CSEF

Center for Studies in Economics and Finance

ACTIVITY REPORT 2016

Centre for Studies in Economics and Finance
University of Naples "Federico II"
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University of Naples Federico II

University of Salerno

Bocconi University, Milan

Contents

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

2016 has been a great year for CSEF. Fellows **Giovanni Immordino** and **Edoardo Di Porto** have been respectively appointed Full and Associate Professor, and Fellows **Tommaso Oliviero** and **Roberto Nisticò** have become Assistant Professors at the University of Naples Federico II.

Saverio Simonelli and Marco Pagnozzi are spending their sabbatical visiting Mannheim University and Oxford University, respectively. Emilio Calvano, after spending few years in Naples, has a taken a position as Assistant Professor at the University of Bologna, while Salvatore Morelli is spending the year in Berkeley and Oxford with the Cazzavillan Fellowship. Both will continue to collaborate with the Centre. Also this year CSEF participates actively in the international job market, and looks forward to welcome the new hires in the Fall.

The national research projects on “The Economics of Old Age Risks” coordinated by **Tullio Jappelli** and “Labor and Finance” coordinated by **Marco Pagano** have been funded by the Ministry of Education, University and Research (€ 615,701 and € 339,701, respectively). Fellow **Carla Guerriero** has received a €98.000 STAR grant from the University of Naples Federico II, awarded for a project on “The role of children in their health” (CHILDROLE).

In 2016 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 7 conferences and workshops, often jointly with other institutions and research centres.

Funding

Research projects carried out at CSEF in 2016 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, FIRB and PON projects).

How to contact us:

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Conferences

12th CSEF-IGIER Symposium on *Economics and Institutions*

From 27 to 30 June 2016, CSEF and the Innocenzo Gasparini Institute for Economic Research (IGIER Bocconi) held their annual joint **Symposium on Economics and Institutions**, which was organized by CSEF Fellows Francesco Drago, Anna Maria Cristina Menichini, Tommaso Oliviero and IGIER Fellows Marco Ottaviani, Giovanni Walter Puopolo, Antonella Trigari. As in past editions, the Symposium allowed for free, informal discussion, with seminars held in the mornings in three parallel sessions, afternoons being reserved to informal workshops and collaborative work. The conference program included papers in Macroeconomics, Behavioural Economics, Micro Theory, Finance and Applied Economics. The invited speakers were Sumit Agarwal (National University of Singapore), Alberto Alesina (Harvard University), Abhijit Vinayak Banerjee (MIT), Esther Duflo (MIT), Ralph S.J. Koijen (London Business School), Guido Lorenzoni (Northwestern University), Vikrant Vig (London Business School).

Workshop on "Restarting European Long Term Investment Finance"

The Second Authors' Meeting of the **RELTIF** project (**Restarting European Long-Term Investment Finance**), developed by Assonime and CEPR, was hosted by CSEF with the support of Unicredit & Universities Foundation. It took place at the Mario Cacace Multimedia Center, Anacapri on July, 1-2 and was organized by Colin Mayer (Saïd Business School, Oxford University and CEPR), Marco Onado (Bocconi University), Marco Pagano (University of Naples Federico II and CEPR), Andrea Polo (Universitat Pompeu Fabra and Barcelona GSE).

Conference on "*Recent Developments in Macroeconomics*"

The Conference **Recent Developments in Macroeconomics** was held at Hotel El Faro – Alghero (Sardinia) from 7 to 9 July. 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) and the University College of London (UCL). The Scientific Committee included Martin Eichenbaum (Northwestern University), Francesco Lippi (Einaudi Institute for Economics and Finance), Morten Ravn (University College London), Saverio Simonelli (University of Naples Federico II and CSEF). Part of the funding for this conference was provided by the ERC Advanced Grant awarded to Francesco Lippi.

