



ACTIVITY REPORT 2017

CENTRE FOR STUDIES IN ECONOMICS AND FINANCE
University of Naples "Federico II"
Department of Economics and Statistics
Via Cintia, Monte S. Angelo
80126 NAPLES—ITALY



University of Naples Federico II



University of Salerno



Bocconi
Bocconi University, Milan

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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. CSEF 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, runs two weekly research seminars, and collaborates with the Master in Economics and Finance (MEF) at the University of Naples Federico II.

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

News

2017 has been a great year for CSEF. **Emilio Calvano**, **Giovanni Immordino**, **Annalisa Scognamiglio** and **Edoardo Di Porto** received two grants from the Einaudi Institute for Economics and Finance: the first three fellows for a single project on perceived ability and popularity while the last for a project on regularizing migrant workers.

Roberto Nisticò has been awarded the Etta Chiuri Prize with the paper "The effect of parental job loss on child school dropout: evidence from the occupied Palestinian territories" (joint with Michele Di Maio).

CSEF welcomed three new hires: **Giovanni Andreottola** (Ph.D., European University Institute), **Anna D'Annunzio** (Ph.D., Toulouse School of Economics), and **Lorenzo Pandolfi**, (Ph.D., Universitat Pompeu Fabra) recruited through the international job market at the start of 2017.

Besides these, several other researchers joined CSEF in 2017: **Claudio Rossetti** and **Vincenzo Platino**, assistant professors at the University of Naples Federico II, **Luca Picariello**, doctoral student from the Norwegian School of Economics, **Francesco Lancia** and **Jonathan Pratschke**, respectively associate and assistant professor at the University of Salerno.

In 2017 CSEF Fellows 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.

Finally, CSEF organized 4 conferences and workshops, often jointly with other institutions and research centres.

Funding

Research projects carried out at CSEF in 2017 were funded by research grants of the European Research Council (ERC), University of Naples, Compagnia di San Paolo, the European Commission (Collaborative Project), the Italian Ministry of University and Research (PRIN and PON projects).

How to contact us:

CSEF, Centre for Studies in Economics and Finance
University of Naples Federico II
Department of Economics and Statistics
Via Cintia, 45
80126 Napoli
Tel. +39 081 675372
Fax +39 081 675014
E-mail csef@unina.it
<http://www.csef.it/Working-Papers>

Conferences

Conference on *Macroeconomic Issues after the Crisis*

The Conference on **Macroeconomic Issues after the Crisis** was held at the Resort "Il Melograno" (Monopoli, Puglia) on 16-17 June. The event was jointly organised by the Center for International Macroeconomics (Northwestern University), the Center for Studies in Economics and Finance (CSEF), the Einaudi Institute for Economics and Finance (EIEF), University College of London (UCL) and the University of Mannheim. The Scientific Committee included Martin Eichenbaum (Northwestern), Luigi Paciello (EIEF), Morten Ravn (UCL), Saverio Simonelli (CSEF), and Klaus Adam (Mannheim). Funding was partly provided by an ERC Starting Grant awarded to Luigi Paciello.

13th CSEF-IGIER Symposium on *Economics and Institutions*

From 26 to 29 June 2017, CSEF and the Innocenzo Gasparini Institute for Economic Research (IGIER Bocconi) held their annual joint **Symposium on Economics and Institutions**, organized by CSEF Fellows Alberto Bennardo, Salvatore Capasso, Giovanni Walter Puopolo and IGIER Fellows Pierpaolo Battigalli, Luigi Iovino, Julien Sauvagnat. As in the past, the Symposium featured three parallel sessions of morning seminars, afternoons being reserved to informal workshops and collaborative work. The program included papers in applied and pure theory, development, finance, political economy, applied micro and macro. The invited speakers were Wouter Dessein (Columbia Business School), Luigi Guiso (EIEF), David Levine (European University Institute), Ross Levine (University of California, Berkeley), Franck Portier (Toulouse School of Economics), Norman Schürhoff (University of Lausanne and Swiss Finance Institute).

Workshop on *Household Finance*

The CEPR Network on Household Finance, the Einaudi Institute for Economics and Finance (EIEF), Università di Napoli Federico II, and the Swedish House of Finance, organised the 2017 **CEPR European Conference on Household Finance** in Alghero (Sardinia) on 6-7 October 2017. The local organisers were Luigi Guiso (EIEF and CEPR) and Tullio Jappelli (CSEF and CEPR). The conference featured state-of-the-art research on household financial behavior and on how it is influenced by other choices, government policies, and the overall economic environment.

4th Conference on *Bank Performance, Financial Stability and the Real Economy*

CSEF, jointly with Unicredit & Universities Foundation, organised the **4th Conference on Bank Performance, Financial Stability and the Real Economy**, at the Sala del Capitolo, Complesso di San Domenico Maggiore, Naples, on December 15, 2017. The event was coordinated by the following local organizers: Anna Maria Menichini (University of Salerno), Tommaso Oliviero, Marco Pagano, Giovanni Puopolo, Saverio Simonelli and Alberto Zazzaro (University of Naples Federico II).



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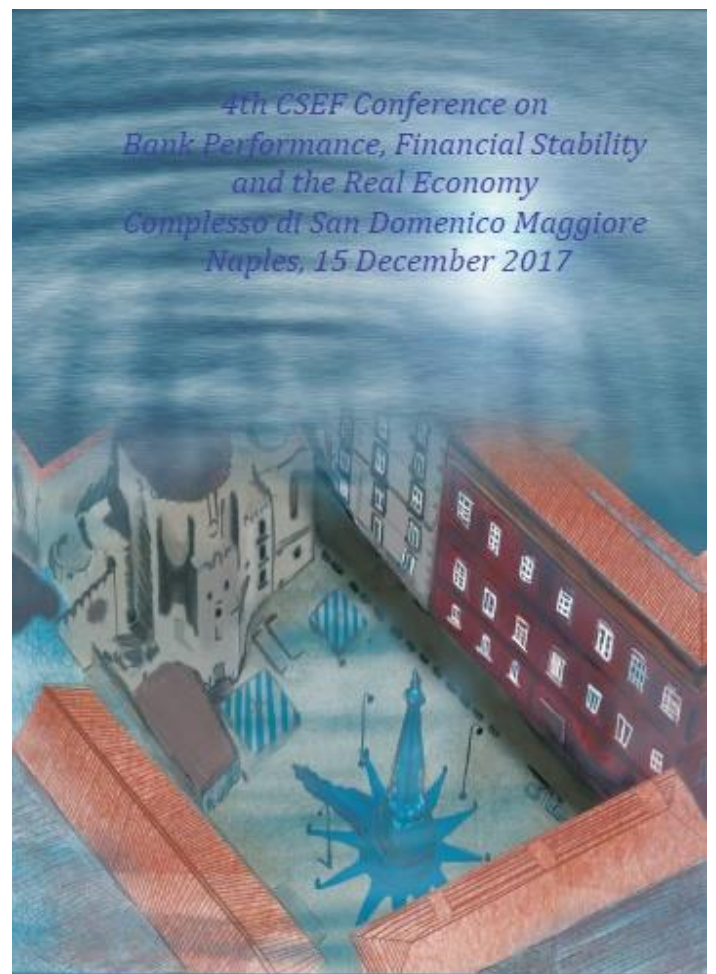
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Seminars

In 2017 CSEF hosted one or two research seminars per week. Papers were presented both by invited speakers and resident researchers.

