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What is CSEF?

The Centre for Studies in Economics and Finance (CSEF) is a joint venture of the University of Naples Federico II, the University of Salerno, and Bocconi University. Its premises are at the Department of Economics and Statistics of the University of Naples Federico II.

The Center hosts researchers and doctoral students from other Italian and foreign universities, supporting and stimulating academic research. It is involved in the activities of the Master in Economics and Finance (MEF) at the University of Naples Federico II.

The Center is directed by Marco Pagano. Its administration is entrusted to Immacolata Diez and Stefania Maddaluno.

News

2018 has been a very successful year for CSEF. The University of Naples hosted the 2018 **European Winter Meeting of the Econometric Society (EWMES)**. The meeting was sponsored by the Econometric Society, the Bank of Italy, the University of Naples Federico II and the Department of Economics and Statistics, beside CSEF itself. The ES Winter Meeting was held back-to-back with the inaugural edition of the **European Job Market for Economists** launched by the European Economic Association (EEA). It saw the registration of 101 institutions (universities, central banks, financial institutions, etc.) conducting interviews with JM candidates. CSEF was also present, offering postdoctoral positions jointly with the Department of Economics and Statistics. The two events gave the University of Naples Federico II and CSEF the opportunity to gain an amazing exposure with excellent feedback from participants. The two events took place at the Centro Congressi Partenope of the University of Naples Federico II from December 4 to 7.

Another success has been the award of the **4th Edition Foscolo Europe Top-Up Fellowship** by Unicredit Foundation to CSEF. The grant provides additional funding, complementing the remuneration offered by CSEF to a researcher hired on the international Job Market.

In 2018 two new researchers joined CSEF: **Mario F. Carillo**, Postdoctoral Research Fellow at the University of Naples Federico II, and **Antonio Rosato,** Senior Lecturer in Economics at the University of Technology Sydney Business School.

The past year has been a productive one for CSEF Fellows: they published articles on the *American Economic Review*, *American Economic Journal: Applied Economics*, *American Economic Journal: Macroeconomics*, *Economic Journal*, *Economic Policy*, *Economic Theory*, *International Economic Review, Journal of Development Economics, Journal of the European Economic Association*, *Journal of Economics and Management Strategy*, *Journal of Mathematical Economics*, *Journal of Public Economics*, *Management Science*, *Review of Finance*, *Review of Financial Studies*, and *Theory and Decision*, among others.

Funding Research projects carried out at CSEF in 2018 were funded by research grants of the European Research Council (ERC), the University of Naples Federico II, the Compagnia di San Paolo, the European Commission (Collaborative Project), and the Italian Ministry of University and Research (PRIN and PON projects).

How to contact us:

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Conferences

Workshop on *Stability in Equilibrium Analysis*

The Workshop on **Stability in Equilibrium Analysis**, held at the University of Naples Federico II on 26-27 January, was organized by the Department of Economics and Statistics, jointly with CSEF. The local organizers included CSEF Fellows Maria Gabriella Graziano, Achille Basile, Marialaura Pesce and Vincenzo Platino. The following keynote speakers attended the event: Guilherme Carmona (University of Surrey), Jordi Massó (Barcelona Graduate School of Economics), Rodrigo A. Velez (Texas A&M University), Frank Riedel (Bielefeld University), Patrick Beissner (Australian National University), Konrad Podczeck (University of Vienna), Emma Moreno-García (University of Salamanca), Carlos Hervés-Beloso (University of Vigo).

Conference on *New Issues in Macroeconomics*

The conference on **New Issues in Macroeconomics**, organised jointly by the Center for International Macroeconomics (Northwestern University), the Center for Studies in Economics and Finance (CSEF), the University College of London (UCL) and the University of Mannheim, was held at the Hotel della Regina Isabella in Ischia on June, 12 and 13. The Scientific Committee included Klaus Adam (Mannheim University), Martin Eichenbaum (Northwestern University), Morten Ravn (University College London), Sergio Rebelo (Northwestern University), Saverio Simonelli (University of Naples Federico II and CSEF).

14th CSEF-IGIER Symposium on *Economics and Institutions*

From 25 to 29 June, CSEF and the Innocenzo Gasparini Institute for Economic Research (IGIER Bocconi) held their annual joint Symposium on Economics and Institutions at the Villa Orlandi Conference Centre (Anacapri). CSEF Fellows Antonio Acconcia, Alberto Bennardo, Francesco Drago, and IGIER Fellows Luigi Iovino, Chiara Fumagalli, Stefano Rossi, Julien Sauvagnat organised the event. As usual, the Symposium featured three parallel sessions of morning seminars, afternoons being reserved to informal workshops and collaborative work. The program included papers in micro theory, macroeconomics, empirical IO, microeconometrics, finance and decision theory. The keynote speakers were Andrew Newman (Boston University), Giancarlo Corsetti (University of Cambridge), Gianluca Violante (Princeton University), Alessandro Gavazza (London School of Economics), Costas Meghir (Yale University), José-Luis Peydró (ICREA-UPF), Itzhak Gilboa (HEC), David Thesmar (MIT).

European Winter Meeting of the Econometric Society (EWMES)

The University of Naples Federico II hosted the 2018 Econometric Society Winter Meetings on December 4 and 5. The meeting, held at the Federico II conference Centre, was managed by CSEF and by the Department of Economics and Statistics. The plenary speakers were Magne Mogstad (University of Chicago) and Marco Ottaviani (Bocconi University). Victor Lavy (University of Warwick) was the program chair, and Marco Pagano (University of Naples Federico II and CSEF) chaired the Local Organizing Committee

CSEF CIM UCL UNIVERSITY OF MANNHEIM

ESWM Naples 2018

CSEF Center for Studies in Economics and Finance

Università degli Studi di Napoli Federico II
Dipartimento di Scienze Economiche e Statistiche

The Econometric Society

Seminars

In 2018 CSEF hosted two weekly academic presentations by invited speakers and resident researchers.

January	**Francesco Paolo Conteduca** (University of Mannheim), *The Structure of Multinational Sales under Demand Risk* (joint with Ekaterina Kazakova) – **Job Market paper**
	Giovanni Nicolò (University of California, Los Angeles), *Monetary Policy, Expectations and Business Cycles in the U.S. Post-War Period* – **Job Market paper**
	Tommaso Sonno (London School of Economics), *Globalisation and Conflicts: the Good, the Bad, and the Ugly of Corporations in Africa* – **Job Market paper**
	Francesco Sannino (London School of Economics), *A Theory of Venture Capital Fund Size with Directed Search* – **Job Market paper**
	Vincenzo Bove (University of Warwick), *Migration Policies and the Diffusion of Terrorism*
	Raffaele Saggio (University of California, Berkeley), *The Effects of Partial Employment Protection Reforms: Evidence from Italy* (joint with Diego Daruich, Sabrina Di Addario) – **Job Market paper**
	Luigi Guiso (Einaudi Institute for Economics and Finance), *The Cost of Distorted Financial Advice: Evidence from the Mortgage Market* (joint with Andrea Pozzi, Anton Tsoy, Leonardo Gambacorta, Paolo Mistrulli)
	Matteo Foschi (European University Institute), *Subjective Performance Evaluation of Employees with Biased Beliefs* (joint with Luis Santos-Pinto) – **Job Market paper**
February	**Alvaro Remesal** (CEMFI), *Clawback Provisions, Executive Pay and Accounting Manipulation* – **Job Market paper**
	Mario F. Carillo (Brown University), *Agricultural Productivity and Long-Run Development: Evidence from Mussolini's Battle for Grain* – **Job Market paper**
	Alessandro Sforza (London School of Economics & Political Science) *Shocks and the Organization of the Firm: Who Pays the Bill?* – **Job Market paper**
	Niccolò Lomys (University of Mannheim), *Learning while Trading: Experimentation and Coasean Dynamics* – **Job Market paper**
	Diego Battiston (London School of Economics & Political Science) *The Persistent Effects of Brief Interactions: Evidence from Immigrant Ships* – **Job Market paper**
	Mark Armstrong (University of Oxford), *Competition with Captive Customers* (joint with John Vickers)
	Luca Repetto (Uppsala University), *The Price of Inattention: Evidence from the Swedish Housing Market* (joint with Alex Solis)
	Antonio Rosato (University of Cambridge), *Loss Aversion in Common-Value Auctions: Extensive vs. Intensive Risk* (joint with Benjamin Balzer)
March	**Fabiano Schivardi** (LUISS University), *The IT Revolution and Southern Europe's Two Lost Decades* (joint with Tom Schmitz)

Giuseppe Dari-Mattiacci (University of Amsterdam), *Capital Lock-in, Liquidity, and the Separation between Ownership and Control*

Alessandro Previtero (Indiana University and NBER), *Financial Advisors and Risk-Taking* (joint with Juhani Linnainmaa, Brian Melzerl, Stephen Foerster)

Marco Bertoni (University of Padova), *The Good Outcomes of Bad News. A Randomized Field Experiment on Formatting Breast Cancer Screening Invitations* (joint with Luca Corazzini and Silvana Robone)

April

Paolo Pasquariello (University of Michigan), *Speculation with Information Disclosure* (joint with Yifei Wang)

Rossella Argenziano (University of Essex), *Second Order Induction*

Alessandro Bonatti (MIT), *Ratings-Based Price Discrimination* (joint with Gonzalo Cisternas)

Jian Li (University of Luxembourg), *The Role of Labor-Income Risk in Household Risk-Taking* (joint with Sylwia Hubara, Christos Koulovatianos)

May

Alexander Borisov (Lindner College of Business, University of Cincinnati) *The Effect of Product Failure on Corporate Innovation and Ownership: The Case of Automotive Recalls*

Paolo Buonanno (University of Bergamo), *Malaria and the Historical Roots of Land Inequality. Evidence from Italian Municipalities*

Andrew Ellul (Indiana University, CEPR, CESF and ECGI), *Insurers as Asset Managers and Systemic Risk* (joint with Chotibhak Jotikasthira, Anastasia Kartasheva, Christian T. Lundblad, Wolf Wagner)

Eirik Gaard Kristiansen (Norwegian School of Economics), *Law and Location* (joint with Tore Ellingsen)

Anna Pavlova (London Business School), *Bechmarking Asset Managers* (joint with Anil Kashyap and Natalia Kovrijnykh)

