconomics & International Finance Conference, ADEMU Sovereign Debt in the 21st Century Conference
- Seminars:* Federal Reserve Board, Bank of England (scheduled), University of Cyprus (scheduled), Deutsche Bundesbank (scheduled)
- 2017 *Conferences:* Royal Economic Society, 4th International Conference on Sovereign Bond Markets, European Finance Association, Econometric Society European Summer Meeting, Barcelona GSE Summer Forum, Econometric Society European Winter Meeting
- Seminars:* Bocconi University, Toulouse School of Economics, Warwick University, University of Vienna, University of Bristol, Bank of England, Bank of Canada, Danmarks Nationalbank, Southern Methodist University, George Washington University, Federal Reserve Bank of Atlanta, International Monetary Fund, Cambridge University
- Discussion:* International Credit Supply Shocks by Ambrogio Cesa-Bianchi, Andrea Ferrero and Alessandro Rebucci, at the Oxford Workshop in International Economics

- 2016 *Conferences:* Society for Economic Dynamics, Workshop on non-standard monetary policy measures (European Central Bank), RIEF Doctoral Meetings, Royal Economic Society Symposium of Junior Researchers, European Economic Association
Seminars: Oxford University
- 2015 *Conferences:* XX Workshop on Dynamic Macroeconomics, 3rd Workshop on Macro, Banking and Finance, Austrian Nationalbank 43rd Economics Conference, EDGE Jamboree, Young Economists' Meeting
- 2014 *Conference:* Pierre Werner PhD Workshop
Seminars: European Central Bank

OTHER PROFESSIONAL ACTIVITIES

- 2015-2016 Teaching Assistant, Graduate Macroeconomics, Cambridge University
- 2013-2016 Research Assistant for Giancarlo Corsetti, Cambridge University
- 2013-2015 Teaching Fellow, Undergraduate Macroeconomics, Cambridge University
Awarded the Faculty Prize for Best Teaching Fellow
- 2013-2014 College Teaching Associate, Fitzwilliam College, Cambridge University

REFERENCES

Dr Chryssi Giannitsarou
Faculty of Economics
University of Cambridge
Sidgwick Avenue
Cambridge, CB3 9DD, UK
E-mail: cg349@cam.ac.uk
Phone: +44 (0) 1223 762 976

Professor Vasco M. Carvalho
Faculty of Economics
University of Cambridge
Sidgwick Avenue
Cambridge, CB3 9DD, UK
E-mail: vmpmdc2@cam.ac.uk
Phone: +44 (0) 1223 335 389

Professor Giancarlo Corsetti
Faculty of Economics
University of Cambridge
Sidgwick Avenue
Cambridge, CB3 9DD, UK
E-mail: gc422@cam.ac.uk
Phone: +44 (0) 1223 335 235

Dr Luca Dedola
Monetary Policy Research Division
European Central Bank
Postfach 16 03 19
D - 60066 Frankfurt am Main, Germany
E-mail: ldedola@gmail.com
Phone: +49 (0) 6913 448 668

SKILLS AND PERSONAL INFORMATION

Language Turkish (native), English (fluent), German (conversational), Greek (conversational)

Software \LaTeX , MATLAB, STATA, Microsoft Office

Citizenship Cypriot, Turkish