January	Dominik Menno (Aarhus University), <i>Cumulated Sum of Squares Statistics for Non-linear and Non-stationary regression Financial Constraints and Nominal Price Rigidities</i> (with A. Balleer and N. Hristov)
	Andrea Gazzani (European University Institute), <i>Proxy-SVAR as a Bridge between Mixed Frequencies</i> (with A. Vicondoa) – Job Market paper
	Salvatore Lo Bello (Universidad Carlos III de Madrid), <i>Like Father, Like Son: Occupational Choice, Intergenerational Persistence and Misallocation</i> (with I. Morchio) – Job Market paper
	Vincenzo Pezone (University of California, Berkeley), <i>Unemployment Risk and Payout Policies</i> – Job Market paper
	Giovanni Andreottola (European University Institute), <i>Flip-Flopping and Electoral Concerns</i> – Job Market paper
February	Marco Schwarz (University of Munich), <i>The Impact of Social media on Belief Formation</i> – Job Market paper
	Johannes Poeschl (University of Mannheim), <i>Corporate Debt Maturity and Investment over the Business Cycle</i> – Job Market paper
	Anna D'Annunzio (Telenor Research), <i>Ad networks, consumer tracking and privacy</i> (joint with Antonio Russo) – Job Market paper
	David Dorn (University of Zurich), <i>When Work Disappears: How Adverse Labor Market Shocks Affect Fertility, Marriage, and Children's Living Circumstances</i> (joint with D. Autor and G. Hanson)
	Alejandra Ramos (Universitat Autònoma de Barcelona and Barcelona GSE), <i>Household Decision Making with Violence: Implications for Transfer Programs</i> – Job Market paper
March	Erich Battistin (Queen Mary University of London), <i>Grading Leniency and Economic Geography</i> (joint with L. Neri)
	Maria Bigoni (University of Bologna), <i>At the root of the North-South cooperation gap in Italy: Preferences or beliefs?</i> (joint with S. Bortolotti, M. Casari, and D. Gambetta)
	Christian B. Hansen (University of Chicago Booth), <i>Estimation and Inference for Dense Functionals of Sparse High-Dimensional Parameters</i> (joint with D. Kozbur and S. Misra)
	Juuso Välimäki (Aalto University), <i>Common Value Auctions with Costly Entry</i> (joint with P. Murto)
	Federico Esposito (Tufts University), <i>Entrepreneurial Risk and Diversification through Trade</i>
April	Olivier Guéant (ENSAE), <i>Mean Field Games and Applications</i>
	Tullio Jappelli (University of Naples Federico II), <i>Asymmetric Consumption Effects of Transitory Income Shocks</i> (joint with D. Christelis, D. Georgarakos, L. Pistaferri and M. van Rooij)
	Gyongyi Loranth (University of Vienna), <i>Multinational Banks and Supranational Supervision</i> (joint with G. Calzolari and J.-E. Colliard)

Giuseppe De Feo (University of Strathclyde), *Weak States: Origins and Consequences of the Sicilian Mafia* (joint with D. Acemoglu and G. De Luca)

Sarah Draus (Rotterdam School of Management - Erasmus University), *High Frequency Trading and Fundamental Trading*

Raffaele Giuliana (Norwegian School of Economics - NHH), *Bail-In's Effects on Banks' Bond Yields and Market Discipline. A Natural Experiment*

Valentino Dardanoni (University of Palermo), *A General Model of Consideration Sets: Theory and Applications* (joint with P. Manzini and M. Mariotti)

May **Ulf Axelson** (London School of Economics), *Sequential Credit Markets* (joint with I. Makarov)

Sergio Beraldo (University of Naples Federico II and Csef), *Nudging and Individual Autonomy*

Marco Nieddu (University Pompeu Fabra), *Promotion Incentives and the Production of Knowledge: Evidence from the Italian National Scientific Habilitation* (joint with L. Pandolfi)

Nicola Gennaioli (Bocconi University), *Diagnostic Expectations and Stock Returns* (joint with P. Bordalo, R. La Porta and A. Shleifer)

Antonella Trigari (Bocconi University), *Unemployment Fluctuations, Match Quality, and the Wage Cyclicalilty of New Hires* (joint with M. Gertler and C. Huckfeldt)

Rosario Crinò (Catholic University of Milan), *Marginal Deterrence at Work* (joint with G. Immordino and S. Piccolo)

Victor Lavy (University of Warwick), *Persistency in Teachers' Gender Grading Biases and Effect on Longer Term Outcomes: University Admission Exams and Choice of Field of Study*

Jonathan Pratschke (University of Salerno), *Tracking the determinants of change in health and well-being among older adults: A cross-lagged panel model using data from the Irish Longitudinal Study on Ageing*

Dino Gerardi (Collegio Carlo Alberto), *Bargaining over a Divisible Good in the Market for Lemons* (joint with L. Maestri)

June **Edoardo Di Porto** (University of Naples Federico II and CSEF), *The Heterogenous pathways of WWII stress transmission: evidence from a natural experiment* (with V. Atella and J. Kopinska)

Pierre-André Chiappori (Columbia University), *A nonlinear dynamic factor model of health and medical treatment* *Partner Choice, Investment in Children, and the Marital College Premium* (joint with B. Salanié and Y. Weiss)

Andrew Ellul (Indiana University and University of Naples Federico II), *Lessons Learnt or Forgotten? Banks' Behavior after the Financial Crisis*

September **Dimitris Christelis** (University of Naples Federico II and CSEF), *The impact of property taxes on household expenditure: evidence from Italy*

Antonio Guarino (University College London), *Updating Ambiguous Beliefs in a Social Learning Experiment* (joint with R. De Filippis, P. Jehiel and T. Kitagawa)

Simone Tonin (Durham University), *Existence and Optimality of Cournot-Nash Equilibria in Bilateral Oligopoly with Atoms and an Atomless Part* (joint with F. Busetto, G. Codognato, S. Ghosal, and L. Julien)

October **Vincenzo Pezone** (Goethe Institute), *Managerial Duties and Managerial*

Biases (joint with U. Malmendiery and H. Zheng)

Giovanni Andreottola (University of Naples Federico II and CSEF), *Fake News, Media Competition and Political Accountability*

Andrea Polo (Universitat Pompeu Fabra), *Hedger of Last Resort: Can Central Banks Protect Local Credit Markets from Global Financial Shocks? Evidence from Brazil* (joint with R. Barbone Gonzalez, D. Khametshin and J.-L. Peydrò)

Luana Zaccaria (Einaudi Institute for Economics and Finance), *Tournaments, Career Concerns and Risk Taking: Evidence from ECB Reserve Currency Portfolios* (joint with B. Sahel and A. Scalia)

Raphaël Parchet (University of Lugano - Università della Svizzera italiana - USI) *Who Bears the Burden of Local Income Taxes?* (joint with M. Brülhart, J. Danton and J. Schlaepfer)

Edoardo Di Porto (University of Naples Federico II and Csef), *Back to Black? The impact of regularizing migrant workers* (joint with E. M. Martino e P. Naticchioni)

Lukas Schmid (Duke University), *Misallocation or Risk-Adjusted Capital Allocation?* (joint with J. M. David, and D. Zeke)

Valentino Dardanoni (University of Palermo), *Cognitive Distribution and Population Choices* (joint with P. Manzini, M. Mariotti and C. Tyson)

November

Andrea Mattozzi (European University Institute), *Electoral Contests with Dynamic Contributions* (joint with F. Michelucci)

Lorenzo Trimarchi (Université libre de Bruxelles), *Trade Policy and the China Syndrome*

Matthias Parey (University of Essex), *The Returns to Admission to Higher Education Institutions: Estimates from Random Assignment* (joint with D. Reinstein and N. Vellekoop)

Lorenzo Pandolfi (University of Naples Federico II and Csef), *Capital Flows and Sovereign Debt Markets: Evidence from Index Rebalancings* (joint with T. Williams)

Helios Herrera (University of Warwick), *Demand and Supply of Populism* (joint with L. Guiso, M. Morelli and T. Sonno)

Francesco Lancia (University of Salerno and CSEF), *Youth Enfranchisement, Political Responsiveness, and Education Investments: Evidence from the U.S.* (joint with G. Bertocchi, A. Dimico and A. Russo)

Enrico Sette (Bank of Italy), *How Does Bank Capital Affect the Supply of Mortgages? Evidence from a Randomized Experiment* (joint with V. Michelangeli)

December

Chiara Canta (Toulouse Business School), *Long-term care policy with nonlinear strategic bequests* (joint with H. Cremer)

Luca Picariello (University of Naples Federico II and CSEF), *Promotions and Training: Do Competitive Firms set the Bar too High?*

Luca Anderlini (Georgetown University), *Rudimentary Memetics*

Francesco Flaviano Russo (University of Naples Federico II and CSEF), *Immigrants and Cultural Assimilation*

Rocco Macchiavello (London School of Economics), *Quality Upgrading and What Else? Nespresso in Colombia*