June

Chotibhak Jotikasthira (Southern Methodist University's Cox School of Business), *Do Buy-side Institutions Supply Liquidity in Bond Markets? Evidence from Mutual Funds* (joint with Amber Anand, Kumar Venkataraman)

Luigi Pistaferri (Stanford University), *Marriage, Labor Supply and the Dynamics of the Social Safety Net* (joint with Hamish Low, Costas Meghir and Alessandra Voena)

Paolo Roberti (University of Bergamo), *Optimal Leniency and the Organization Design of Group Delinquency* (joint with Giovanni Immordino and Salvatore Piccolo)

Marco Di Maggio (Harvard Business School), *Brokers and Order Flow Leakage: Evidence from Fire Sales* (joint with Andrea Barbon, Francesco A. Franzoni, Augustin Landier)

September

Sébastien Pouget (University of Toulouse 1 Capitole), *The Present Value Relation over Six Centuries: The Case of the Bazacle Company* (joint with D. le Brisa, W. N. Goetzmannb)

October

Maria Guadalupe (INSEAD), *More Women in Tech? Evidence from a field experiment addressing social identity* (joint with Lucía Del Carpio)

Salvatore Piccolo (University of Bergamo), *Optimal Delegation to a Biased Regulator*

Giancarlo Spagnolo (SITE and EIEF), *Past Performance and Procurement Outcomes* (joint with Francesco Decarolis, Riccardo Pacini)

Joacim Tåg (Research Institute of Industrial Economics - IFN), *What*

Prevents Female Executives from Reaching the Top? (joint with Matti Keloharju, Samuli Knüpfer)

Massimo Bordignon (Catholic University, Milan), *Manager or Politician? The Effect of Local Fiscal Autonomy on Political Selection* (joint with Matteo Gamalerio, Gilberto Turati)

Vincenzo Pezone (Goethe Institute), *The Real Effects of Judicial Enforcement*

Emilio Calvano (University of Bologna), *Artificial Intelligence and Collusion* (joint with Giacomo Calzolari, Vincenzo Denicoló, Sergio Pastorello)

Alessandro Bonatti (MIT Sloan School of Management), *Markets for Information*

Jin Li (University of Hong Kong), *Firm Growth and Promotion Opportunities* (joint with Michael Powell, Rongzhu Ke)

November

Fernando Broner (CREI - Universitat Pompeu Fabra), *Fiscal Multipliers and Foreign Holdings of Public Debt* (joint with Daragh Clancy, Aitor Erce, Alberto Martin)

Gianmarco León Ciliotta (Universitat Pompeu Fabra), *Accountability, Political Capture and Selection into Politics: Evidence from Peruvian Municipalities* (joint with Lukas Kleine-Rueschkamp)

Claudio Rossetti (University of Naples Federico II and CSEF), *Unobserved Heterogeneity in Structural Behavioral Models Using Experimental Data: an application to risk and social preferences under VOI* (joint with Giovanni Ponti)

Emanuele Ciani (Bank of Italy), *Machine Learning in the Service of Policy Targeting: The Case of Public Credit Guarantees* (joint with M. Andini, A. D'Ignazio, M. Boldrini, G. De Blasio, A. Paladini)

Agnese Leonello (European Central Bank), *The interdependence of bank capital and liquidity* (joint with Elena Carletti, Itay Goldstein)

December

Alessio Piccolo (University of Oxford), *Executive Compensation and Short-Termism* – **Job Market paper**

ANTONIO ACCONCIA is Professor of Economics at the University of Naples Federico II. He is currently working on: “The Effect of Public Spending on Consumption” (with Annalisa Scognamiglio), “Persistence of Tax Evasion in Italy” (with M. D’Amato, R. Martina, and M. Ratto), “Equity Financing, Firms Location, and Regional Inequality” (with A. Del Monte, L. Pennacchio, and G. Scepi), and “The Relationship between Firms' Financing Sources and Operating Choices” (with A. M. Menichini). He is also revising the paper “Liquidity and Consumption: Evidence from Earthquakes in Italy” (with G. Corsetti and S. Simonelli). His paper “Liquidity and Firms’ Response to Fiscal Stimulus” (with C. Cantabene) has been recently published in *The Economic Journal*.

CARLO ALTAVILLA is the Head of Bank Lending Conditions Section at the European Central Bank (Frankfurt). He received a Ph.D. in Economics from the Catholic University of Leuven (Belgium). His research interests cover monetary policy, banking, applied time series and financial econometrics. He is currently working on the effectiveness of non-standard monetary policies, bank profitability, credit and sovereign debt dynamics. His most recent publications are “Monetary Policy and Bank Profitability in a Low Interest Rate Environment” (joint with M. Boucinha, J-L Peydró), *Economic Policy*, and “Mending the Broken Link: Heterogeneous Bank Lending and Monetary Policy Pass-through”(joint with F. Canova, and M. Ciccarelli) in the *Journal of Monetary Economics*.

GIOVANNI ANDREOTTOLA is a Postdoctoral Research Fellow at CSEF since July 2017. He is currently visiting the Cowles Foundation at Yale University as Postdoctoral Associate, where he will stay until June 2019. He received his PhD in Economics from the European University Institute in 2017 and also holds an M.Phil. in Economics from the University of Oxford. Giovanni’s main research interest is theoretical Political Economy, with a particular focus on issues of asymmetric information. His recent working papers study electoral flip-flopping, primary elections (revision requested by *Games and Economic Behavior*), fact-checking by news media and the emergence of populism.

ALBERTO BENNARDO is Professor of Economics at the University of Salerno. His research focuses on microeconomics, organizational economics and financial economics. He is currently working on two themes: the agents’ incentive to acquire information and communicate after entering a principal-agent relationship, and the governance of economic institutions where renegotiation opportunities generate multilateral externalities. Recently, his articles “Multiple-Bank Lending, Creditor Rights and Information Sharing”, joint with M. Pagano and S. Piccolo, and "Competitive markets with endogenous health risks", joint with S. Piccolo, have been published in the *Review of Finance* and the *Journal of the European Economic Association*, respectively.

SERGIO BERALDO Is Associate Professor of Economics at the University of Napoli Federico II. He uses theoretical and experimental methods to investigate issues in public and institutional economics. His current research focuses on the emergence of cooperation in evolutionary environments, the adverse effects of fiscal federalism, and an operative notion of equality of opportunity in health.

Emilio Calvano is an Assistant Professor at the University of Bologna, formerly a postdoctoral researcher at Bocconi University and at the University of Naples Federico II. He holds a Ph.D. from the University of Toulouse. He is currently studying the effect of intelligent algorithms on retail market outcomes such as prices and product information. His latest work with Giacomo Calzolari and Sergio Pastorello explores machine-learning techniques applied to pricing algorithms online. Previous work with Bruno Jullien studies the incentives of recommendation systems, on which consumers rely daily to decide what music to listen (Itunes), which movie to watch (Netflix), which product to purchase (Amazon) or which restaurant to patronize (Yelp). Lately, his paper "Either or both Competition: a 'Two-sided' Theory of Advertising with Overlapping Viewership" (with A. Ambrus and M. Reisinger) was published in the *American Economic Journal: Microeconomics*, and the paper "The Impact of Consumer Multi-Homing on Advertising Markets and Media Competition" (with S. Athey and J. Gans.) was accepted for publication in *Management Science*.

Salvatore Capasso is Professor of Economics at the University of Naples Parthenope. At present he is the Director of the Institute for Studies on Mediterranean Economies of the Italian National Research Council. His research focuses on economic growth, contract theory, monetary economics and theory of financial intermediation. His recent publications include "Active and Passive Corruption: Theory and Evidence" (with L. Santoro) in the *European Journal of Political Economy* and "Domestic or Foreign Currency? Remittances and the Composition of Deposits and Loans" (with K. Neanidis) in the *Journal of Economic Behavior & Organization*. His latest research focuses on the relationship between criminal activity, corruption and growth and on the role of the underground economy in economic development.

Mario Carillo is a Research Fellow in the Department of Economics and Statistics of the University of Naples Federico II and CSEF since August 2018. He holds a Ph.D. in Economics from Brown University. His research interests are in the fields of economic growth and development, economic history, macroeconomics, and political economy.

Cristina Cella is Assistant Professor of Finance at the Stockholm School of Economics and Senior Economist at the Financial Stability Department of the Swedish Central Bank. In 2016 she has worked on several research projects. In the paper "Is There Too Much Entry in the Entrepreneurial Activity?" co-authored with M. Giannetti (Stockholm School of Economics), she investigates the relationship between entrepreneurs' social status and entrepreneurial activity and the impact on firm value and welfare. She has also worked on a project on "Learning through a Smokescreen: CEO Compensation over Tenure", with A. Ellul and N. Gupta and on "Mutual Funds Flow and Individuals' Holdings", with P. Sodini (Stockholm School of Economics) and L. Calvet (HEC).

Dimitris Christelis is a CSEF Research Fellow and consults on issues related to micro data surveys. His research interests include household saving and portfolio choice, microeconometrics, and health economics. He is currently studying the effect of property taxes on household spending (with F. F. Russo), the effect of uncertainty on household spending (with D. Georgarakos and M. van Rooij), the partial identification of descriptive statistics under sample selection (with J. Messina and M. A. Lugo), and the effects of traumatic life-events on financial risk-taking (with L. I. Dobrescu).

ANNA D'ANNUNZIO is a Research Fellow at CSEF since September 2017. She holds a PhD in Economics from the Toulouse School of Economics. Her research focuses on industrial organization and public economics, with applications to media and telecommunications markets. In 2018, she worked on a project regarding the effects of the use of social media for accessing news on voting (with G. Andreottola and G. Immordino). She also started a project on product customization in two-sided markets (with F. Boffa and A. Piolatto), and on an empirical project to understand the implications of multi-homing behavior for the advertising market (with C. Peukert and A. Russo). Finally, she is revising three papers, respectively titled "Ad Networks, Consumer Tracking and Privacy" (with A. Russo), "Multi-part Tariffs and Differentiated Commodity Taxation" (with M. Mardan and A. Russo) and "A Market for Digital Privacy: Consumers' Willingness to Trade Personal Data and Money" (with E. Menichelli).