CSEF-EIEF-SITE Conference on Finance and Labor

This conference – the 3rd in a sequence of CSEF conferences on Finance and Labor – was organized by CSEF jointly with Einaudi Institute for Economics and Finance (EIEF) and the Stanford Institute for Theoretical Economics at Stanford University (SITE). The symposium was held at the Mario Cacace Multimedia Center, Anacapri on 8-9 September 2016, with funding by two ERC Advanced Grants, respectively awarded to Claudio Michelacci for research on "Estimation of General Equilibrium Labor Market Search Models" and to Marco Pagano for research on "Finance and Labor".

3rd Workshop MEF–LMEF "Getting ready for the Job Market with a Master Degree"

The **3rd MEF-LMEF Workshop on "Getting ready for the Job Market with a Master Degree"**, held at the Federico II Conference Center on 27 December 2016, featured the following MEF Alumni as invited speakers: Carlo Altavilla (European Central Bank), Alessandro Bonatti (MIT), Giuliano Palumbo (Euro Mobiliare AM). The Workshop was organized by CSEF Fellow Marco Pagnozzi and Micol Sorrentino (University of Naples Federico II).

Seminars

In 2016 CSEF hosted one or two research seminars per week. Papers were presented both by invited speakers and resident researchers.

January

Vanessa Berenguer Rico (University of Oxford), *Cumulated Sum of Squares Statistics for Non-linear and Non-stationary regression*

Mark J. Roberts (Pennsylvania State University and NBER), *Dynamic R&D Choice and the Impact of the Firm's Financial Strength* (joint with Bettina Peters and Van Anh Vuong)

Erik Plug (University of Amsterdam), *Fertility, Labor Supply and Earnings: IV Evidence from IVF Treatments* (joint with Petter Lundborg and Astrid Würtz Rasmussen)

Tarjei Havnes (University of Oslo), *Child care and parental labor supply: A new look* (joint with Martin E. Andresen)

February

Andrea Galeotti (European University Institute), *Financial Linkages, Portfolio Choice and Systemic Risk* (joint with Christian Ghiglinoy and Sanjeev Goyalz)

Annalisa Scognamiglio (CSEF), *Monetary Policy, Mortgages and Consumption: evidence from Italy* (joint with Tullio Jappelli)

Marco Ottaviani (Bocconi University), *Persuasion through Selective Disclosure: Implications for Marketing, Campaigning, and Privacy Regulation* (joint with Florian Hoffmann and Roman Inderst)

Maria Grazia Romano (University of Salerno), *Taxing and Regulating Vices* (joint with Giovanni Immordino and Annamaria Menichini)

Andrea Ichino (European University Institute), *Cognitive and non-cognitive costs of daycare 0–2 for girls* (joint with Margherita Fort and Giulio Zanella)

Peter Cramton (University of Maryland), *The High-Frequency Trading Arms Race: Frequent Batch Auctions as a Market Design Response* (joint with Eric Budish and John Shim)

March

Paolo Sodini (Stockholm School of Economics), R*ich Pickings? Risk, Return, and Skill in the Portfolios of the Wealthy* (joint with Laurent Bach and Laurent E. Calvet)

Anton Tsoy (Einaudi Institute for Economics and Finance)**,** *Selling to Advised Buyers* (joint with A. Malenko)

Teodora Borota (Uppsala University), T*rade Competition, Technology and Labor Re-allocation* (joint with Selva Baziki and Rita Ginja)

Sergio Beraldo (University of Naples Federico II and CSEF), *A Resource-Sensitive Framework for Defining and Measuring Equality of Opportunity in Health*

Emanuele Ciani (Bank of Italy), *Policy Uncertainty about State Pension Reform* (joint with Adeline Delavande, Ben Etheridge and Marco Francesconi)

Marco Maria Sorge (University of Göttingen and CSEF), *Indeterminacy, Misspecification and Forecastability: Good Luck in Bad Policy?* (joint with Luca Fanelli)

Hans Degryse (University of Leuven), *The impact of bank shocks on bank risk-taking and firm level outcomes*

Federico Belotti (University of Rome "Tor Vergata"*), Robust Stochastic*

Frontier Analysis: a Minimum Density Power Divergence Approach

April

Peter Kondor (Central European University*), Learning in Crowded Markets* (joint with Adam Zawadowski)