- 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) and "The Relationship between Firms' Financing Sources and Operating Choices" (with Anna Maria 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) is forthcoming 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. He has recently published in the *Journal of Monetary Economics*, *Review of Finance*, and *Journal of Applied Econometrics*.
- GIOVANNI ANDREOTTOLA** is a Postdoctoral Research Fellow at CSEF since July 2017. In 2018, he will be at the Cowles Foundation at Yale University as Postdoctoral Associate. 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 Political Economy, with a particular focus on informational issues. His recent working papers study the cost of policy shifts for politicians' reputation, the effects of primary elections on polarization and the incentives of media outlets to fact-check political scandals.
- LUIGI BENFRATELLO** is Associate Professor of Economics at the Polytechnic of Turin, previously at the University of Naples Federico II. His research focuses on applied industrial organization. In 2017 he worked on: technology adoption by private and public owned firms (joint with A. Iozzi and M. Piacenza); the non-linear effect of R&D on exports (joint with C. Piccardi and A. Bottasso); the links between firms' offshoring abroad and the availability of broadband connection (joint with T. Razzolini and A. Sembenelli); banks' reaction to the informational content of firms' accounting information (joint with G. Immordino and M. Padula); corruption and public debt (with A. Del Monte e L. Pennacchio).
- 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 welfare effects of the manipulation of information by managers, 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** 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. He holds a Ph.D. in Economics from the University of Manchester. His research focuses on economic growth, contract theory, monetary economics and theory of financial intermediation. Recent publications include "Financial Development and the Underground Economy", *Journal of Development Economics* (with T. Jappelli) and "Active and Passive Corruption: Theory and Evidence", *European Journal of Political Economy* (with L. Santoro). His latest research focuses on the relationship between criminal activity, corruption and growth and on the role of the underground economy in economic development.

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?" coauthored 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).

ANNA D'ANNUNZIO is a Research Fellow at CSEF from September 2017. She holds a PhD in Economics from the Toulouse School of Economics. Her main research interests are in industrial organization and public economics, with applications to media and telecommunications markets. She is currently working on the effects on voting of the use of social media for accessing news (with G. Andreottola and G. Immordino). Also, she is working on two projects concerning privacy and advertising networks: one theoretical (with A. Russo) and one empirical (with C. Peukert and A. Russo). Finally, she is revising two papers, titled "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).

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, health economics, microeconometrics, and the imputation of missing data. He is currently studying the effect of taxes on household spending (with F. F. Russo), the effect of uncertainty on household spending (with D. Georgarakos and M. van Rooij), the response of household spending to transitory income shocks (with D. Georgarakos, T. Jappelli, L. Pistaferri, and M. van Rooij), and the partial identification of means and quantiles due to sample selection (with J. Messina and M. A. Lugo).

MARCELLO D'AMATO is Professor of Economic Policy at the University of Salerno. He has been working on the political economy of social security reforms, the institutional design of Central Banks, regional growth. 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*, (con C. Di Pietro). "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 working on the revision of 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 probability, psychological games, moral hazard models, multicriteria games, networks and financial contagion. In recent times he published "Variational preferences and equilibria in games under ambiguous belief correspondences" (with M. Romaniello) in the *International Journal of Approximate Reasoning*.

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 of Rome and EQUIPPE University of Lille 1. His research focuses on public finance, urban economics and labor economics. Recently he published "Local government cooperation at work: a control function approach" (with A. Parenti and S. Paty) in the *Journal of Economic Geography*. He has been awarded a "visitINPS fellowship" for a project on labor tax evasion, audit and undeclared work in Italy. He has ongoing research on property tax avoidance, the impact of business property tax on firm performance and the effects of World War II on adult health and economics outcomes.

FRANCESCO DRAGO is Professor of Economics at the University of Messina, a 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 has been appointed as panel member at Economic Policy for the period 2017-18.

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. 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 (jointly with Y. Gan from Erasmus University and B. Qiu from the University of Sidney), and the role of high frequency trading in price efficiency. Her papers were presented in major conferences such as the WFA annual meeting.

ANDREW ELLUL is Professor of Finance and Fred T. Greene Chair in Finance at Indiana University's Kelley School of Business. His research interests focus on empirical corporate finance, institutional investors' trading and market microstructure. He is a Research Associate of CSEF, CEPR, ECGI, FMG and SRC, and Editor of the *Review of Finance*. Recently his paper titled "Employment and Wage Insurance within Firms", co-authored with Marco Pagano and Fabiano Schivardi, was accepted by the *Review of Financial Studies*. He has also completed two new working papers titled "Insurers as Asset Managers and Systemic Risk" (with Chotibhak Jotikasthira, Anastasia V. Kartasheva, Christian T. Lundblad and Wolf Wagner) and "Career Risk and Market Discipline in Asset Management" (with Marco Pagano and Annalisa Scognamiglio). In 2016 he was appointed a member of the ESRB's Task Force on the implementation of IFRS 9.

CARLO FAVERO is DB 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 in the International Macroeconomics programme and a member of the scientific committee of the Centro Interuniversitario Italiano di Econometria (CIDE). In 2017 he published "Is it the "How" or the "When" that Matters in Fiscal Adjustments?" (with A. Alesina, G. Azzalini, F. Giavazzi and A. Miano) in the *IMF Economic Review* and "A Multivariate Model of Strategic Asset Allocation with Longevity Risk" (with E. Bisetti, G. Nocera, C. Tebaldi) in the *Journal of Financial and Quantitative Analysis*.

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 in 2017 she has become member of CRESSE Associates. Her research concerns competition policy and the activity of diversified business groups. Chiara's work in competition policy is mainly focused on the economics of exclusionary practices. Recently she has started working on conditional rebates ("On the use of price-cost tests in loyalty discounts: Which implications from economic theory?" joint with M. Motta, published in the *Antitrust Law Journal*, 81, 2017) and on a dynamic theory of vertical foreclosure ("Dynamic Vertical Foreclosure", joint with M. Motta, CEPR Discussion Paper 12498, December 2017). Finally, in 2017 she completed a book with M. Motta, titled *Monopolization: A Theory of Exclusionary Practices*, published by Cambridge University Press in January 2018. Concerning business groups, Chiara has studied the interaction between internal capital markets and the competitive behaviour of affiliated firms. Currently, Chiara is working on a research project with G. Cestone, F. Kramarz and G. Pica, on the interplay between internal capital markets and internal labor markets in business groups, funded by an AXA Research Grant (2012 Campaign).

MARIA GABRIELLA GRAZIANO is Professor of Mathematics at the University of Naples Federico II 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. In 2017 she published the papers “Cones with semi-interior points and Equilibrium” (with A. Basile, M. Papadaki and I. Polyrakis, *Journal of Mathematical Economics*), “Coalition fairness with participation rates” (with A. Basile and C. Tarantino, *Journal of Economics*), and “von Neumann-Morgenstern stable sets when preferences are interdependent” (with C. Meo and N.C. Yannelis, *Journal of Economic Behavior and Organization*). She is currently working on the following research projects: “Characterizations and existence of linear cost share equilibria” (with M. Pesce and M. Romaniello); “Two stage core notions for asset markets economies” with A. Bhowmik; “Social Loss and the core of an economy with externalities” (with C. Di Pietro and V. Platino).

CARLA GUERRIERO is Assistant Professor 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 microeconomics with a focus on health and environmental economics. In 2016 her paper “Are children rational decision makers when they are asked to value their own health? A contingent valuation study conducted with children and their parents” (with J. Cairns, F. Bianchi and L. Cori) was published in *Health Economics*. She is currently PI of two research projects: “Childore” funded by Compagnia di San Paolo and Fondazione Istituto Banco di Napoli (STAR Grant) and “Hospitals competitions in the context of Italian Fiscal Federalism” funded by IREF.

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 2017 six of his papers were published or accepted for publication: “Organized crime, insider information and optimal leniency” (with S. Piccolo) in the *Economic Journal*; “Commercial Sex and Health” (with F. Russo) in the *Encyclopedia of Law and Economics*, Marciano and Ramello editors, Springer; “Regional heterogeneity in Italy: transport devolution and corruption” (with F. Carlucci, A. Cirà, G. Ioppolo and T. Yigitcanlar) in *Land Use Policy*; “Tax evasion and the tax on cash” (with F. Russo), forthcoming in *Fiscal Studies*; “Cashless payments and tax evasion” (with F. Russo), forthcoming in *European Journal of Political Economy*; “The Economics of Counterinsurgency: An Asymmetric Information Approach” (with G. Karakoç-Palminteri and S. Piccolo), forthcoming in *Revue Economique*.