MARCELLO D'AMATO is Professor of Economic Policy at the University of Salerno. His current research focuses on the economics of education, social mobility and inequality, tax evasion dynamics and modeling of the commitment value of unobservable investment in entry games. Recent publications include "Occupational Mobility and Wealth Evolution in a Model of Educational Investment with Credit Market Imperfections", *Journal of Economic Inequality* (with C. Di Pietro) and "On the Causal Effects of Selective Admission Policies on Students' Performances: Evidence from a Quasi-experiment in a Large Italian University" in the *Oxford Economic Papers* (with V. Carrieri and R. Zotti). He is currently revising the following papers: "Educational Signaling, Credit Constraints and Inequality Dynamics" (with D. Mookherjee), "The Commitment Value of Unobservable Investment" (with L. Brighi), and "Tax Evasion Dynamics" (with A. Acconcia, R. Martina and L. Ratto).

GIUSEPPE DE MARCO is Associate Professor of Mathematics at the University of Naples Parthenope. His current research focuses on ambiguous games, imprecise probabilities, set-valued analysis, psychological games, moral hazard models, networks and financial contagion. Recent publications include: "Ambiguous Games without a State Space and Full Rationality" in the *International Journal of Approximate Reasoning* (2018) and "On the Measure of Contagion in Fuzzy Financial Networks" (with C. Donnini, F. Gioia, F. Perla) in the *Applied Soft Computing Journal* (2018).

EDOARDO DI PORTO is Associate Professor at the University of Naples Federico II and associate researcher at Uppsala Center for Fiscal Studies (UCFS), Uppsala University. He previously worked at CEIS (University of Rome Tor Vergata), LABOR (Collegio Carlo Alberto, Turin), DIPECODIR and MEMOTEF (Sapienza University, Rome) and EQUIPPE (University of Lille 1). Currently on leave, he is working as public manager at INPS (Istituto Nazionale Previdenza Sociale), where he is also in charge of the "VisitINPS scholars" program. He has ongoing research on topics related to INPS activities such as compliance with labour legislation, sickness leave monitoring and the effect migrant legalization on labor market outcomes.

FRANCESCO DRAGO is Professor of Economics at the University of Catania, Research Fellow at CEPR and at IZA, Bonn and a co-founder of Ortygia Business School in Sicily. His research focuses on political economy and the economics of crime. In 2016, his paper "Earthquakes, Religion, and Transition to Self-government in Italian Cities" (with Marianna Belloc and Roberto Galbiati) was published in the *Quarterly Journal of Economics*, and the paper "How Much Should We Trust Crime Statistics? A Comparison between EU and US" (with Paolo Buonanno, Roberto Galbiati and Pietro Vertova) was accepted for publication in the *European Journal of Law and Economics*. He is currently involved in several other projects on the economics of crime and political economy, and in 2017-18 has been a panel member of *Economic Policy*.

SARAH DRAUS is Assistant Professor of Finance at the Rotterdam School of Management (Erasmus University), and was previously a CSEF Post-doctoral Fellow at the University of Naples Federico II. She holds a Ph.D. in finance from the University of Paris-Dauphine. In her research, she combines finance with industrial organization. Her current papers analyze the role and the optimal design of circuit breakers (jointly with M. Van Achter from KU Leuven and D. Zvilichovsky from Tel Aviv University), exchange competition and fragmentation, transparency regulations on exchanges, and the role of high frequency trading in price efficiency.

ANDREW ELLUL is Professor of Finance and Fred T. Greene Chair in Finance at Indiana University's Kelley School of Business. His research focuses on empirical corporate finance, institutional investors' trading and market microstructure. Recently his paper titled "Employment and Wage Insurance within Firms", joint with M. Pagano and F. Schivardi, was published by the *Review of Financial Studies*. Another paper titled "Do Financial Analysts Restrain Insiders' Informational Advantage?", joint with M. Panayides, was published by the *Journal of Financial and Quantitative Analysis*. He has also completed two new working papers titled "Insurers as Asset Managers and Systemic Risk" (with C. Jotikasthira, A. V. Kartasheva, C. T. Lundblad and W. Wagner) and "Career Risk and Market Discipline in Asset Management" (with M. Pagano and A. Scognamiglio). In 2018 he was appointed Executive Editor of the *Review of Corporate Finance Studies*.

CARLO FAVERO is Deutsche Bank professor of Asset Pricing and Quantitative Finance and Head of Department of Finance at Bocconi University. He has published in scholarly journals on the econometric modelling of bond and stock prices, applied econometrics, monetary and fiscal policy and time-series models for macroeconomics and finance. He is a research fellow of CEPR and a member of the scientific committee of the Centro Interuniversitario Italiano di Econometria (CIDE). In 2018 he published "Implications of Returns Predictability for Consumption Dynamics and Asset Pricing Models" (with F. Ortu, A.Tamoni and H.Yang) in the *Journal of Business & Economic Statistics*, and "What do We Know about the effects of austerity?" (with A. Alesina and F. Giavazzi) in the *American Economic Association Paper and Proceedings*.

CHIARA FUMAGALLI is Associate Professor of Economics at Bocconi University and a CEPR Research Affiliate. She is member of the Economic Advisory Group on Competition Policy (EAGCP) and member of CRESSE Associates. In 2018 she has been appointed member of the EARIE Executive Committee. Her research concerns competition policy (mainly the economics of exclusionary practices) and the activity of diversified business groups. In 2018 she has been working on a dynamic theory of vertical foreclosure ("Dynamic Vertical Foreclosure", joint with M. Motta, CSEF Working Paper 522), and has published a book with M. Motta, entitled *Monopolization: A Theory of Exclusionary Practices* (Cambridge University Press). Currently, she is working on a project with G. Cestone, F. Kramarz and G. Pica, on the activity of internal labor markets in business groups, funded by an AXA Research Grant (2012 Campaign), and has revised the paper "Insurance Between Firms: The Role of Internal Labor Markets" (CSEF Working Paper 386).

MARIA GABRIELLA GRAZIANO is Professor of Mathematics at the University of Naples Federico II, Chairman of the Department of Economics and Statistics for 2019-21, and Director of the Ph.D. program in Economics. She is a member of the editorial board of Economic Theory and Economic Theory Bulletin. Her current research focuses on general equilibrium theory, infinite dimensional economies, economies with public goods, economies with uncertainty and asymmetric information. Recently she published the papers “Cones with Semi-interior Points and Equilibrium” (with A. Basile, M. Papadaki and I. Polyrakis), *Journal of Mathematical Economics*, 2017; "von Neumann-Morgenstern Stable Sets when Preferences are Interdependent" (with C. Meo and N.C. Yannelis), *Journal of Economic Behavior and Organization*, 2017; “Coalition Fairness with Participation Rates” (with A. Basile and C. Tarantino), *Journal of Economics*, 2018. She is currently working on the following research projects: “Housing Market Models with Consumption Externalities” (with C. Meo and N.C. Yannelis), “Characterizations and Existence of Linear Cost Share Equilibria” (with M. Pesce and M. Romaniello); “Blocking Coalitions and Fairness in Asset Markets and Asymmetric Information Economies” with A. Bhowmik; “Social Loss and the Core of an Economy with Externalities” (with C. Di Pietro and V. Platino).

CARLA GUERRIERO is Senior Assistant Professor of Public Economics at the University of Naples Federico II and Honorary Research Fellow at the London School of Hygiene and Tropical Medicine. Her research interests are in the field of applied microeconomics with focus on health and environmental economics. In 2018 she spent half of the academic year as Visiting Assistant Professor at the Center for Health and Wellbeing, Princeton University. She is currently PI of two research projects: “Childrole”, investigating the role of children as decision makers in the household and “BiketoWork”, a randomized controlled trial assessing the effectiveness of cycling on physical and mental health. She is also working on a paper on attention in children (joint with V. Dardanoni, P. Manzini and M. Mariotti).

GIOVANNI IMMORDINO is Professor of Political Economy at the University of Naples Federico II and Associate Editor of the *International Review of Law and Economics*. He holds a Ph.D. in Economics from the University of Toulouse. In 2018 six of his papers were published or accepted for publication: “Fighting Tax Evasion by Discouraging the Use of Cash” (with F. Russo), in *Fiscal Studies*; “The Economics of Counterinsurgency: An Asymmetric Information Approach” (with G. Karakoç-Palminteri and S. Piccolo), in *Revue Economique*; “Cashless Payments and Tax Evasion” (with F. Russo), in *European Journal of Political Economy*; “Organized Crime and the Bright Side of Subversion of Law” (with A. Gamba and S. Piccolo), in *Journal of Public Economics*; “Costly Pretrial Agreements” (with L. Anderlini and L. Felli), forthcoming in *Journal of Legal Studies*; “Taxing and Regulating Vices” (with A. Menichini and M. Romano), forthcoming in *Scandinavian Journal of Economics*.

TULLIO JAPPELLI is Professor of Economics at the University of Naples Federico II, Research Fellow of CEPR (London) and of the Center of Financial Studies (Frankfurt), Netspar International Research Fellow (Tilburg University) and a Fellow of the European Economic Association. In 2018 he published “Interest Rate Changes, Mortgages and Consumption: Evidence from Italy (with A. Scognamiglio) in *Economic Policy*. In November 2017 he published the book *The Economics of Consumption* (with L. Pistaferri) for Oxford University Press. In the last year the following papers have been accepted for publication: “Investment in Information and Portfolio Performance" (with L. Guiso), forthcoming in *Economica*, "Asymmetric Consumption Effects of Transitory Income Shocks" (with D. Christelis, D. Georgarakos, L. Pistaferri and M. van Rooij), forthcoming in *The Economic Journal*, "Consumption Uncertainty and Precautionary Saving" (with D. Christelis, D. Georgarakos and M. van Roij), forthcoming in *The Review of Economics and Statistics*. Currently he is working on the effect of pension risk on retirement saving, the effect of trust in the Central Bank on inflation expectations, and on the response of consumption to income and wealth shocks.