Michele Piffer (DIW - Berlin), Identifying Uncertainty Shocks using the Price of Gold (joint with Maximilian Podstawski)

Matti Sarvimäki (Aalto University), *Habit Formation and the Misallocation of Labor: Evidence from Forced Migrations* (joint with Roope Uusitalo and Markus Jäntti)

Carla Guerriero (CSEF), *Can children assess their own health?*

Glenn Ellison (MIT), Match Quality, Search, and the Internet Market for Used Books (joint with Sara Fisher Ellison)

Pierluigi Conzo (University of Turin)**,** *Cultural and institutional drivers of basic psychological needs satisfaction* (joint with A. Aasve, G Fuochi and L. Mencarini)

Brian Bell (University of Oxford), *Minimum Wages and Firm Value* (joint with Stephen Machin)

Ali Moghaddasi Kelishomi (University of Warwick), *Inequality, Sorting and Property Price* (joint with Teng Ge, and Tao Wu)

May

Patrick Rey (Toulouse School of Economics), *Prizes versus Contracts as Incentives for Innovation* (joint with Yeon-Koo Che and Elisabetta Iossa)

Raffaele Giuliana (Norwegian School of Economics), *Pro-tability, leverage and competition. How did Norwegian firms react to China's exports shocks?*

Cristina Tealdi (IMT-Institute for Advanced Studies), *The adverse effects of short-term contracts on young workers: evidence from Italy*

John Cairns (LSHTM - London School of Hygiene and Tropical Medicine), *Modelling the supply of blood donations: stated versus revealed preferences*

Andrew Ellul (University of Indiana and CSEF), *Funding Liquidity and the Cross-section of Stock Returns*

Iris Kesternich (University of Leuven), *Us and Them: Distributional Preferences in Small and Large Groups* (joint with Heiner Schumacher, Michael Kosfeld, Joachim Winter)

Francesca Toscano (Boston College)**,** *Does the Dodd-Frank Act reduce the conflicts of interest between CRAs?*

Alessia Paccagnini (University College Dublin), *Identifying Noise Shocks: a VAR with Data Revisions* (joint with Riccardo M. Masolo)

June

Giuseppe Ragusa (Luiss University), *Clusters robust inference and intrumental variables: cautionary tales*

Claudio Rossetti (Luiss Guido Carli), *A nonlinear dynamic factor model of health and medical treatment*

September

Jason Zein (University of New South Wales Business School), *Why Do Family Business Groups Expand by Creating New Public Firms* (joint with Ron Masulis and Peter Pham)

Antonio Dalla Zuanna (Norwegian School of Economics), *Natural resource booms and intergenerational mobility* (joint with Aline Buetikofer and Kjell Salvanes)

Alessio Piccolo (University of Oxford), *Credit Ratings and Market Information* (joint with Joel Shapiro)

October

Jeffrey C. Ely (Northwestern University), *Information Design: Two Examples*

Vincenzo Platino (Masaryk University), *On the regularity of smooth production economies with externalities: Competitive equilibrium à la Nash* (joint with Elena del Mercato)

Francesco Sobbrio (Luiss Guido Carli), *Voters' Response to Public Policies: Evidence from a Natural Experiment* (joint with Francesco Drago and Roberto Galbiati)

Alba Lugilde (University of Santiago de Compostela - USC), *Precautionary Saving in Spain during the Great Recession: evidence from a panel of uncertainty indicators*

Paolo Colla (Bocconi University), *The Price of Law: The Case of the Eurozone Collective Action Clauses* (joint with Elena Carletti, Mitu Gulati and Steven Ongena)

Remy Praz (Copenhagen Business School), *Equilibrium Asset Pricing with Both Liquid and Illiquid Markets*

Luigi Iovino (Bocconi University), *Social Insurance, Information Revelation, and Lack of Commitment* (joint with Mikhail Golosov)

Marco Pagano (University of Naples Federico II, CSEF and EIEF), *Unconventional Monetary Policy, Bank Lending and Sovereign Holdings* (joint with Carlo Altavilla and Saverio Simonelli)