TULLIO JAPPELLI is Professor of Economics at the University of Naples Federico II and Chairman of the Department of Economics and Statistics for 2016-18. He is a 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 2017 he published the book *The Economics of Consumption* (with L. Pistaferri), Oxford University Press. In 2017 he published also “Gender effects in research evaluation” (with C.A. Nappi and R. Torrini) in *Research Policy* and “Consumption growth, the interest rate and financial sophistication” (with M. Padula) in the *Journal of Pension Economics and Finance*. The paper “Interest changes, mortgages and consumption: evidence from Italy (with A. Scognamiglio) is forthcoming in *Economic Policy*. Currently he is working on several projects on consumption risk and asymmetric responses of consumption to income and wealth shocks (with D. Christelis, D. Georgarakos, L. Pistaferri and M. van Roij).

FRANCESCO LANCIA is an Assistant Professor of Economics at the University of Salerno and a Research Fellow of CSEF. 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. Francesco holds a M.Sc. in Economic Theory and Econometrics from the Toulouse School of Economics and a Ph.D. in Economics from the University of Bologna. After completing his doctorate, he joined the Department of Economics at the University of Vienna as Assistant Professor. In 2016 he published "Public Education and Pensions in Democracy: A Political Economic Theory" (with Alessia Russo) in the *Journal of the European Economic Association*. He is currently working on "Compliance Technology and Self-Enforcing Agreements" (with Bård Harstad and Alessia Russo); on "Sustainable Intergenerational Insurance" (with Alessia Russo and Timothy Worrall); and on "Youth Enfranchisement, Political Responsiveness, and Education Investments: Evidence from the U.S." (with Graziella Bertocchi, Arcangelo Dimico and Alessia 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 and academic excellence on the adoption of innovation and (ii) school meal satisfaction. In 2017, her article "Innovation and University-Firm R&D Collaboration in the European Food and Drink Industry" (with C. Barra and R. Zotti) was published in the *Journal of Agricultural Economics*. She is currently researching the links between local knowledge spillovers, innovation and firm survival and the relationship between social capital and the implicit price paid for ethical attributes.

IMMACOLATA MARINO is Assistant Professor of Economics at the University of Naples Federico II. She received a PhD in Economics in 2014 from University of Naples. In 2015 she has been Intesa San Paolo "Luigi Arcuti" Postdoctoral Fellow at the CSEF. She spent visiting periods at the Kellogg School of Economics (Northwestern University) and the HEC Montreal. Her research spans organizational economics, public procurement, household finance and empirical banking. In 2017 she completed "Determinants of Bank Lending in Europe and the United States: Evidence from Crisis and Post-Crisis Years" (with B. Bruno and A. D'Onofrio) and "Financial Frictions and Corporate Investment in Bad Times. Who Cut Back Most?" (with B. Bruno and A. D'Onofrio); both contributions are forthcoming in the book *Finance and Investment: The European Case* by Oxford University Press. Her current projects investigate bank's asset quality and portfolio choices (with B. Bruno) and the link between institutional environments and firm dynamics (with A. Acconcia).

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. His research interests are mainly in the areas of industrial organization and public economics. His recent research focuses on the relationship between corruption and tax evasion, on the second mover advantage in multi-stage games with sequential choices, and on tax evasion and incentive contracts in oligopolistic markets. In 2017, he published "Il mito di Robinson", in *Il borghese fa il mondo, quindici accoppiamenti giudiziosi*, (by F. de Cristofaro e M. Viscardi), pp.153-172, Donzelli Editore.

ANNAMARIA MENICHINI is Associate Professor at the University of Salerno. Her research interests focus on corporate finance, corporate governance and behavioural economics. In 2017, she has completed one research project investigating the role of simultaneous and sequential audits in joint liability investment projects (with P.

Simmons, University of York Discussion Paper 17/19), and published a book review (Miglo, Anton, Capital Structure in the Modern World) in the *Journal of Economics*. She is currently working on two new research ideas: one investigating the role on the investors' audit strategy of multi-project financing when returns are correlated (with P. Simmons), and one on the determinants of rental contracts as an alternative to purchase contracts (with M.G. Romano).

SALVATORE MORELLI Is Visiting Assistant Professor at the Stone Center on Socio-Economic Inequality and ARC Distinguished Fellow at the Graduate Center, CUNY. His current main research project focuses on the estimation of personal wealth concentration and its evolution over time in Italy using inheritance tax data - 'The evolution of top wealth shares in Italy', with P. Acciari (MEF) e F. Alvaredo (PSE). His recent paper 'Top wealth shares in the UK over more than a century', with F. Alvaredo (PSE) and A. B. Atkinson is forthcoming for the *Journal of Public Economics* and his earlier work "Banking crises in the US: the response of top income shares in a historical perspective" is under revision for the *Journal of Economic Inequality*. He also recently co-authored a chapter on wealth distribution with Brian Nolan (Oxford) and Philippe Van Kerm (LISER) forthcoming in a volume by Oxford University Press.

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 new inner regularizations for optima and equilibria (with M.B. Lignola) Her recent research addressed: 1) Regularizations and viscosity solutions for optimization and Minsup problems with constraints defined by optimization problems or equilibria (with M.B.Lignola). Her recent publications include: "A Method to Bypass the Lack of Solutions in MinSup Problems under Quasi-equilibrium Constraints", *Optimization Letters* (2016), "Inner Regularizations and Viscosity Solutions for Pessimistic Bilevel Optimization Problems", *Journal of Optimization, Theory and App.* (2017); 2) Equilibrium selection in multi-leader-follower games with vertical information (with M. C. Ceparano), *TOP*, 2017; 3) "Uniqueness of Nash equilibrium in continuous two-player weighted potential games" (with F. Caruso and M. C. Ceparano), *Journal of Math. Analysis and Appl.* (2017); 4) "Subgame perfect Nash equilibria in Stackelberg one-leader one-follower games via costs to move" (with F. Caruso and M. C. Ceparano), CSEF WP 476 (2017).

ROBERTO NISTICÒ is 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, economics of conflict, economics of education, labor economics and political economics. In 2017, he published "The effect of PhD funding on post-degree research career and publication productivity" in *Oxford Bulletin of Economics and Statistics* and produced the CSEF working paper n. 481 "The effects of conflict on fertility: evidence from the Rwandan genocide (with T. Bruck, M. Di Maio and K. Kraehnert)". He was awarded the 2017 Etta Chiuri Prize for the paper "The effect of parental job loss on child school dropout: evidence from the Occupied Palestinian Territories" (with M. Di Maio). He also collaborated with the Office of the Chief Economist for Europe and Central Asia (ECA) of The World Bank on the project "Accounting for the dynamics of inequality in Europe" (with M. Bussolo, T. Jappelli and I. Torre). He is currently working on "Education is forbidden: The effect of the Boko Haram conflict on schooling in Nigeria" (with E. Bertoni, M. Di Maio and V. Molini).

TOMMASO OLIVIERO is Assistant Professor of economic policy at the University of Naples Federico II. His research deals with empirical banking, corporate finance, macroeconomics and housing economics. Recently he published “Family firms, soft information and bank lending in a financial crisis” (with L. D’Aurizio and L. Romano) in the *Journal of Corporate Finance* and “CEO compensation, regulation and risk in banks: theory and evidence from the financial crisis” (with V. Cerasi) in the *International Journal of Central Banking*. In 2017, his research has focused on CEO compensation in banks after the financial crisis (with Vittoria Cerasi, Sebastian Deininger and Leonardo Gambacorta) and on management of litigation risk by firms (with Min Park and Hong Zou).

MARIO PADULA is Professor of Economic Policy at the Università della Svizzera Italiana. 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 *Journal of Pension Economics and Finance*, and “Wealth and consumption effects of an unanticipated income shock” (with T. Jappelli) in *Management Science*. In 2017 Mario Padula continues his service to chair the Italian Supervision Authority on Pension Funds (Commissione di vigilanza sui fondi pensione, Covip).