FRANCESCO LANCIA is an Assistant Professor of Economics at the University of Salerno and a CEPR Research Affiliate. His main fields of study are macroeconomics and political economy, with particular emphasis on dynamic public finance and the effects of intergenerational conflicts on the economy. In 2018, two of his papers were accepted for publication: "Compliance Technology and Self-Enforcing Agreements" (with B. Harstad and A. Russo) is forthcoming in the *Journal of the European Economic Association*; and "Sustaining Cooperation through Self-Interested Actions" (with A. Russo) is forthcoming in the *The B.E. Journal of Theoretical Economics*. He has recently completed "Youth Enfranchisement, Political Responsiveness, and Education Investments: Evidence from the U.S." (with G. Bertocchi, A. Dimico and A. Russo). He is currently working on "Sustainable Intergenerational Insurance" (with A. Russo and T. Worrall); and on "Family Insurance, Children Mobility, and Fertility" (with I. Morchio, J. Mødalsli, and A. Russo).

ORNELLA WANDA MAIETTA is Associate Professor of Economic Policy at the University of Naples Federico II. Her current research mainly focuses on: (i) the impact of science production on the adoption of innovation and (ii) school meal satisfaction. In 2018, her article "Academic Excellence, Local Knowledge Spillovers and Innovation in Europe" (with C. Barra and R. Zotti) has been accepted for publication in *Regional Studies* and "The Implicit Price for Fair Trade Coffee: Does Social Capital Matter?" (with M. Bosbach) is forthcoming in *Ecological Economics*. She is currently researching the links between local knowledge spillovers, innovation and firm survival.

IMMACOLATA MARINO is Assistant Professor of Economics at the University of Naples Federico II. She is an applied microeconomist with research interests in public economics and public policy, household finance and empirical banking. She is currently working on: "How Banks Respond to NPLs: Evidence from the Euro Area" (with B. Bruno) and "Pension Uncertainty and the Demand for Retirement Saving" (with T. Jappelli and M. Padula). She is starting a new project on the relation between bank regulation and opacity (with B. Bruno and G. Nocera). She is also revising the paper "Direct Propagation of a Fiscal Shock: Evidence from Italy's Stability Pact" (with D. Coviello, N. Persico and T. Nannicini).

RICCARDO MARTINA is Professor of Economics and member of the Board of the University of Naples Federico II. He received a Ph.D. in Economics from the University of Naples Federico II. His research interests are mainly in the areas of industrial organization and public economics. . His recent research mainly focuses on the relationship between corruption and tax evasion and on the strategic role of incentive contracts in oligopolistic markets. He is currently working on a joint paper with A. Acconcia, M. D'Amato and M. Ratto that studies the origin and the persistence of different rates of tax evasion across areas of Italy and on the paper "Patent Protection and Threat of Litigation in Oligopoly" with C. Capuano and I. Grassi.

Annamaria Menichini is Associate Professor at the University of Salerno. Her research spans corporate finance, corporate governance, microeconomics and behavioural economics. She is currently working on a project on the determinants of leasing contracts as opposed to purchasing contracts (with Maria Grazia Romano). Within this project, the paper “Does the Eye of the Master Make the Horse Fat? Maintenance of Collateral and Asset Care under Purchase and Leasing Contracts” has recently appeared in the CSEF Working Paper series. She is also working on a project that studies the relationship between firms' financing choices and operating choices (with A, Acconcia). Her paper "Taxing and Regulating Vices” (with G. Immordino and M. G. Romano) has recently been accepted for publication in the *Scandinavian Journal of Economics*.

Salvatore Morelli is Research Assistant Professor at the Stone Center on Socio-Economic Inequality and ARC Distinguished Fellow at the Graduate Center, CUNY. In 2018, his paper ‘Top Wealth Shares in the UK over More than a Century’, with F. Alvaredo and A. B. Atkinson was published in the *Journal of Public Economics* and his earlier work “Banking Crises in the US: the Response of Top Income Shares in a Historical Perspective” was published in the *Journal of Economic Inequality*. He also co-authored the chapter "Wealth Inequality" with Brian Nolan (Oxford) and Philippe Van Kerm (LISER) published in a volume by *Oxford University Press*. Currently, his main research projects focus on the estimation of personal wealth concentration using tax data and survey data, use of the mortality multiplier method (joint with Y. Berman and F. Alvaredo) and the correction of survey weights for differential unit non-response (joint with E. Munoz). Two additional ongoing works deal with the estimation of wealth concentration over time in Italy using inheritance tax data using micro data from inheritance tax administration(joint with P. Acciari and F. Alvaredo) and tabulations of wealth at death as well as provincial micro data from historical estate archives ((joint with G. Gabbuti).

Jacqueline Morgan Former Professor of Game Theory at the University of Naples Federico II, she is currently working on algorithms for Nash equilibria in continuous games (with F. Caruso and M. C. Ceparano) and on regularizations for multi-leader-follower games (with M. B. Lignola). Her recent publications include “Inner Regularizations and Viscosity Solutions for Pessimistic Bilevel Optimization Problems” (with M.B. Lignola), *Journal of Optimization, Theory and App.*, (2017); ”Equilibrium Selection in Multi-leader-follower Games with Vertical Information” (with M. C. Ceparano), TOP, (2017); “Uniqueness of Nash Equilibrium in Continuous Two-player Weighted Potential Games” (with F. Caruso and M. C. Ceparano), *Journal of Mathematical Analysis and Applications;* “Subgame Perfect Nash Equilibrium: A Learning Approach via Costs to Move” (with F. Caruso and M. C. Ceparano), *Dynamics Games and Applications* (first online in 2018); “Further on Inner Regularizations in Bilevel Optimization” (with M. B. Lignola), *Journal of Optimization, Theory and App*. (first online in 2018).

Roberto Nisticò is Senior Assistant Professor of Economics at the University of Naples Federico II. He holds a PhD in Economics from the University of Essex. His research spans the fields of development economics, labor economics and political economy. In 2018, he published “Education is Forbidden: The Effect of the Boko Haram Conflict on Schooling in Nigeria” (with E. Bertoni, M. Di Maio and V. Molini) in *Journal of Development Economics*, “The Effects of Conflict on Fertility: Evidence from the Genocide in Rwanda” (with T. Bruck, M. Di Maio and K. Kraehnert) in Demography, “Global arms trade and oil dependence” (with V. Bove and C. Deiana) in *The Journal of Law, Economics, &*

Organization, and "The Effect of PhD Funding on Post-degree Research Career and Publication Productivity" in the *Oxford Bulletin of Economics and Statistics*. He also produced a CSEF Working Paper on "Rank Concerns, Peer Effects, and Ability Tracking in University: Evidence from a Randomized Experiment" (with M. Bertoni). He was awarded the Italian National Scientific Qualification as associate professor of Economics, and the ANVUR research grant for the project "Academic Careers and Fertility Decisions" with M. De Paola (PI) and V. Scoppa. He is currently working on "The Effect of Parental Job Loss on Child School Dropout: Evidence from the Occupied Palestinian Territories" (with M. Di Maio), "The Economics behind the Epidemic: Afghan Opium Price and Prescription Opioids in the US" (with C. Deiana and L. Giua), and "Fertility and Employment Protection: Evidence from the Italian Jobs Act Reform" (with M. De Paola and V. Scoppa).

TOMMASO OLIVIERO is Assistant Professor of Economics at the University of Naples Federico II. From 2013 to 2016 he was Unicredit Foscolo Europe Research Fellow at CSEF. In 2014 he obtained the PhD in economics at the European University Institute (Florence). He spent research visiting periods at the Cass Business School (London) and the Wharton Business School (Philadelphia) and the Bicocca University (Milan), and recently was awarded a research fellowships to conduct research projects at the INPS (Rome) and the BIS (Basel). His recent work focuses on the determinants of bank executives' compensation and their impact on corporate performance: in 2017, he wrote a BIS Working Paper titled "How post-Crisis Regulation Has Affected Bank CEO Compensation" (with V. Cerasi, L. Gambacorta and S. Deininger).

MARIO PADULA is Professor of Economics at "Ca' Foscari" University of Venice. He has a Ph.D. in Economics from University College London. His current research interests are pension reforms, financial literacy and saving, the effect of law enforcement on credit allocation, and household portfolio choice. Recently he published "Investment in Financial Literacy, Social Security and Portfolio Choice" (with T. Jappelli) in the *Journal of Pension Economics and Finance*, "Wealth and Consumption Effects of an Unanticipated Income Shock" (with T. Jappelli) in *Management Science*, and "On the Effect of Financial Education on Financial Literacy: Evidence from a Sample of College Students" (with A. Brugiavini, D. Cavapozzi, Y. Pettinicchi) in the *Journal of Pension Economics and Finance*. Since May 2016, he chairs the Italian Supervision Authority on Pension Funds (Commissione di Vigilanza sui Fondi Pensione, Covip).

MARCO PAGANO is Professor of Finance at the University of Naples Federico II and Director of CSEF. He is also President of the Einaudi Institute for Economics and Finance (EIEF) and Vice-Chair of the Advisory Scientific Committee of the European Systemic Risk Board (ESRB). In 2018 he completed a research project on "Finance and Labor" funded by an ERC Advanced Grant, and published two articles: "Employment and Wage Insurance within Firms: Worldwide Evidence" (with A. Ellul and F. Schivardi) in the *Review of Financial Studies*, and "Financial Disclosure and Market Transparency with Costly Information Processing" (with M. Di Maggio) in the *Review of Finance*. He edited the book *Finance and Investment: The European Case* (Oxford University Press), jointly with C. Mayer, S. Micossi, M. Onado and A. Polo, and coauthored the book's first chapter, "An Introduction to Finance and Investment: The European Case". His current research focuses on the effect on corporate leverage of employees' rights in bankruptcy (with A. Ellul), careers in asset management (with A. Ellul and A. Scognamiglio), talent discovery, layoff risk and unemployment insurance (with L. Picariello), the effect of short-selling bans on bank stability (with A.

Beber, D. Fabbri and S. Simonelli), and the crowding-out of private investment by local public debt in China (with Y. Huang and U. Panizza).