November

Martin Peitz (University of Mannheim), *Segmentation versus Agglomeration: Competition between Platforms with Comptetive Sellers* (joint with Heiko Karle and Markus Reisinger)

Luca Picariello (Norwegian School of Economics), *Unemployment Insurance and Talent Discovery* (joint with Marco Pagano)

Lorenzo Casaburi (University of Zurich), *Competition and Interlinkages in Agricultural Markets: An Experimental Approach* (joint with Tristan Reed)

Emilio Calvano (University of Bologna), *Recommender Systems: Biased Advice and its Nature* (joint with Bruno Jullien)

Salvatore Modica (University of Palermo), *Intervention and Peace* (joint with David K. Levine)

Giacomo De Giorgi (Federal Reserve Bank of New York), *Sequential Banking: Direct and Externality Effects on Delinquency* (joint with Andres Drenik and Enrique Seira)

December

Renée B. Adams (University of New South Wales)**,** *Lehman Sisters* (joint with Vanitha Ragunathan)

Shanker Satyanath (New York University), *Crony Capitalism and the Targeting of Violence: Labor Repression During Argentina's Last Dictatorship* (joint with Esteban F. Klor and Sebastian Saiegh)

Marco Maria Sorge (University of Göttingen and CSEF), *Stochastic Dominance and the Tail Properties of Stationary Wealth Distributions* (joint with Christian Di Pietro)

Francesco Giavazzi (Bocconi University), *The Macroeconomic Effects of Fiscal Adjustments Plans* (joint with Alberto Alesina, Omar Barbiero, Carlo Favero and Matteo Paradisi)

Valentino Larcinese (London School of Economics), *Enfranchisement and Representation: Evidence from the Introduction of "Quasi-Universal" Suffrage in Italy*

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”; “The Relationship between Firms' Financing Sources and Operating Choices” (with Anna Maria Menichini). He is also revising the papers “Underpricing and Firm Location” (with A. Del Monte and L. Pennacchio); “The Consumption Response to Liquidity-Enhancing Transfers: Evidence from Italian Earthquakes” (with G. Corsetti and S. Simonelli). His paper “Liquidity and Firms’ Response to Fiscal Stimulus” (with C. Cantabene) is forthcoming in *The Economic Journal*. Recently he published “Mafia and Public Spending: Evidence on the Fiscal Multiplier from a Quasi-experiment” (with G. Corsetti and S. Simonelli) in *The American Economic Review*.

CARLO ALTAVILLA is Adviser at the European Central Bank (Frankfurt) and Research Fellow at CESifo (Munich). 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 effects of non-standard monetary policies, the modeling and forecasting of the yield curve, bank credit and sovereign debt dynamics.

MATTEO BASSI is a Manager and Economic Adviser at the Competition & Markets Authority (CMA), the competition authority in United Kingdom. He received a Ph.D. in Economics from the Toulouse School of Economics. His research deals with public economics, regulation, industrial organization and behavioural economics. In 2016, he published the paper "Entry and Product Variety with Competing Supply Chains" (with M. Pagnozzi and S. Piccolo) in the *Journal of Industrial Economics*.

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 2016 he worked on: technology adoption by private and public owned firms (joint with A. Iozzi and M. Piacenza); non-linear effect of R&D on exports (joint with C. Piccardo and A. Bottasso); house price effect of transport infrastructure (joint with R. Ignaccolo and M. Kersbamer); 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).

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 in the *Journal of the European Economic Association*, respectively.

SERGIO BERALDO is Assistant Professor of Economics at the University of Napoli Federico II. He uses both 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, the search for 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. His latest work with Bruno Jullien studies the incentives of Recommendation Systems. Billions of consumers rely daily on these systems to decide what music to listen (Itunes), which movie to watch (Netflix), what product to purchase (Amazon) or which restaurant to patronize (Yelp). By controlling the consumers' informational environment these algorithms can distort consumption choices. Emilio's research studies what their incentives are, whether recommendation bias is a manifestation of market power, and to what extent competition is a disciplining force in this area. In 2016, 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 "Tax Evasion, The Underground Economy and Financial Development", *Journal of Economic Behaviour and Organisation* (with K. Blackburn and N. Bose), and "Financial Development and the Underground Economy", *Journal of Development Economics* (with T. Jappelli). 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? 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).