MARCO PAGANO is Professor of Economics 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). Currently he is carrying out research on “Finance and Labor” funded by an ERC Advanced Grant. In 2017 he published “Bank Exposures and Sovereign Stress Transmission” (with C. Altavilla and S. Simonelli) in the *Review of Finance*, and “ESBies: Safety in the Tranches” (with M. Brunnermeier, S. Langfield, R. Reis, S. Van Nieuwerburgh and D. Vayanos) in *Economic Policy*. He also has two forthcoming 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* by 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, Director of the Master in Economics and Finance and of the Laurea Magistrale in Economics and Finance at the University of Naples Federico II. 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. From February to May 2017, Marco was a CESS Research Scholar at Nuffield College, Oxford University. In 2017 he published five articles: “Multi-Object Auctions with Resale: An Experimental Analysis” (with Krista Jabs Saral) in the *Economic*

Journal; “Contracting with Endogenous Entry” (with Salvatore Piccolo) in the *International Journal of Industrial Organization*; “Selling Information to Competitive Firms” (with Jakub Kastl and Salvatore Piccolo) in the *RAND Journal of Economics*; “Efficiency in Auctions with (Failed) Resale” (with Krista Jabs Saral), forthcoming in the *Journal of Economic Behavior & Organization*; and “Entry by Successful Speculators in Auctions with Resale” (with Krista Jabs Saral), forthcoming in *Experimental Economics*. He has also completed and submitted two papers: “Default and Resale-Based Limited Liability in Second Price Auctions” (with Krista Jabs Saral), and “The Value of Transparency in Dynamic Contracting with Entry” (with Gülen Karakoç and Salvatore Piccolo). Marco is currently working on “Endogenous Retail Networks” (with Salvatore Piccolo and Markus Reisinger); on “Feedback Effect and the Design of Financial Markets” (a project with Giovanni Walter Puopolo that has been awarded a Baffi Carefin grant); and on “Procurement and Renegotiation: Strategic Bidders or Poor Planners?” (a project with Krista Jabs Saral and Tim Salomon that was awarded a SIFE 2017 Research Grant).

LORENZO PANDOLFI is a post-doctoral fellow at CSEF. He holds a Ph.D. in Economics and Finance from Universitat Pompeu Fabra (Barcelona). His main research interests are in the fields of Banking, International Economics and Experimental Finance. In his recent work, joint with Tomas Williams from George Washington University, he studies the impact of capital flows triggered by index rebalancings on the price and the liquidity of sovereign bonds in emerging countries. This paper has been accepted for publication at the *Journal of Financial Economics*. He is also working on a project which studies the effects of the implementation of bail-in policies on banks' incentives to monitor and on their financing capacity. Finally, together with M. Nieddu, he is finalizing a study on the impact of financial literacy on the value that agents assign to financial products.

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 “Oligopoly and Cost Sharing in Economies with Public Goods” (with A. Basile and M.G. Graziano) in *International Economic Review*; “Are Asymmetrically Informed Individuals Irremediably Envious?” in *Metroeconomica*. She is currently working on the research projects: “Strict Fairness of Equilibria in Mixed Asymmetric Information Economies” (with Chiara Donnini); “Characterizations and existence of linear cost share equilibria” (with M. G. Graziano and M. Romaniello); “The Provision of Collective Goods through a Social Division of Labour” (CSEF WP vol 369, with D. Diamantaras and R. Gilles).

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. His paper “Correlating Social Mobility and Economic Outcomes” (with Maia Güell, Michele Pellizzari and José V. Rodríguez Mora) is forthcoming in *The Economic Journal*. Currently, he is working on the role of internal labour markets within business groups, on endogenous group formation, on the link between social mobility and macroeconomic outcomes, and on occupational licensing.

LUCA PICARIELLO is Research Scholar at the Center for Studies in Economics and Finance University of Naples Federico II) and PhD Candidate in Economics at the Norwegian School of Economics. His research interests lie at the intersection of organizational economics, contract theory, personnel economics and

information economics. In 2017, Luca worked on talent discovery, layoff risk and unemployment insurance (together with Marco Pagano), organizational design with portable skills and the link between promotions and on-the-job training.

SALVATORE PICCOLO is Full Professor of Economics at University of Bergamo. He holds a Ph.D in Economics from Northwestern University. His research interests are contract theory, industrial organization and economics of crime. In the last few years he published articles in the *Rand Journal of Economics*, *Economic Journal*, *Journal of Public Economics*, *Journal of Industrial Economics*, *International Journal of Industrial Organization*, *Management Science* and the *Review of Finance*.

VINCENZO PLATINO is Assistant Professor of Mathematical Economics at the University of Naples Federico II. He holds a PhD in Applied Mathematics from the University Paris 1 Pantheon-Sorbonne and a PhD 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* (2017); "Private ownership economy with externalities and existence of competitive equilibria: A differentiable approach", (with E. del Mercato) in *Journal of Economics* (2017). 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. Recently he published "Fiber to the People: the Development of the Ultra-Broadband Network in Italy" (with C. Cambini and A. Sassano) in the *Journal of Economic Policy*.

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, labor economics and health economics. In 2017 she published the paper "Gender Differences in Attitudes Towards Competition: Evidence from the Italian Scientific Qualification" (with Maria De Paola and Vincenzo Scoppa) in *Oxford Economic Papers*. Her paper "Are Men Given Priority for Top Jobs? Investigating the Glass Ceiling in the Italian Academia" (with Maria De Paola and Vincenzo Scoppa) has been accepted for publication by the *Journal of Human Capital* and the paper "Does the Home Advantage Depend on Crowd Support? Evidence from Same-Stadium Derbies" (with Vincenzo Scoppa) is forthcoming in the *Journal of Sports Economics*.

JONATHAN PRATSCHKE is Assistant Professor in Economic Sociology at the University of Salerno, where he lectures on the Sociology of Work and the Analysis of Social Stratification. His research interests are centred on the study of social and spatial inequalities in relation to health, the labour market and education using advanced statistical modelling techniques. He has worked in a consulting role with a number of public and private bodies in Ireland, the UK and Italy, developing tools to improve the development, monitoring and evaluation of policies in the arena of social inclusion. He has published in peer-review journals such as *Ageing and Society* ("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”), *BMC Medical Research Methodology* (“Mechanisms and Mediation in Survival Analysis: Towards an Integrated Analytical Framework”), *Environment and Planning B* (“A Longitudinal Study of Area-level Deprivation in Ireland, 1991-2011”) , *European Societies* (“Female employment and the economic crisis”) and *Urban Studies* (“Social polarisation, the labour market and economic restructuring in Europe: an urban perspective”).

GIOVANNI WALTER PUOPOLO is Assistant Professor of Finance at University of Naples Federico II. Previously, he was Assistant Professor of Finance at Bocconi University. 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. In 2017, he published "The Dynamics of Tobin's Q" in the *Review of Finance* and "Economic Activity and Credit Market Linkages: New Evidence from Italy" (with V. Chiorazzo, V. D'Apice and P. Morelli) in *Economic Notes*.

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 three research projects: the determinants of rental contracts as an alternative to purchase contracts, with A.M. Menichini; herding in financial markets, with H. Sabourian; and the effect of regulation and taxes on the consumption of sin goods under time-inconsistent preferences, with G. Immordino and A.M. Menichini.

CLAUDIO ROSSETTI is Assistant Professor of Econometrics at the University of Naples Federico II. His main research interests are microeconomic theory and applications, Health Economics and Economics of Education. Recently he published “Teacher motivation and student learning” (with G. Barbieri and P. Sestito) in *Journal of Economic Policy*. His current research focuses on dynamic models for longitudinal data, modeling unobserved heterogeneity in behavioral models, and causal modeling for business decisions and government policy.

FRANCESCO FLAVIANO RUSSO is Assistant Professor of Economics at the University of Naples Federico II. He received a Ph.D. in Economics from Boston University. His research focuses on illegal markets and on tax evasion. In 2017 he published two works, jointly with G. Immordino, on the relationship between cash and tax evasion. The first, “Cashless Payments and Tax Evasion” (*European Journal of Political Economy*) shows a robust empirical relationship between cash use and tax evasion in a panel of countries. The second, “Fighting Tax Evasion by Discouraging the Use of Cash?” (*Fiscal Studies*) studies the effect on evasion of a tax on cash withdrawals from bank tellers and ATM machines. Also in 2017, he published a paper titled “Informality: The Doorstep of the Legal System” (*Open Economics*) that, using a dynamic model of industry equilibrium, explains cross sectional variation in the size of the informal economy with entry and labor market regulations.