MARCO PAGNOZZI is Professor of Economics at the University of Naples Federico II, where he directs the Master in Economics and Finance and the Laurea Magistrale in Economics. He has a Ph.D. in Economics from Oxford University and a Doctorate in Applied Mathematics from the University of Naples Federico II. His research focuses on auction theory, industrial organization and information economics. In 2018 he published "Selling Information to Competitive Firms" (with J. Kastl and S. Piccolo) in the *RAND Journal of Economics*, and "Efficiency in Auctions with (Failed) Resale" (with K. Jabs Saral) in the *Journal of Economic Behavior & Organization*. His papers "Entry by Successful Speculators in Auctions with Resale" and "Auctions with Limited Liability through Default or Resale" (both with K. Jabs Saral) are respectively forthcoming in *Experimental Economics* and in the *Journal of Economic Behavior & Organization.* He also completed two papers: "The Value of Transparency in Dynamic Contracting with Entry" (with G. Karakoç and S. Piccolo) and "Vertical Contracting with Endogenous Market Structure" (with S. Piccolo and M. Reisinger). He is currently working on "Auctions with Taste Projection" (with T. Gagnon-Bartsch and A. Rosato); "Optimal Delegation to Biased Regulators" (with P. Roberti and S. Piccolo); "Procurement and Renegotiation: Strategic Bidders or Poor Planners?" (with K. Jabs Saral and T. Salomon), funded by a SIFE Research Grant; "Feedback Effect and the Design of Financial Markets" (with G. W. Puopolo), funded by an EIEF grant.

LORENZO PANDOLFI Is a Postdoctoral Research Fellow at CSEF since September 2017. He holds a Ph.D. in Economics and Finance from Universitat Pompeu Fabra (Barcelona). His main research interests are in the areas of international finance, banking, and experimental Finance. His paper "Capital Flows and Sovereign Debt Markets: Evidence from Index Rebalancings", joint with T. Williams, is forthcoming in the *Journal of Financial Economics*. He is currently working on a related project that studies how capital flows into sovereign debt markets affect domestic firms. The project has been awarded a research grant from EIEF. In 2018, he also completed and submitted the following papers: "Cutting Through the Fog: Financial Literacy and the Subjective Value of Financial Assets", with M. Nieddu (CSEF Working Paper n. 497); "Bail-in vs. Bailout: A False Dilemma" (CSEF Working Paper n. 499); and "The Effectiveness of Promotion Incentives for Public Employees: Evidence from Italian Academia", with M. Nieddu (CSEF Working Paper n. 507).

MARIALAURA PESCE is Associate Professor of Mathematics at the University of Naples Federico II. Her current research focuses on general equilibrium theory, economies with uncertainty and asymmetric information, economies with public goods. Her recent publications include "Are Asymmetrically Informed Individuals Irremediably Envious?" in *Metroeconomica* and "Strict Fairness of Equilibria in Asymmetric Information Economies and Mixed Markets" (with C. Donnini), forthcoming in *Economic Theory*. She is currently working on the research projects: "A Concept of Local Fairness" (with C. Donnini) and "The Core and the Provision of Collective Goods through an Endogenous Social Division of Labour" (with A. Basile, R. Gilles and M. G. Graziano).

GIOVANNI PICA is Professor of Economics at the Università della Svizzera Italiana. His research focuses on the labour market effects of financial market imperfections, globalization and labour market institutions. In 2018, he published the paper "Correlating Social Mobility and Economic Outcomes" (with Maia Güell, Michele

Pellizzari and José V. Rodríguez Mora) in *The Economic Journal*. Currently, he is working on the role of internal labour markets in business groups, endogenous group formation, the link between social mobility and macroeconomic outcomes, and occupational licensing.

LUCA PICARIELLO is Postdoctoral Researcher at the Department of Economics and Statistics at the University of Naples Federico II and affiliated to CSEF. He holds a Ph.D. in Economics from the Norwegian School of Economics. His research interests lie at the intersection of organizational economics, contract theory, personnel economics and information economics. In 2018, he worked on talent discovery, layoff risk and unemployment insurance (with M. Pagano); corporate citizenship vs. skill development in corporate careers (with M. Pagano); organizational design with portable skills; the link between promotions and on-the-job training; feedback effect from financial markets to corporate decisions and investment horizon (with G. W. Puopolo), with funding by a Baffi Carefin grant; educational systems and their impact on specialization (with A. Rodivilov).

SALVATORE PICCOLO is Professor of Economics at the University of Bergamo (Italy) and a CSEF Fellow. He holds a Ph.D in Economics from Northwestern University. His research interests are contract theory, economics of crime, industrial organization and finance. In 2018 he published "Corruption, Organized Crime, and the Bright Side of Subversion of Law” (with A. Gamba and G. Immordino) in the *Journal of Public Economics*, “Consumer Loss Aversion, Product Experimentation and Implicit Collusion” (with A. Pignataro) in the *International Journal of Industrial Organization,,* “Selling Information to Competitive Firms” (with J. Kastl and M. Pagnozzi) in the RAND Journal of Economics, and “Terrorism, Counterterrorism and Optimal Striking Rules” (with G. Karakoc and G. Immordino) in the *Revue Economique*. His paper on “Organized Crime, Violence, and Politics” with A. Alesina and P. Pinotti is forthcoming on the *Review of Economic Studies.*

VINCENZO PLATINO is Assistant Professor of Mathematical Economics at the University of Naples Federico II. He holds a Ph.D. in Applied Mathematics from the University Paris 1 Pantheon-Sorbonne and a Ph.D. in Economics from the University Ca' Foscari. His research focuses on general equilibrium theory, economies with externalities, revealed preference theory, collective decision-making, and game theory. His recent publications include “On the Regularity of Smooth Production Economies with Externalities: Competitive Equilibrium à la Nash" (with E. del Mercato) in *Economic Theory*; “Private Ownership economy with Externalities and Existence of Competitive Equilibria: A Differentiable Approach" (with E. del Mercato) in the *Journal of Economics*. He is currently working on the research project “Social Loss with respect to the core of an economy with externalities” (with C. Di Pietro and M. G. Graziano).

MICHELE POLO is Professor of Economics, Eni Chair in Energy Markets at Bocconi University, Director of the Centre for Energy and Environmental Economics and Policy and IGIER Fellow at Bocconi University. His research interests are in industrial organization, regulation and antitrust, law and economics, political economics and the economics of organized crime. In 2018 he published “Duplicative Research, Mergers and Innovation” (with V. Denicolò) in *Economics Letters*, “Entry Games and Free Entry Equilibria”, in *Handbook of Game Theory and Industrial Organization* (L. Corchon and M. Marini eds.), Edward Elgar Publishing.

MICHELA PONZO is Assistant Professor of Economics at the University of Naples Federico II. Her current research interests are in the fields of economics of education, labour economics and health economics. In 2018 she published the paper "Are Men Given Priority for Top Jobs? Investigating the Glass Ceiling in the Italian Academia" (with M. De Paola and V. Scoppa) in the *Journal of Human Capital* and the paper "Does the Home Advantage Depend on Crowd Support? Evidence from Same-Stadium Derbies" (with V. Scoppa) in the *Journal of Sports Economics*.

JONATHAN PRATSCHKE is Associate Professor of Economic Sociology at the University of Naples Federico II. His research interests focus on social and spatial inequalities in relation to health, the labour market and education, using advanced statistical modelling techniques. Recently he published the studies "Direct and Indirect Influences of Socio-Economic Position on the Wellbeing of Older Adults: A Structural Equation Model Using Data from the First Wave of the Irish Longitudinal Study on Ageing" in *Ageing and Society*, "A Longitudinal Study of Area-level Deprivation in Ireland, 1991-2011" in *Environment and Planning B*, and "Female employment and the economic crisis" in *European Societies and Urban Studies*.

GIOVANNI WALTER PUOPOLO is Associate Professor of Economics at the University of Naples Federico II. Previously he was Assistant Professor of Finance at at Bocconi University and at the University of Naples Federico II. He received a Ph.D. in Finance from University of Lausanne and Swiss Finance Institute. His research focuses on asset pricing, portfolio choice problems with transaction costs, asset pricing with frictions, and household finance. He is currently PI of two research projects: "Household asset allocation and financial intermediation: the Role of Financial Advice" funded by Compagnia di San Paolo and Fondazione Istituto Banco di Napoli (STAR Grant) and "Feedback Effect and the Design of Financial Markets" funded by EIEF.

MARIA GRAZIA ROMANO is Assistant Professor of Economics at the University of Salerno. She received a Ph.D. in Applied Mathematics at the University of Naples Federico II. She also has a Master in Financial Markets and Intermediaries at the University of Toulouse. Her research focuses on market microstructure, corporate finance, and microeconomics. She is currently working on two research projects: the determinants of rental contracts as an alternative to purchase contracts, with A.M. Menichini; and herding in financial markets, with H. Sabourian.

ANTONIO ROSATO is a Senior Lecturer in Economics at the Business School of the University of Technology Sydney in Australia. He holds a Ph.D. in Economics from the University of California Berkeley. His research focuses on auction theory, industrial organization and behavioral economics. In 2018 he was awarded a Discovery Early Career Research Award by the Australian Research Council. In February and March 2018, he was a visiting scholar at University of Naples Federico II, teaching a graduate course in Behavioral Economics. He is currently working on "Loss Aversion and Competition in Vickrey Auctions: Money Ain't no Good" (with A. Tymula); "Bait and Ditch: Consumer Naiveté and Salesforce Incentives" (with F. Herweg); and "Projection of Private Values in Auctions" (with M. Pagnozzi and Tristan Gagnon-Bartsch).

CLAUDIO ROSSETTI Is Senior Assistant Professor of Econometrics at the University of Naples Federico II. His main research interests are microeconometric theory and applications, health economics and economics of education. His current research focuses on causal modeling for impact evaluation of business decisions and government policy, dynamic models for longitudinal data, and unobserved heterogeneity in behavioral models. His papers "A Nonlinear Dynamic Factor Model of Health and Medical Treatment" (with F. Peracchi) and

"Unobserved Heterogeneity in Structural Models using Experimental Data: a Latent Class Approach" (with G. Ponti) are currently under review. He is currently revising the paper "The causal relationship between teachers job satisfaction, mobility and students achievement: causality tests using a dynamic panel data model", and working on two projects: "The Effects of Employment Protection Reforms on the Transitions from Higher Education to Employment: Evidence from the Italian Jobs Act", and "Evaluating the Effects of Public Policy Interventions on Students Achievement in Disadvantaged Areas: Evidence from Italy".Salesforce Incentives" (with F. Herweg).