GIOVANNI CESPA is a Professor of Finance at Cass Business School and a CEPR Research Fellow. His research interests are on market microstructure theory and corporate governance. His recent research focuses on the informational properties of asset prices and consensus opinion in markets with differential information. In 2015, he published the paper "The Beauty Contest and Short-term Trading" (with X. Vives, *Journal of Finance*, 2015), which studies the impact of traders' short term speculative horizons for market performance. He is currently working on "The Welfare Impact of High Frequency Trading," joint with Xavier Vives, and on "Market Fragmentation, Dissimulation, and the Disclosure of Insider Trades," joint with Paolo Colla.

GIACINTA CESTONE Giacinta Cestone is an Associate Professor at Cass Business School. Her research focuses on corporate finance, corporate governance and industrial organization. She is particularly interested in the interaction between corporate finance and product market competition, and is currently working on a research project – with C. Fumagalli, F. Kramarz and G. Pica – analyzing the interplay between internal capital markets and internal labor markets in business groups. The project is the recipient of an AXA research grant and a Leverhulme Trust Research Project grant. Giacinta is a member of the Economic Advisory Group on Competition Policy (DG Competition, EU), and a research associate of the European Corporate Governance Institute (ECGI).

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 trust in the central bank on inflation expectations (with D. Georgarakos, T. Jappelli, and M. Van Rooij), the response of household consumption to transitory income shocks (with D. Georgarakos, T. Jappelli, L. Pistaferri, and M. Van Rooij), the effect of bank account ownership on adolescents' financial literacy (with D. Georgarakos and A. Lusardi), self-employment among Baby Boomers (with A. Lusardi), and partial identification of means and quantiles due to sample selection (with J. Messina and M. A. Lugo).

PIERLUIGI CONZO is tenure-track Assistant Professor of Economics at the University of Turin, Affiliate at Collegio Carlo Alberto and Project Manager and Director of BLESS (Behavioral Lab. for Experiments in Social Sciences) in Turin. His research focuses on development economics, experimental economics, subjective well-being and social preferences. He has carried out fieldwork in Argentina, Thailand, Kenya and Sri Lanka on well-being and social preferences, and is currently working on culture and well-being in Europe, on fertility and happiness in rural Ethiopia, on the determinants of trust and on green innovation and happiness in Europe. His current publications include "Disaster, Aid and Preferences: The Long-run Impact of the Tsunami on Giving in Sri Lanka", World Development (forthcoming) and "Sociability, Altruism and Well-Being", Cambridge Journal of Economics (2016).

MARCELLO D'AMATO is Professor of Economic Policy at the University of Salerno. His current research focuses on the institutional design of Central Banks, the political economy of social security, education and social mobility. In 2015 he published the paper "On the Causal Effects of Selective Admission Policies on Students' Performances: Evidence from a Quasi-experiment in a Large Italian University," in *Oxford Economic Papers* (with V. Carrieri and R. Zotti).

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 2015 he published "Variational preferences and equilibria in games under ambiguous belief correspondences" (with M. Romaniello) in the *International Journal of Approximate Reasoning* (2015).

SERGIO DESTEFANIS Sergio Destefanis is Professor of Economics at the University of Salerno, where he directs the undergraduate programme of the Department of Economics. In 2016 he published "Risk and regulation: A difference-in-differences analysis for Italian local banks" (with C. Barra and G. Lubrano Lavadera) in *Finance Research Letters*, and "Youth Labour-Market Performance, Institutions and VET Systems: A Cross-Country Analysis" (with F.E. Caroleo and E. Ciociano), in the *Italian Economic Journal*. He is continuing this research on the macro-evaluation of labour market policies in collaboration with the Italian Treasury. Other current work deals with the Taylor Curve (with M. Fragetta and E. Gasteiger), and the impact of cohesion policies in collaboration with ANCI-IFEL.