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, labor market institutions, and human migrations. He is working on the relationship between electoral systems and immigration, on the cultural assimilation of second-generation immigrants, and on the regional effects of emigration. He is currently contributing to a report on the Romanian economy for the World Bank.

ANNALISA SCOGNAMIGLIO is a post-doctoral fellow at CSEF from November 2014. She holds a Ph.D. in Economics from MIT. She is a labor economist with interests also in political economy and health economics. She is currently working on a research project with A. Ellul and M. Pagano that studies the reputational effects of hedge fund liquidations on workers' careers. Together with T. Oliviero she is finalizing a study that estimates the impact of property taxes on property values. A joint paper with Tullio Jappelli on the impact of interest rate changes on consumption for households with adjustable rate mortgages is forthcoming in *Economic Policy*.

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

MARCO MARIA SORGE is Assistant Professor of Economic Policy at the University of Salerno and Affiliate Professor at the University of Göttingen. He holds a PhD in Quantitative Economics from the University of Bonn, and a PhD in Public Economics from the University of Salerno. His research interests cover computational economics, dynamic macroeconomics and political economy. He has recently published "Indeterminate forecast accuracy under indeterminacy" (joint with L. Fanelli) in the *Journal of Macroeconomics*.

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 2017 he published "The Impact of Natural Disasters on Remittances to Low- and Middle-Income Countries"(with G. Bettin) in the *Journal of Development Studies*. He worked on several projects, on family firms in the process of development with M.R. Carillo and V. Lombardo, on relational capital and family firm, with M. Cucculelli and V. Peruzzi, on public R&D subsidies, with A. Bellucci and L. Pennacchio; on the Russia-Ukraine gas dispute, with A. Presbitero and W. Seitz; on finance and poverty, with G. Bettin and C. Pigini, on finance and growth with A. Lo Turco and D. Maggioni; on property tax and house prices with T. Oliviero A. Sacchi and A. Scognamiglio; on voters-politicians proximity, with D. Bartolini, A. Sacchi and D. Scalera. He is on the editorial board of the Italian Economic Journal, PSL Quarterly Review and Minerva Bancaria. Finally, in 2017 he co-chaired the program of the 6th MoFiR workshop on banking (London).

Here is the full list of the Working Papers published by CSEF in 2017. All papers published since 1998 can be downloaded from the URL <http://www.csef.it/Working-Papers>.

- 462** Brunella Bruno, Alexandra D’Onofrio and **Immacolata Marino**, *Determinants of Bank Lending in Europe and the US. Evidence from Crisis and Post Crisis Years*

We investigate bank lending patterns and their determinants in Europe and the US over 2008-2014. Precisely, we relate bank characteristics prior to the financial crisis to their lending behaviour during and after the crisis period. Our analysis confirms the existence of a bank lending channel that is stronger in Europe than in the US and especially if we look at corporate loans rather than at the whole loan portfolio.

- 463** Brunella Bruno, Alexandra D’Onofrio and **Immacolata Marino**, *Financial Frictions and Corporate Investment in Bad Times. Who Cut Back Most?*

We present detailed stylized facts on European corporates during the period of financial and sovereign crisis. In particular, we observe that investment in fixed assets declined over the crisis period in all countries. To understand the determinants of corporate investment we implement an econometric analysis to specifically explore the differential impact of leverage and debt maturity structure on investment. We find that in crisis years (i) leverage exerts a strong and negative effect on the level of investment and (ii) firms with more long-term debt invest less. We also uncover heterogeneous reactions to crisis due to debt level and its maturity by sorting firms by country-specific and firm specific-characteristics. In particular, we find that firms who cut back most investment in crisis years (conditional on the level of leverage and maturity) are (i) located in Periphery countries and (ii) featured by a small-scale. Factors that help firms alleviate financial frictions and shield investment are reliance on multiple bank relationships and ability to generate internal resources (cash flows). We find no evidence of a positive nexus between cash and investment, and only little evidence of a positive effect on investment of access to capital markets, to mitigate the negative impact of debt in crisis years.

- 464** Facundo Alvaredo, Anthony B. Atkinson and **Salvatore Morelli**, *Top Wealth Shares in the UK over more than a Century*, forthcoming in *Journal of Public Economics*

A principal contracts with an agent who is privately informed about his production cost. Before contracting, the agent learns his probability of having a low cost – his ex-ante “type” – and decides whether to pay an entry fee. We show that the entry game has two equilibria that determine the possible types of the agent who contract with the principal. Contrasting with standard intuition, in the equilibrium that is “risk dominant” for the agent, an increase in the entry fee increases the mass of types who enter and the expected cost of the entrant. Public policies that increase entry barriers may be welfare improving.

- 465** **Dimitris Christelis**, Michael Ehrmann and Dimitris Georgarakos, *Exploring Differences in Household Debt Across the United States and Euro Area Countries*

Household debt has played a central role in the global financial crisis, yet our understanding of it remains limited. We put U.S. household leverage in an international perspective, using household-level data for the United States and ten euro area economies. U.S. households have the highest prevalence of collateralized and non-collateralized debt, hold comparatively large amounts, and face higher debt-service burdens despite having higher income. We find that the U.S. economic environment is more conducive to holding debt, primarily because a given level of collateral is associated with higher prevalence and larger amounts of collateralized debt in the United States.

- 467** **Dimitris Christelis**, Dimitris Georgarakos, **Tullio Jappelli**, Luigi Pistaferri and Maarten van Rooij, *Asymmetric Consumption Effects of Transitory Income Shocks*

We use the responses of a representative sample of Dutch households to survey questions that ask how much they would consume of an unexpected, transitory, and positive income change, and by how much they would reduce their consumption in response to an unexpected, transitory, and negative income change. The questionnaire distinguishes between relatively small income changes (a one-month increase or drop in income), and relatively larger ones (equal to three months of income). The results are broadly in line with models of intertemporal choice with precautionary saving, borrowing constraints, and finite horizons.

- 468** Cristian Barra, **Ornella Wanda Maietta** and Roberto Zotti, *First, Second and Third Tier Universities: Academic Excellence, Local Knowledge Spillovers and Innovation in Europe*

This paper aims to study the drivers of innovation and of university-industry collaboration in the European manufacturing sector, specifically focusing on the extent to which academic excellence may enhance the capacity of firms to develop new products and processes. It shows that academic research has an important direct impact on the firm's propensity to develop innovation, apart from the indirect effect of academic excellence on partner choice in university-industry R&D collaboration. The results also suggest that the research at lower tier universities has an impact on business innovation and that there is a strong case in favour of public funding also to less prestigious academic institutions.

- 469** Robert P. Gilles, **Marialaura Pesce** and Dimitrios Diamantaras, *The Provision of Collective Goods Through a Social Division of Labour*

This paper develops a general equilibrium framework of a continuum economy in which (non-Samuelsonian) collective goods are provided by specialised professionals as part of an endogenously emerging social division of labour. This model merges the notion of valuation equilibrium in an economy with collective goods with the model of a market economy with an endogenously emerging social division of labour. This allows for the implementation of Adam Smith's principle of increasing returns to specialisation into the foundations for the economy's ability to deliver collective goods. We introduce the appropriate generalised notion of valuation equilibrium in this setting and prove the first and second welfare theorems for this notion, enhancing the standard framework of an economy with (non-Samuelsonian) collective goods and multiple private goods. We conclude with an application of the theory we develop to the issue of green energy and pollution abatement, exploiting the flexibility and generality our framework offers.

- 470** Giovanni Immordino, Gülen Karakoç-Palminteri and **Salvatore Piccolo**, *Terrorism, Counterterrorism and Optimal Striking Rules*

We study a simple mechanism design problem that describes the optimal behavior of a country targeted by a foreign terrorist group. The country is uncertain about the terrorists' strength and may decide to acquire such information from the community hosting the terrorists. We highlight a novel trade-off between target hardening – i.e., mitigating the incidence of an attack by strengthening internal controls and improving citizens' protection – and preemptive military measures aimed at eradicating the problem at its root – i.e., a strike in the terrorists' hosting country. We show that, conditional on being informed about the terrorists' strength, the country engages in a preemptive attack only when it faces a sufficiently serious threat and when the community norms favoring terrorists are weak. Yet, in contrast with the existing literature, we show that it is optimal for the country to acquire information only when these norms are strong enough and when its prior information about the terrorists' strength is sufficiently poor.