FRANCESCO FLAVIANO RUSSO is Associate Professor of Economics at the University of Naples Federico II. He received a Ph.D. in Economics from Boston University. His research focuses on Immigration, illegal markets and on tax evasion. His most recent works, joint with G. Immordino, focus on the relationship between cash and tax evasion. In "Cashless Payments and Tax Evasion" (*European Journal of Political Economy*) he shows a robust empirical relationship between cash use and tax evasion in a panel of countries. In "Fighting Tax Evasion by Discouraging the Use of Cash?" (*Fiscal Studies*) he studies the effect on evasion of a tax on cash withdrawals from bank tellers and ATM machines.

GIUSEPPE RUSSO is Associate Professor of Economics at the University of Salerno. He holds a Ph.D. in Economic Analysis and Policy from PSE. His research centers on political economy, cultural assimilation and human migrations. In 2018, he published the paper "Immigration Restriction and Second-Generation Cultural Assimilation: Theory and Quasi-Experimental Evidence" (joint with F. Galli) in the *Journal of Population Economics*, and the paper "Interregional Migration of Human Capital and Unemployment Dynamics: Evidence from Italian Provinces" (with R. Basile, A. Girardi, M. Mantuano) in the *German Economic Review*. He also contributed to the World Bank report "From Uneven Growth to Inclusive Development: Romania's Path to Shared Prosperity. Systematic Country Diagnostic". He is currently working on the relationship between electoral systems and immigration and on the cultural assimilation of second-generation immigrants.

ANNALISA SCOGNAMIGLIO is a post-doctoral fellow at CSEF from November 2014. She holds a Ph.D. in Economics from MIT. Her main current research interests are labor economics, financial economics, and political economy. She is finalizing a joint paper with A. Ellul and M. Pagano on the reputational effects of hedge fund liquidations on employees' careers, and she is working on a research project that studies the evolution of the careers of finance professionals over time. In 2018, she published the paper "When the Mafia Comes to Town" in the *European Journal of Political Economy*, and the paper "Interest Rate Changes, Mortgages, and Consumption: Evidence from Italy" (with Tullio Jappelli) in *Economic Policy*.

SAVERIO SIMONELLI is Professor of Economics at the University of Naples Federico II. His research focuses on fiscal and monetary policy, macroeconomic forecasting and instability of financial institutions. He is currently working with A. Beber, D. Fabbri and M. Pagano on "Short-Selling Bans and Bank Stability", with C. Altavilla e M. Pagano on "Unconventional Monetary Policies, Bank Lending and Sovereign Debt Holdings," with A. Acconcia and G. Corsetti on "The Liquidity and Consumption: Evidence from three post-earthquakes reconstruction programs in Italy" and with E. Ilzetzki on "Measuring Productivity Dispersion: Lessons From Counting One-Hundred Million Ballots". In 2017 he published "Banks Exposures and Sovereign Stress Transmission" (with C. Altavilla and M. Pagano) in the *Review of Finance*.

MARCO MARIA SORGE is Senior Assistant Professor of Economic Policy at the University of Salerno and Affiliate Professor at the University of Göttingen. His research interests cover computational economics, dynamic macroeconomics and political economy. In 2018 he published "Does Near-Rationality Matter in First-Order Approximate Solutions? A Perturbation approach" (with F. Hespeler) in the *Bulletin of Economic Research;* "Stochastic Dominance and Thick-Tailed Wealth Distributions" (with C. Di Pietro) in the *Journal of Economics*; "Indeterminacy and Fundamental Reduced Form Representations of DSGE Models" in *Metroeconomica*; "Comparing Inequality and Mobility in Linear Models: Comment" (with C. Di Pietro) in *Economics Letters*; "Outside (Option) in the Orchard: Lemons or Peaches?" (with C. Di Pietro) in *Economia e Politica Industriale*.

ALBERTO ZAZZARO is Professor of Economics at the University of Naples Federico II, and a Research Affiliate at MoFiR, Ancona, and at Ld'A, Milan. His main research interests are in the fields of banking and economic development. In 2018 he published "Financial Dependence and Growth: The Role of Input-output Linkages" (with D. Maggioni and A. Lo Turco) in the *Journal of Economic Behavior and Organization*; "Public R&D Subsidies: Collaborative versus Individual Place-Based Programs for SMEs" (with A. Bellucci and L. Pennacchio) in the *Small Business Economics Journal*; "Relational Capital in Lending Relationships. Evidence from European Family Firms" (with M. Cucculelli and V. Peruzzi) in the *Small Business Economics Journal*, "The Impact of Natural Disasters on Remittances to Low- and Middle-income Countries" (with G. Bettin) in the *Journal of Development Studies*; "Risk and competitiveness in the Italian banking sector" (with F. Marchionne) in the *Economics Bulletin*. He has collaborated to several projects on: family firms in the process of development; relationship lending and employment; public subsidies corporate debt; economic sanctions; finance and poverty; property tax and house prices; voters-politicians proximity; costs of bank regulation. He is a member of the editorial board of the *Italian Economic Journal*, *PSL Quarterly Review* and *Minerva Bancaria*. Finally, in 2018 he co-chaired the program of the 7th MoFiR workshop on banking (Ancona).

Here is the full list of the Working Papers published by CSEF in 2018. All papers published since 1998 can be downloaded from the URL http://www.csef.it/Working-Papers.

490 **Sarah Draus**, *Market Power on Exchanges: Linking Price Impact to Trading Fees*

Recent regulations, aimed at making trading and exchange services more competitive, triggered the proliferation of competing trading venues and resulted in high order flow fragmentation. This paper demonstrates that fragmentation allows liquidity providers and exchanges to retain market power. Whenever exchanges are not completely liquid, a rational trader fragments his order to reduce price impact. This lowers the price elasticity of both liquidity provider's asset demand and exchange trading volume, inducing mark-ups on transaction prices and on exchange trading fees. Surprisingly, less competitive liquidity provision feeds back into higher trading fees. Moreover, exchanges with better liquidity charge higher trading fees and attract larger market shares. The results are consistent with anecdotal evidence and deliver empirical implications for the effect of introducing exchange competition on implicit and explicit trading costs.

491 Marco Cucculelli, Valentina Peruzzi and **Alberto Zazzaro**, *Relational Capital in Lending Relationships. Evidence from European Family Firms*

We investigate the role of a family CEO's relational capital and a non-family CEO's managerial abilities in the context of bank relationships for a large sample of small- and medium-sized European firms. We begin by examining whether the relational capital embodied in the family leadership of the company influences the lending relationship with the bank in terms of information sensitivity and duration. Next, we test how banks value in their credit decisions the leadership of professionals and their managerial skills with respect to the relational capital of family CEOs. The results indicate that family businesses appointing managers from within the family are significantly more likely to maintain soft-information-based and longer-lasting lending relationships. However, family executives do not have a negative impact on the firm's access to credit, while the creation of soft-information-based and long-lasting lending relationships significantly reduce the likelihood of experiencing credit restrictions. In view of these findings, family relational capital appears to have a univocal beneficial impact on the bank–firm relationship in our sample.

492 Moritz Bosbach and **Ornella Wanda Maietta**, *The Implicit Price for Fair Trade Coffee: Does Social Capital Matter?* Published in *Ecological Economics,* 158, 34-41, doi: https://doi.org/10.1016/j.ecolecon.2018.12.010

This study aims to ascertain whether the implicit price paid for Fair Trade coffee in regular supermarkets is influenced by the stock of social capital in the territory where consumers live. A hedonic regression set-up is adopted, based on Italian scanner data taken at NUTS3 level. Regressors include attributes described on the label, which include separate certifications for Fair Trade and organic/eco-label status, plus various indicators of social capital and their interactions with the Fair Trade and organic/eco-label attributes. The implicit consumer price paid for the Fair Trade attribute is significantly and positively affected by a social capital proxy, the ratio of co-op members to total employment.

493 Vittoria Cerasi, Sebastian M. Deininger, Leonardo Gambacorta, and **Tommaso Oliviero**, *How Post-crisis Regulation Has Affected Bank CEO Compensation*

This paper assesses whether compensation practices for bank Chief Executive Officers (CEOs) changed after the Financial Stability Board (FSB) issued post-crisis guidelines on sound compensation. Banks in jurisdictions which implemented the FSB's Principles and Standards of Sound Compensation in national legislation changed their compensation policies more than other banks. Compensation in those jurisdictions is less linked to shorttermprofits and more linked to risks, with CEOs at riskier banks receiving less, by way of variable compensation, than those at less-risky peers. This was particularly true of investment banks and of banks which previously had weaker risk management, for example those that previously lacked a Chief Risk Officer.

494 **Marco Pagnozzi** and Krista J. Saral, *Auctions with Limited Liability through Default or Resale*

If bidders are uncertain about their value when they participate in an auction, they may overbid and suffer ex-post losses. Limited liability mitigates these losses, and may result in more aggressive bidding and higher seller revenue, but also in an inefficient allocation. Using a combination of theory and experiment, we analyze three different forms of liability in second-price auctions: full liability, limited liability by default with varying penalties, and resale-based limited liability. With a default penalty, bids are higher than under full liability, but final revenue and efficiency are lower due to the frequency of default. Auctions with resale result in the highest revenue and allocative efficiency, and are as effective as a low default penalty in alleviating bidders' losses. Hence, allowing resale as a form of limited liability may be preferred by both bidders and sellers over other liability rules.

495 Eleonora Bertoni, Vasco Molini, Michele Di Maio and **Roberto Nisticò**, *Education is Forbidden: The Effect of the Boko Haram Conflict on Education in North-East Nigeria*

This paper quantifies the microeconomic impact of the Boko Haram conflict on various educational outcomes of children living in North-East Nigeria during the period 2009- 2016. Using an individual panel fixed-effects regression and exploiting both over-time and within-district variation in household-level conflict exposure, we show that conflict reduces school enrolment and increases the probability of school dropout. In addition, using a standard difference-in-difference estimation strategy, we show that conflict reduces the years of education completed. As for the mechanisms explaining the decision to abandon school, we document that conflict increases the child's probability of working in the household's non-farm enterprise, a choice likely to be motivated by the conflict -induced worsening in the quality of the school supply. Finally, we find that conflict also worsen the general health conditions of the students.