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 labour economics. In 2016 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 World 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 interests are in the fields of political economy and 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) has been 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. He will be a panel member of Economic Policy in 2017-2018.

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 Erasmus University 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. In 2016 her papers were presented in major conferences such as the WFA annual meeting.

ANDREW ELLUL is Professor of Finance and Fred T. Greene Distinguished Scholar 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*. In 2016 his paper titled "Do Financial Analysts Restrain Insiders' Informational Advantage?" (with Marios Panayides) was accepted for publication by the *Journal of Financial and Quantitative Analysis*, and his paper on "The Role of Risk Management in Corporate Governance" was published by the *Annual Review of Financial Economics*. In 2016 he has also completed two new working papers titled "Careers in Finance" (with Marco Pagano and Annalisa Scognamiglio), and "Arbitrage Capital, Liquidity Risk and the Cross-section of Stock Returns" (with Chotibhak Jotikasthira, Christian Lundblad and Jun Wu).

CARLO FAVERO Carlo Favero holds a D.Phil. from Oxford University, where he was a member of the Oxford Econometrics Research Centre. He 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. He is a member of the scientific committee of the Centro Interuniversitario Italiano di Econometria (CIDE). He has been advisor to the Italian Ministry of Treasury for the construction of an econometric model of the Italian economy. He has been consulting the European Commission, the World Bank and the European Central Bank, on monetary policy and the monetary transmission mechanism and bond markets. He is member of the committee of Wise Men of Borsa Italiana and member of the editorial board of the Bocconi Springer Series in Mathematics, Statistics, Finance and Economics. In 2016 he has produced a paper titled "Is it the "How" or the "When" that Matters in Fiscal Adjustments?" (with A. Alesina, G. Azzalini, F. Giavazzi and A. Miano).

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 of the Steering Committee of ACE (Association of Competition Economics). 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. She has extensively worked on the anti-competitive effect of exclusive dealing. More recently, she is working on conditional rebates ("On the use of price-cost tests in loyalty discounts: Which implications from economic theory?" (joint with M. Motta), and has started working on predation, and on a dynamic theory of vertical foreclosure. Finally, she is writing a book with M. Motta, titled *Monopolization: A Theory of Exclusionary Practices,* in preparation for CUP. Concerning business groups, Chiara has studied the interaction between the activity of 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, analyzing the interplay between internal capital markets and internal labor markets in business groups. This project he has been awarded the 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 2016 she has published the papers "Stable sets of allocations and the provision of public goods" (with M. Romaniello) in *Economic Theory*, and "Oligopoly and cost sharing in markets with public goods" (with A. Basile and M. Pesce), in *International Economic Review*. She is currently working on the following research projects: "Cones with semi-interior points and Equilibrium" (with A. Basile, M. Papadaki and I. Polyrakis); "Coalition fairness with participation rates (with A. Basile and C. Tarantino); "von Neumann-Morgenstern stable sets when preferences are interdependent" (with C. Meo and N.C. Yannelis); "Characterizations and existence of linear cost share equilibria" (with M. Pesce and M. Romaniello); "Two stage core notions for asset markets economies" with A. Bhowmick.

CARLA GUERRIERO is a Postdoctoral Research Fellow at CSEF from January 2016. She holds a PhD in Health Economics from London School of Hygiene and Tropical Medicine. She is an applied micro economist with interests in Health Economics and Environmental Economics and Management. She recently published a paper evaluating the cost-effectiveness of reducing traffic exposure near primary schools in London on the *Journal of Environmental Management*. Her current projects investigate the economic socialization of Italian children and the effects of fiscal federalism on the Italian health care sector.

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 2016 he published "Optimal prostitution policy" (with F. Russo), in the *Handbook of the Economics of Prostitution*, Oxford University Press. Moreover, two of his papers have been accepted for publication: "Organized crime, insider information and optimal leniency", (with S. Piccolo), forthcoming in the *Economic Journal* and "Commercial Sex and Health" (with F. Russo), forthcoming in the *Encyclopedia of Law and Economics*, Marciano and Ramello ed., Springer.