- 471** Francesco Caruso, Maria Carmela Ceparano and **Jacqueline Morgan**, *Uniqueness of Nash Equilibrium in Continuous Weighted Potential Games*, Published in Journal of Mathematical Analysis and Applications, 2018, 459(2), pp. 1208-1221

The literature results about existence of Nash equilibria in continuous potential games (Monderer and Shapley, 1996) exploits the property that any maximum point of the potential function is a Nash equilibrium of the game (the vice versa being not true) and those about uniqueness use strict concavity of the potential function. Therefore, the following question arises: can we find sufficient conditions on the data of the game which guarantee one and only one Nash equilibrium when existence of a maximum of the potential function is not ensured and the potential function is not strictly concave? The paper positively answers this question for two-player weighted potential games when the strategy sets are not bounded sets of not necessarily finite dimensional spaces. Significant examples infinite dimensional spaces are provided, together with an application in infinite dimensional ones.

472 Andrew Ellul and Marco Pagano, *Corporate Leverage and Employees' Rights in Bankruptcy*

Corporate leverage responds differently to employees' legal protection in bankruptcy depending on whether leverage is chosen to curtail workers' bargaining power or is driven by credit constraints. Using newly collected cross-country data on employees' rights in corporate bankruptcy, we estimate the impact of such rights on firms' capital structure, applying triple-diff strategies that exploit time-series, cross-country and firm-level variation. The estimates show that leverage increases more substantially in response to rises in corporate property values or in profitability at firms where employees have strong seniority in liquidation and weak rights in restructuring, consistently with the strategic use of leverage.

473 Giuseppe Russo and Francesco Salsano, *Electoral Systems and Immigration*

Unexplored stylized facts on OECD countries suggest that plurality electoral systems are associated with higher openness to immigration. We propose an explanation based on a retrospective voting model where immigration hurts voters but benefits a rent-seeking policymaker who appropriates part of the income generated by immigrants. To be reappointed, the policymaker must distribute compensation. With respect to proportional systems, plurality systems make it possible to compensate only a few decisive districts and leave higher after-compensation rents, producing therefore higher immigration. In our model, non-decisive districts receive no compensation at all under both electoral systems, providing a rationale for widespread anti-immigration attitudes. Notably, our results also help to explain why governments often seem more pro-immigration than voters. Finally, our model suggests that proportional systems may incentivize the enfranchisement of immigrants with voting rights and that opposition to immigration is more territorially dispersed in plurality systems. Basic evidence supports both predictions.

474 Federico Belotti, Edoardo Di Porto and Gianluca Santoni, *Spatial Differencing: Estimation and Inference*

Spatial differencing is a spatial data transformation pioneered by Holmes (1998) increasingly used to estimate casual effects with non-experimental data. Recently, this transformation has been widely used to deal with omitted variable bias generated by local or site-specific unobservables in a "boundary-discontinuity" design setting. However, as well known in this literature, spatial differencing makes inference problematic. Indeed, given a specific distance threshold, a sample unit may be the neighbor of a number of units on the opposite side of a specific boundary inducing correlation between all differenced observations that share a common sample unit. By recognizing that the spatial differencing transformation produces a special form of dyadic data, we show that the dyadic-robust variance matrix estimator proposed by Cameron and Miller (2014) is, in general, a better solution compared to the most commonly used estimators.

475 Marco Pagnozzi and Krista J. Saral, *Entry by Successful Speculators in Auctions with Resale*, Forthcoming in *Experimental Economics*

We experimentally analyze the role of speculators, who have no use value for the objects on sale, in auctions. The environment is a uniform-price sealed-bid auction for 2 identical objects, followed by a free-form bargaining resale market, with one positive-value bidder, and either one or two speculators who may choose simultaneously whether to enter the auction. We show that the bidder accommodates speculators by reducing demand in the auction and subsequently purchasing in the resale market, which encourages entry by speculators. The presence of multiple speculators induces each speculator to enter less often, but increases competition in the auction and the auction price. Speculators earn positive profits on average, except when multiple speculators enter the auction.

- 476** Francesco Caruso, Maria Carmela Ceparano and **Jacqueline Morgan**, *Proximal Approach in Selection of Subgame Perfect Nash Equilibria*

In one-leader one-follower two-stage games, multiplicity of Subgame Perfect Nash Equilibria (henceforth SPNE) arises when the optimal reaction of the follower to any choice of the leader is not always unique, i.e. when the best reply correspondence of the follower is not a single-valued map. This paper concerns a new selection method for SPNE which makes use of a sequence of games designed using a proximal point algorithm, well-known optimization technique related to the so-called Moreau-Yosida regularization (Moreau 1965, Martinet 1972, Rockafellar 1976, Parikh and Boyd 2014 and references therein). Any game of the obtained sequence is a classical Stackelberg game (Von Stackelberg 1952), i.e. a one-leader one-follower two-stage game where the best reply correspondence of the follower is single-valued. This mechanism selection is in line with a previous one based on Tikhonov regularization, in Morgan and Patrone (2006), but using the class of proximal point algorithms has a twofold advantage: on the one hand, it can provide improvements in numerical implementations and, on the other hand, it has a clear interpretation: the follower payoff function is modified subtracting a term that can represent a physical and behavioural cost to move (Attouch and Soubeyran 2009). The constructive method and its effectiveness are illustrated and existence results for the selection are provided under mild assumptions on data, together with connections with other possible selection methods.

- 477** Paolo Buccirossi, **Giovanni Immordino**, and Giancarlo Spagnolo, *Whistleblower Rewards, False Reports, and Corporate Fraud*

It is often claimed that rewards for whistleblowers lead to fraudulent reports, but for several US programs this has not been a major problem. We model the interaction between rewards for whistleblowers, sanctions against fraudulent reporting, judicial errors and standards of proof in the court case on a whistleblower's allegations and the possible follow-up for fraudulent allegations. Balancing whistleblower rewards, sanctions against fraudulent reports, and courts standards of proof is essential for these policies to succeed. When the risk of retaliation is severe, larger rewards are needed and so are tougher sanctions against fraudulent reports. The precision of the legal system must be sufficiently high, hence these programs are not viable in weak institution environments, where protection is imperfect and court precision low, or where sanctions against false reporting are mild. Internal reporting channels may interfere with external ones in unexpected ways.

- 478** Rosario Crino, **Giovanni Immordino** and **Salvatore Piccolo**, *Marginal Deterrence at Work*

We test the rational economic model of marginal deterrence of law enforcement --- i.e., the need for graduating the penalty to the severity of the crime. We combine individual-level data on sentence length for a representative sample of US inmates with proxies for maximum punishment and monitoring costs across US states over 50 years. Consistent with the theory of marginal deterrence, we show that an increase in maximum penalty or a decrease in monitoring cost are associated with longer sentences. We also provide evidence that steeper sanctions are associated with less severe crimes, consistent with marginal deterrence being effective. Overall, these findings favor the marginal deterrence framework over competing theories of justice.

- 479** Vincenzo Atella, **Edoardo Di Porto** and Joanna Kopinska, *Heterogenous Mechanisms in WWII Stress Transmission: Evidence from a Natural Experiment*

This paper analyses how in utero exposure to maternal stress from WWII affects long-term health and economic outcomes and describes different mechanisms at work, showing that current health conditions are heterogeneously related to the type of fetal stressor. We exploit the Italian armistice of September 8th 1943 as exogenous variation in the war intensity, providing WWII long-run causal effects on objectively measured health and economic outcomes. We find that in utero exposure to intense WWII events had long- lasting effects on health and that Nazi massacres predict late-onset depression, while nutritional deprivation suffered in large cities had lasting effects on diabetes. Finally, we innovate by showing that these effects increase with the age of the treated individuals.

- 480** Marco Pagano and Luca Picariello, *Talent Discovery, Layoff Risk and Unemployment Insurance*

In talent-intensive jobs, workers' performance reveals their quality. This enhances productivity and wages, but also increases layoff risk. If workers cannot resign from their jobs, firms can insure them via severance pay. If instead workers can resign, private insurance cannot be provided, and more risk-averse workers will choose less informative jobs. This lowers expected productivity and wages. Public unemployment insurance corrects this inefficiency, enhancing employment in talent-sensitive industries and investment in education by employees. The prediction that the generosity of unemployment insurance is positively correlated with the share of workers in talent-sensitive industries is consistent with international and U.S. evidence.