496 Fernanda Mazzotta and **Ornella Wanda Maietta**, *Firm Survival and Innovation: Knowledge Context Matters!*

The aim of this paper is to explore the differential effect of innovation on firm survival. We consider the effect of product, process and organisational innovations controlling for the role of the knowledge context and of firm absorptive capacity. At the end of the 1990s, an ad hoc survey was performed on a representative sample of manufacturing firms located in a NUTS3 area of southern Italy, and information on firm survival has been collected for 15 years. A multivariate endogenous probit model is applied to simultaneously analyse the determinants of innovation and of subsequent firm survival. Our estimates confirm that process innovation is a determinant of firm survival followed by product innovation, whereas evidence of a more novel type suggests that organisational innovation plays only a weak role. Entrepreneurial general and specific human capital exerts no direct beneficial effect on firm duration. The requirement of proper technological knowledge from the local university has been the driver of firm duration with the highest marginal effect.

497 Marco Nieddu and **Lorenzo Pandolfi**, *Cutting Through the Fog: Financial Literacy and the Subjective Value of Financial Assets*

We examine the impact of financial literacy on investors' subjective valuation of financial assets. In a laboratory experiment, we study how the certainty equivalent of a risky lottery changes when varying the framing of the lottery – a financial asset vs. a coin toss – and participants' level of financial literacy – via teaching basic financial notions. Enhancing financial literacy improves the understanding of the lottery's structure and increases its certainty equivalent, thus offsetting the negative effects of the financial framing. Our results –

which can be rationalized by ambiguity aversion – highlight the importance of promoting financial education to stimulate households' financial market participation.

498 Chiara Donnini and **Marialaura Pesce**, *Strict Fairness of Equilibria in Mixed and Asymmetric Information Economies*

We investigate the fairness property of equal-division competitive market equilibria (CME) in asymmetric information economies with a space of agents that may contain non-negligible (large) traders. We first propose an extension to our framework of the notion of strict fairness due to Zhou (1992). We prove that once agents are asymmetrically informed, any equal-division CME allocation is strictly fair, but a strictly fair allocation might not be supported by an equilibrium price. Then, we investigate the role of large traders and we provide two sufficient conditions under which, in the case of complete information economies, a redistribution of resources is strictly fair if and only if it results from a competitive mechanism.

499 **Lorenzo Pandolfi,** *Bail-in vs. Bailout: a False Dilemma?*

This paper analyzes the effects of bail-in policies on banks' funding cost, incentives for loan monitoring, and financing capacity. In a model with moral hazard and two investment stages, a full bail-in turns out to be, ex post, the first-best policy to deal with failing banks. As a consequence, however, investors expect bail-ins rather than bailouts. Ex ante, this raises banks' cost of debt and depresses bankers' incentives to monitor. When moral hazard is severe, this time inconsistency leads to a credit market collapse unless the government pre-commits to an alternative resolution policy. The optimal policy is either a combination of bail-in and bailout or liquidation, depending on the severity of moral hazard and the shadow cost of the partial bailout.

500 **Maria Gabriella Graziano,** Claudia Meo and Nicholas C. Yannelis, *Housing Market Models with Consumption Externalities*

We analyze housing market models à la Shapley and Scarf with externalities in consumption; that is, agents care about others and their preferences are defined over allocations rather than over single indivisible goods. After collecting some negative results about the existence of several cooperative solutions, we focus on stable allocations and search for special domains of preferences that can guarantee that they both exist and form a stable set à la von Neumann and Morgenstern.

501 Luigi Guiso and **Tullio Jappelli**, *Investment in Financial Information and Portfolio Performance*, forthcoming in *Economica*

Rational investors perceive correctly the value of financial information. Investment in information is therefore associated with a higher expected portfolio return and Sharpe ratio. Overconfident investo rs overstate the quality of their own information, and thus investment in information is associated with a lower expected Sharpe ratio despite they realize higher average returns. We contrast the implications of these two models using two unique surveys of customers of a leading Italian bank with portfolio data and measures of financial information. We find that the investment in information is positively associated with returns to financial wealth and negatively to Sharpe ratio. The latter falls with proxies for overconfidence. We relate these findings to the wealth inequality debate.

502 Francesco Caruso, Maria Carmela Ceparano and **Jacqueline Morgan**, *An Adjustment Process-based Algorithm with Error Bounds for Approximating a Nash Equilibrium*

Regarding the approximation of Nash equilibria in games where the players have a continuum of strategies, there exist various algorithms based on adjustment processes: from one step to the next, one player updates his strategy solving an optimization problem where the strategies of the other players come from the previous steps. These iterative schemes generate sequences of strategy profiles which are constructed by using continuous optimization techniques and which converge to a Nash equilibrium of the game. In this paper, we propose an adjustment process based on continuous optimization which guarantee the convergence to a Nash equilibrium in two-player non zero-sum games when the best response functions are not linear, both compositions of the best response functions are not contractions, and the strategy sets are Hilbert spaces. Firstly, we address the issue of uniqueness of the Nash equilibrium extending to a more general class the result obtained in F. Caruso, M.C. Ceparano, and J. Morgan (J Math Anal Appl 2018) for weighted potential games. Secondly, we describe a theoretical adjustment process involving the best response functions which converges to the unique Nash equilibrium of the game. Finally, in order to approximate the unique Nash equilibrium of the game, we present a discretization scheme and a numerical adjustment process based on continuous optimization, and we compute error bounds.

503 **Giovanni Immordino, Salvatore Piccolo** and Paolo Roberti, *Optimal Leniency and the Organization Design of Group Delinquency*

We study a simple law enforcement model in which the organizational structure of criminal organizations is endogenous and determined jointly with the amnesty granted to criminals who ip and blow the whistle (leniency program). We allow criminals to choose between a horizontal (partnership) and a vertical structure and study how this choice affects the optimal leniency chosen by a benevolent Legislator whose objective is to minimize crime. We show that when soldiers in vertical organizations have valuable information about the boss, the policy mainly targets vertical hierarchies, leaving horizontal structures proliferate in number. By contrast, when soldiers are poorly informed about their heads, the Legislator implements a policy that completely eradicates partnerships. When the two types of organization coexist, partnerships emerge only for intermediate levels of trust between criminals, while organizations take a vertical structure for low or high levels of trust among felons.

504 Rosario Crino, **Giovanni Immordino** and **Salvatore Piccolo**, *Fighting Mobile Crime*

We develop a model in which two countries choose their enforcement levels non-cooperatively, in order to deter native and foreign individuals from committing crime in their territory. We assume that crime is mobile, both ex ante (migration) and ex post (fleeing), and that criminals who hide abroad after having committed a crime in a country must be extradited back. We show that, when extradition is not too costly, countries overinvest in enforcement compared to the cooperative outcome: insourcing foreign criminals is more costly than paying the extradition cost. By contrast, when extradition is sufficiently costly, a large enforcement may induce criminals to flee the country in which they have perpetrated a crime. Surprisingly, the fear of extraditing criminals enables countries to coordinate on the e¢ cient (cooperative) outcome.

505 **Tullio Jappelli** and Luigi Pistaferri, *Reported MPC and Unobserved Heterogeneity*

We use panel data on reported marginal propensity to consume (MPC) in the 2010 and 2016 Italy's Survey of Household Income and Wealth. We uncover a strong negative relationship between cash-on-hand and MPC. This relation is attenuated by using regression methods that control for unobserved heterogeneity. The estimates are used to show that the effectiveness of revenue-neutral fiscal policies is much weaker relative to a case in which both observed and unobserved heterogeneity are not taken into account, particularly for policies that target the bottom part of the distribution of household resources.

506 Marco Bertoni and **Roberto Nisticò**, *Rank Concerns, Peer Effects, and Ability Tracking in University. Evidence from a Randomized Experiment*

If relative rank within classes enhances student achievement, tracking will help low-ability students and may harm high achievers. Using data from a randomized experiment generating a wide range of support of group ability composition, we show that students with higher ordinal ability rank within groups have better academic outcomes. We use our flexible education production function and the ample support of the data to predict the effects of alternative grouping polices. When we unpack the mechanisms behind ability tracking, we show that rank and peer effects work in opposite directions in generating outcomes for low- and high-ability students.

507 Marco G. Nieddu and **Lorenzo Pandolfi**, *The Effectiveness of Promotion Incentives for Public Employees: Evidence from Italian Academia*

This paper investigates how promotion incentives affect the productivity of high-skilled public employees. In a fuzzy regression discontinuity design, we exploit the three bibliometric thresholds of the 2012 National Scientific Qualification (NSQ), the centralized evaluation procedure awarding the eligibility for career advancements in Italian universities. Specifically, we compare the 2013-2016 research productivity of assistant professors who barely achieve the qualification for associate professor with the productivity of candidates who barely miss it. The former have the incentive to enrich their publication records in order to meet the higher requirements for the full professor qualification by the following round of the NSQ. Conversely, the latter first need to re-apply for the associate professor qualification, thus facing lower promotion thresholds. We find that barely qualified scholars publish significantly more papers – and in journals of comparable quality – than their unsuccessful colleagues. The relationship between the increase in publications and the distance from the expected thresholds for the full professor qualification is inverted-U shaped: promotion incentives are mostly effective when the promotion threshold is neither too difficult nor too easy to meet. Our results emphasize the importance of promotion incentives as an effective tool for public management to enhance the productivity of state personnel. They also provide novel evidence on the responsiveness of scholars to publication-based hiring and promotion schemes.

508 **Carla Guerriero**, N. Abrines Jaume, K. Diaz-Ordaz, K. Brown, J. Wray, J. Ashworth, M. Abbiss, J. Cairns, *Using Animation to Self-report Health: a Randomized Experiment with Children*

The Child Health Utility-9D (CHU-9D) is the only generic preference based measure specifically developed to elicit health-related quality of life directly from children aged 7 to 11 years. The aim of this study was to investigate whether the use of animation on a touch screen device (tablet) is a better way of collecting health status information from children aged 4 to 14 years compared to a traditional paper questionnaire. The specific research questions were firstly, do young children (4 to 7 years) find an animated questionnaire easier to understand; secondly, independent of the child's age, is completion of an animated questionnaire easier for sick children in hospital settings; and thirdly, do children's preferences for the different versions of the questionnaire vary by the age of the child. Using a balanced cross-over trial we administered different versions of the CHU-9D to 221 healthy children in a school setting and 217 children with health problems in a hospital setting. The study tested five versions of the CHU-9D questionnaire: paper text, tablet text, tablet image, paper image and tablet animation. Our results indicate that the majority of the youngest children aged 4-7 years found the CHU-9D questions easy to answer independent of the type of questionnaire administered. Amongst children aged 7-14 with health problems the type of questionnaire was found to influence understanding. Children aged 7 to 11 years found tablet image and animation easier compared to text questionnaires while the oldest children in hospital found text based questionnaires easier compared to image and animation. Children in all three age groups preferred animation on a tablet to other methods of assessment. Our results highlight the potential for using an Animated Preference Based Measure to the health of children as young as 4 years.