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 2016 he published "The Consumption and Wealth Effects of an Unanticipated Change in Lifetime Resources" (with M. Padula) in *Management Science* and "Transparency, Tax Pressure and Access to Finance" (with A. Ellul, M. Pagano and F. Panunzi) in the *Review of Finance*. His paper "Consumption Growth, the Interest Rate and Financial Sophistication" (with M. Padula) is forthcoming in the *Journal of Pension Economics and Finance.* Currently he is working on consumption risk and precautionary saving (with D. Christelis, D. Georgarakos, L. Pistaferri and M. van Roij); the effect of monetary policy shocks on consumption (with A. Scognamiglio), trust and inflation expectations (with D. Christelis, D. Georgarakos and M. van Roij). His book *The Economics of Consumption* (with L. Pistaferri) will be published in 2017 by Oxford University Press.

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 university-firm R&D collaboration on the adoption of innovation and (ii) school meal satisfaction. In 2016, her article "School Meals and Pupil Satisfaction. Evidence from Italian Primary Schools" (with M.T. Gorgitano) was published in *Food Policy* and the article "Innovation and University-Firm R&D Collaboration in the European Food and Drink Industry" (with C. Barra and R. Zotti) was accepted for publication in the *Journal of Agricultural Economics*. She is currently researching the links between local knowledge spillovers and innovation in Europe, the relevance of country-of-origin attribute in food consumption and the shadow price of human capital in the European agriculture.

IMMACOLATA MARINO is a Postdoctoral Research Fellow at CSEF from November 2015. She holds a PhD in Economics from the University of Naples Federico II. Her research spans organizational economics, public procurement, household finance and banking. Her two most recent projects respectively study the impact of policy on firm-level outcomes and the effect of banks' non-performing loans on lending: in 2016 she completed the paper "Firm-Level Effects of Fiscal Rules: Evidence from Italy's Stability Pact" (with D. Coviello, T. Nannicini, and N. Persico) and the paper

"NPLs and Resource Allocation in Crisis and Post Crisis Years: Evidence from European Banks" (with B. Bruno).

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.

ANNAMARIA MENICHINI is Associate Professor at the University of Salerno. Her research interests focus on corporate finance, corporate governance and behavioural economics. In 2016, her paper "The Commitment Problem of Secured Lending" (joint with D. Fabbri) was published in the *Journal of Financial Economics*. She has also completed two research projects, one on the impact of credit rating changes on corporate governance decisions (CSEF WP n. 459, joint with F. Toscano), and another on optimal taxation and regulation of sin goods (CSEF WP n. 434, joint with G. Immordino and M.G. Romano). She is currently working on two new research ideas: one investigating the role of simultaneous and sequential audits in joint liability investment projects (with P. Simmons), and one studying whether and to which extent the reliance on different financing sources can affect the firm's operating choices (with A. Acconcia).

SALVATORE MORELLI Salvatore Morelli (D.Phil in Economics at the University of Oxford, October 2013) is a research associate at the Center for Studies of Economics and Finance (CSEF). In Summer-Fall 2016 he visited the Department of Economics, University of California Berkeley and he is currently a visiting scholar at the Institute of New Economic Thinking at the University of Oxford. Salvatore is also associate member of Nuffield College, Oxford and he has been awarded the "Guido Cazzavillan" Fellowship. His on-going research focuses on the understanding of distribution of wealth in two main countries, Italy and the UK: 'Top wealth shares in the UK over more than a century', with F. Alvaredo (PSE) and A B Atkinson (Oxford), and 'The evolution of top wealth shares in Italy', with P. Acciari (MEF) e F. Alvaredo (PSE). Recently, he co-authored (with T. Smeeding and J. Thompson) one of the chapters within the 2015 *Handbook of Income Distribution*, Volume 2, focusing on post-1970 trends in income inequality in developed countries. In 2016, his paper "The Challenges of Measuring UK Wealth Inequality in the 2000s" (joint with F. Alvaredo and A. Atkinson) was published in *Fiscal Studies*.