- 481** Kati Kraehnert, Tilman Brück, Michele Di Maio and **Roberto Nisticò**, *The Effects of Conflict on Fertility: Evidence from the Genocide in Rwanda*

This paper analyzes the effects of the 1994 genocide in Rwanda on fertility outcomes. We study the effects of violence on both the timing of the first birth after the genocide and the total number of post-genocide births. We analyze individual-level data from several Demographic and Health Surveys, using event history and count data models. The paper contributes to the literature on the demographic effects of violent conflict by testing two channels through which conflict influences subsequent fertility. First, the type of violence exposure as measured by child death as well as by the death of a woman's sibling. Second, the conflict-induced change in local demographic conditions as captured by the change in the commune-level sex ratio. Results indicate that the genocide has heterogeneous effects on fertility, depending on the type of violence experienced by the woman, her age cohort, parity, and the time horizon (5, 10, and 15 years after the genocide). There is strong evidence of a replacement effect. Having experienced the death of a child during the genocide reduces the time to the first birth after the genocide and increases the total number of births in the post-genocide period. Experiencing a sibling death during the genocide significantly lowers fertility in the long run. The effect is strongest if a woman loses a younger sister. Finally, the genocide-induced reduction in the sex ratio has a strong negative impact on fertility, both in terms of the timing of the first birth and the total number of births after the genocide.

- 482** Gülen Karakoç, **Marco Pagnozzi** and **Salvatore Piccolo**, *The Value of Transparency in Dynamic Contracting with Entry*

A manufacturer designs a dynamic contract with a retailer who is privately informed about demand and faces competition by an integrated entrant in a second period. Since the entrant only observes demand after entry and demand is correlated across periods, information about past demand affects the entrant's production. We analyze the incentives of the incumbent players to share information with the entrant and show that the retailer benefits from transparency, but the manufacturer does not. Contrary to what intuition suggests, transparency with an integrated entrant harms consumers. When the entrant is not an

integrated firm, whether transparency benefits consumers depends on the degree of demand persistency.

- 483** Ethan Ilzetzki and **Saverio Simonelli**, *Measuring Productivity Dispersion: Lessons from Counting One-Hundred Million Ballots*

We measure output per worker in nearly 8,000 municipalities in the Italian electoral process using ballot counting times in the 2013 general election and two referenda in 2016. We document large productivity dispersion across provinces in this very uniform and low-skill task that involves nearly no technology and requires limited physical capital. Using a development accounting framework, this measure explains up to half of the firm-level productivity dispersion across Italian provinces and more than half the north-south productivity gap in Italy. We explore potential drivers of our measure of labor efficiency and we find that its association with measures of work ethic and trust are particularly robust.

- 484** Decio Coviello, **Immacolata Marino**, Tommaso Nannicini and Nicola Persico, *Direct Propagation of a Fiscal Shock: Evidence from Italy's Stability Pact*

This paper documents: the channels through which local governments propagate a fiscal shock; and the corresponding reaction by firms in the affected upstream sector (municipal procurement). The shock is provided by an Italian fiscal rule, called Patto di stabilità dei comuni, which was tightened unexpectedly in 2008 and applied only to municipalities with population greater than 5,000. Using a difference-in-difference identification strategy, we estimate that this shock led to a 13-20% reduction of infrastructure spending in treated municipalities, or equivalently, an 80% reduction in the average municipality. In contrast, current expenditure was not affected. In the upstream sector, i.e., the infrastructure procurement sector, firms reacted to the demand shock by cutting capital rather than labor. In both cases, then, the capital/investment sector is found to be a pre-eminent channel of direct shock propagation. In addition, the fiscal demand shock is found to propagate disproportionately through those private-sector firms which are most exposed to the shocked sector. This finding suggests that direct shock transmission depends on the higher moments of the exposure distribution, beyond the average sectoral exposure that is represented by the input-output linkages. Using procurement-market data we rule out the possibility that our estimates are attenuated by spillover effects operating through competition in the procurement market.

- 485** **Sergio Beraldo**, *An Impossibility Result on Nudging Grounded in the Theory of Intentional Action*

The critical literature on nudging lacks a formal, smoking-gun argument against its use. I offer an impossibility result, grounded in the theory of intentional action, that provides such an argument. I prove that if nudges are motivationally irrelevant - as their supporters maintain - any induced choice is unintentional and just reflects the preferences of the choice architect. Autonomy is therefore violated, and nudging proves to be inconsistent with liberal principles at a fundamental level.

- 486** **Carlo Altavilla**, Miguel Boucinha, and José-Luis Peydró, *Monetary Policy and Bank Profitability in a Low Interest Rate Environment*

We analyse the impact of standard and non-standard monetary policy measures on bank profitability. For empirical identification, the analysis focuses on the euro area, thereby exploiting substantial bank and country heterogeneity within a monetary union where the central bank has implemented a broad range of unconventional policies, including quantitative easing and negative interest rates. We use both proprietary and commercial data on individual bank balance sheets and financial market prices. Our results show that monetary policy easing – a decrease in short-term interest rates and/or a flattening of the yield curve – is not associated with lower bank profits once we control for the endogeneity of the policy measures to expected macroeconomic and financial conditions. Importantly, our

analysis indicates that the main components of bank profitability are asymmetrically affected by accommodative monetary conditions, with a positive impact on loan loss provisions and non-interest income largely offsetting the negative one on net interest income. We also find that a protracted period of low interest rates might have a negative effect on profits that, however, only materialises after a long period of time and tends to be counterbalanced by improved macroeconomic conditions. In addition, while more operationally efficient banks benefit more from monetary policy easing, banks engaging more extensively in maturity transformation experience a higher increase in profitability after a steepening of the yield curve. Finally, we assess the impact of unconventional monetary policies on market-based measures of expected bank profitability and credit risk, by employing an event study analysis using high frequency data, and find that accommodative monetary policies tend to increase bank stock returns and reduce credit risk.

- 487 Lorenzo Pandolfi** and Tomas Williams, *Capital Flows and Sovereign Debt Markets: Evidence from Index Rebalancings*, Accepted for publication on Journal of Financial Economics

In this paper, we analyze how capital flows into the sovereign debt market affect government bond prices and liquidity. Additionally, we explore whether these flows spill over to the exchange rate. To address endogeneity concerns, we construct a measure of informationless capital Flows Implied by (mechanical) Rebalancings (FIR) in the largest local currency government debt index for emerging countries. We find that FIR is associated with higher returns on bonds and greater depth in the sovereign debt market after the rebalancings. These capital flows also impact the exchange rate market; larger inflows (outflows) are associated with greater currency appreciations (depreciations).

- 488 Andrea Bellucci**, Luca Pennacchio and **Alberto Zazzaro**, *Public R&D Subsidies: Collaborative versus Individual Place-Based Programs for SMEs*

This paper provides novel empirical evidence on the effectiveness of regional research and innovation policies for small and medium-sized enterprises (SMEs). It investigated two subsidy programs implemented at the regional level in central Italy. One program targeted SMEs' individual investments in research, and the other focused on collaborative research between SMEs and universities. Using a matched difference-in-differences approach, the empirical analysis showed that the two programs had different effects. The first was successful in stimulating additional private R&D investment and improving firms' performance. The second had weaker effects, mostly restricted to R&D expenditure and employment. These effects were not always uniformly distributed among project participants.

- 489 Andrew Ellul**, **Marco Pagano**, and **Annalisa Scognamiglio**, *Career Risk and Market Discipline in Asset Management*

Using hand-collected data on 1,627 hedge fund employees, we investigate the role of talent and luck in their careers. Upon entry in the hedge fund industry, careers accelerate, especially for employees with high-quality education and asset management experience. However, those who achieve high-ranking positions tend to face significant and permanent career setbacks if their fund is liquidated after persistently under-performing its benchmark. Hence, the "scarring effects" of fund liquidation appear to reflect a loss of reputation rather than the materialization of career risk. Our results reveal a new facet of market discipline in asset management, operating via the labor market.