509 **Marco Pagnozzi, Salvatore Piccolo** and Markus Reisinger, *Vertical Contracting with Endogenous Market Structure*

A manufacturer chooses the optimal retail market structure and bilaterally and secretly contracts with each (homogeneous) retailer. In a classic framework without asymmetric information, the manufacturer sells through a single exclusive retailer in order to eliminate the opportunism problem. When retailers are privately informed about their (common) marginal cost, however, the number of competing retailers also affects their information rents and the manufacturer may prefer an oligopolistic market structure. We characterize how the manufacturer's production technology, the elasticity of final demand, and the size of the market affect the optimal number of retailers. Our results arise both with price and quantity competition, and also when retailers' costs are imperfectly correlated.

510 Anuj Bhowmik and **Maria Gabriella Graziano**, *Blocking Coalitions and Fairness in Asset Markets and Asymmetric Information Economies*

This paper analyses two properties of the core in a two-period exchange economy under uncertainty: the veto power of arbitrary sized coalitions; and coalitional fairness of core allocations. We study these properties in relation to classical (static) and sequential (dynamic) core notions and apply our results to asset markets and asymmetric information models. We develop a formal setting where consumption sets have no lower bound and impose a series of general restrictions on the first period trades of each agent. All our results are applications of the same lemma about improvements to an allocation that is either non-core or non-coalitionally fair. Roughly speaking, the lemma states that if all the members of a coalition achieve a better allocation in some way (for instance, by blocking the status quo allocation or because they envy the net trade of other coalitions) then an alternative improvement can be obtained through a perturbation of the initial improvement.

511 **Francesco Flaviano Russo**, *Immigration and Nationalism: The Importance of Identity*, *Journal of Economic Policy*, 2018, 34(2), 195-206

Increased immigration in Italy has been coupled with a change in the composition of the stock of immigrants by nationality. Migrants that come from different countries and cultures bring with them different languages, habits, norms, religions and, in general, interact differently with the local population, thereby generating different responses to immigration. I study the relationship between this changes in the identity of the migrants and the electoral outcomes in Italy computing several measures of distance between immigrants and natives with respect to the language spoken, to religion and to genetic factors that, being correlated with the vertical transmission of norms and values, proxy for a wide range of both cultural and individual traits. I find that the increased distance between immigrants and natives is associated with more votes for nationalist, anti-immigration political parties.

512 Giovanni Ponti and **Claudio Rossetti**, *Unobserved Heterogeneity in Structural Behavioral Models Using Experimental Data*

In this paper we compare a mixed logit model (MLM) and a latent class model (LCM) in the context of behavioral structural estimation using experimental data. By providing an instrument to deal with the intrinsic unobserved heterogeneity that characterizes experimental data, these alternative models have clear advantages compared with a multinomial logit model (MNL) typically used in structural estimation of behavioral models. We carry out our exercise by using experimental data that allows us estimation of distributional parameters related to risk and social preferences. Somehow coherently with the economic theory, the LCM identifies three classes of subjects (risk/ineq. lovers, risk/ineq. neutral, risk/ineq. averse). Moreover, estimates from both MLM and LCM somehow confirm the findings from a MNL model that under the veil of ignorance (VOI) subjects' variance aversion mostly reflects risk, rather than distributional concerns. By taking unobserved heterogeneity adequately into account in the estimation of our structural behavioral model, also provides new insights into individual behavior on the interplay between risk and inequality concerns. For example, we find that there is much more variability in individual behavior when subjects face pure inequality than under VOI. Moreover, in the case of pure inequality subjects are also more likely to be inequality lovers than under VOI.

513 Brunella Bruno and **Immacolata Marino**, *How do Banks Respond to NPLs? Evidence from the Euro Area*

We study how asset quality deterioration influences the way Euro area banks adjust their balance sheets over 2010-2015. Findings from the fixed effect analysis report strong evidence of a negative correlation between asset quality and asset and lending growth. To explore the causality of the nexus, we exploit the 2014 ECB Asset Quality Review exercise in a diff-in-diff framework. We uncover a direct and negative effect of higher NPLs on banks' credit supply. Results are stronger for AQR banks plagued by high level of problem loans located in High-NPLs countries.

514 **Marco M. Sorge,** *Computing Sunspot Solutions to Rational Expectations Models with Timing Restrictions*

Rational expectations (RE) frameworks featuring informational constraints are becoming increasingly popular in macroeconomic research. A recent strand of literature has explored the analytics of RE models with informational subperiods, in which the occurrence of exogenous shocks is period-specific and decision makers thus condition their own choices and expectations upon a sequence of nested information sets (timing restrictions). Assuming the unrestricted (full information) RE model satisfies saddle-path stability, this paper provides (i) necessary and sufficient conditions for existence of an uncountably infinite set of linearly perturbed solutions to its restricted (informationally constrained) counterpart, and (ii) an algorithm for computing the full set of (sunspot) solutions when equilibrium indeterminacy occurs.

515 Michele Bisceglia, **Salvatore Piccolo** and Emanuele Tarantino, *M&A Advisory and the Merger Review Process*

Two firms propose a merger to the antitrust authority. They are uninformed about the efficiencies generated by the merger, but can hire an expert to gather information on their behalf. The authority is also uninformed about the merger's efficiencies, but can run a costly internal investigation to learn them. We analyze the effect of the disclosure of the expert's contract on consumer welfare, and show that consumers are not necessarily better off with disclosure. This negative effect hinges on a free-riding problem between expert and authority in the information acquisition game, and is more relevant in highly competitive industries.

516 Alessia Lo Turco, Daniela Maggioni and **Alberto Zazzaro**, *Financial Dependence and Growth: the Role of Input-Output Linkages*

We widen the understanding of the finance-growth nexus by accounting for the indirect effect of financial development through input-output (IO) linkages in determining the growth of industries across countries. If financial development is expected to promote disproportionately more the growth of industrial sectors that are more in need of external finance, it also favours more the industries that are linked by IO relations to more financially dependent industries. We explore this new channel in a sample of countries at different development stages over the period 1995-2007. Our results highlight that financial development, besides easing the growth of industries highly dependent on external finance, also fosters the growth of industries strongly linked to highly financially dependent upstream industries. Moreover, the indirect effect - propagated through IO linkages - of finance has a higher and non-negligible role compared to the direct effect and its omission leads to a biased and underestimated perception of the role of finance for industries growth.

517 **Edoardo Di Porto**, Enrica Maria Martino and Paolo Naticchioni, *Back to Black? The Impact of Regularizing Migrant Workers*

This paper provides a firm and individual level analysis of the impact on labor market outcomes of regularizing undocumented migrant workers. Using unique administrative data released by the Italian Social Security Institute, we evaluate Italy's largest ever regularization process. We employ an unexpected quasi-random auditing program to deal with firms' selfselection into treatment. Our results show that regularization has only a short-run positive impact on firm employment and no effect on firm-level wages. Nonetheless, 73.5% of regularized migrants remains within the formal Italian labor market, and we find also that legalized migrant coworkers were not affected (negatively) by the reform. Our findings highlight that high mobility of migrants to other firms, provinces and industries is an important driver of our results.

518 **Mario F. Carillo**, *Agricultural Policy and Long-Run Development: Evidence from Mussolini's Battle for Grain*

This paper explores the effect of agricultural policies on industrialization and economic development over the long run. I analyze the differential effect of the Battle for Grain, implemented by the Italian Fascist regime to achieve self-sufficiency in wheat production, on the development path across areas of Italy. Employing time variation, along with cross-sectional variation in the suitability of land for implementing the advanced wheat production technologies, I find that the policy had unintended positive effects on industrialization and economic prosperity which have persisted until the present day. Furthermore, I find that the positive effect of the Battle for Grain on human capital accumulation was instrumental in this process, suggesting that the complementarity between human capital and agricultural technology may be a critical mechanism through which agricultural productivity may enhance the development of non-agricultural sectors.

519 **Giovanni Immordino, Salvatore Piccolo** and Paolo Roberti, *Criminal Networks, Market Externalities and Optimal Leniency*

We analyze the relationship between competition and self-reporting incentives within a criminal network formed by a supplier of an illegal good and two dealers distributing the good to final consumers. The Legislator designs a leniency program to deter crime. We show that the comparison between the optimal amnesty with competition and monopoly in the dealership market depends on the strength of the externalities between dealers at the reporting stage. While in monopoly a leniency program is al- ways feasible, the opposite may happen with competition. This impossibility result is more relevant when the demand for the illegal product is large, when the market is neither too competitive nor too concentrated and when dealers know too much about each other. Moreover, in contrast to monopoly, the policy does not necessarily increase welfare in a competitive environment.

520 **Anna Maria C. Menichini** and **Maria Grazia Romano,** *Does the Master's Eye Make the Horse Fat? Maintenance of Collateral and Asset Care under Purchase and Leasing Contracts*

The paper presents a theory of leasing in which asset use and maintenance shape the firm's decision between purchasing or leasing productive assets. When the maintenance of the asset cannot be carefully specified as part of the loan agreement, its level may be suboptimal, and jeopardise the return to the financiers in case of default, thus eroding the benefit of collateral pledging, particularly relevant for financially constrained firms. Operating leasing allows to overcome such shortcoming, as the maintenance is delegated to the lessor. However, this delegation generates a novel moral hazard problem on the lessee, who, by not paying for maintenance, does not internalise the use incentive and may practice inefficiently low levels of care and cause asset depletion. The paper characterises circumstances in which it may be optimal to lease rather than buy and rationalises some observed features of leasing contracts.