JACQUELINE MORGAN Former Professor of Game Theory at the University of Naples Federico II. Her recent research mainly addressed regularizations and viscosity solutions for optimization and minsup problems with constraints defined by optimization problems, variational and quasi-variational inequalities, quasi-equilibria, Nash or social Nash equilibria and existence results for multi-leader-follower games with vertical information. Her recent publications include: "Asymptotic Behavior of Semi-quasivariational Optimistic Bilevel Problems in Banach Spaces", (with M.B. Lignola), Journal of Mathematical Analysis and Applications (2015) and "A Method to Bypass the Lack of Solutions in MinSup Problems under Quasi-equilibrium Constraints", (with M.B.Lignola), Optimization Letters (2016). Her recent working papers, under evaluation, include: "Equilibria Under Passive Beliefs for Multi-leader-follower Games with Vertical Information: Existence Results" (with M.C. Ceparano), CSEF WP n. 417 and "Inner Regularizations and Viscosity solutions for Pessimistic Bilevel Optimization Problems" (with M.B.

Lignola) CSEF WP n. 435. She is currently working on: selections of subgame perfect Nash equilibria in Stackelberg one-leader multi-follower games (with F.Caruso and M.C. Ceparano), games with common interaction and uniqueness of Nash equilibria (with F.Caruso and M.C. Ceparano), ambiguity in psychological games (with F.Caruso and G. De Marco).

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 primarily focuses on Labor Economics and Political Economics. He is currently working on "The effect of parental job loss on child school dropout in the Occupied Palestinian Territories" (with M. Di Maio); "Energy (in) security and the arms trade" (with V. Bove and C. Deiana); "Political institutions and economic development over time: 1870-2005". In 2016, he started to collaborate with the Poverty Global Practice Group of The World Bank on the project "Climate, Conflict, Migration and Poverty in Northern Nigeria". He also started new projects on the effects of conflict on fertility in Rwanda (with T. Bruck, M. Di Maio and K. Schindler); the effects of conflict on non-farm enterprises and income diversification in Nigeria (with M. Di Maio and V. Molini); the effects of antiterrorism on crime (with V. Bove, G. Immordino and M. Epifanio); arms embargoes and the illegal arms trade (with V. Bove and C. Deiana).

TOMMASO OLIVIERO is assistant professor of economic policy at the University of Naples Federico II. From 2013 to 2016 he has been Unicredit Foscolo Europe Research Fellow at the CSEF. In 2014 he completed the PhD in economics at the European University Institute, Florence. He spent visiting periods at the Cass Business School (London) and the Wharton Business School (Philadelphia) and the Bicocca University (Milan). His research deals with financial economics, macroeconomics and housing economics. In 2015 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*. His recent work focuses on the impact of property taxes on property values and on the estimation of the welfare impact of changes in house prices for the US households during the Great Recession.

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. In 2016, the following papers have been accepted for publication: "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.*

MARCO PAGANO is Professor of Economics at the University of Naples Federico II and Director of CSEF. He is also President of EIEF (Einaudi Institute for Economics and Finance, Rome) and Chair of the Advisory Scientific Committee of the ESRB (European Systemic Risk Board, Frankfurt). Currently he holds the ERC Advanced Grant for a 5-year research project on "Finance and Labor". In 2016 he published four articles: "Seeking Alpha: Excess Risk Taking and Competition for Managerial Talent" (with V. Acharya and P. Volpin) in the *Review of Financial Studies*, "The Sovereign-Bank Diabolic Loop and ESBies" (with M. Brunnermeier, L. Garicano, P. Lane, R. Reis, T. Santos, D. Thesmar, S. Van Nieuwerburgh and

D. Vayanos) in the *American Economic Review Papers and Proceedings*, "Bank Bias in Europe: Effects on Systemic Risk and Growth" (with S. Langfield) in *Economic Policy*, and "Accounting Transparency, Tax Pressure and Access to Finance" (with A. Ellul, T. Jappelli and F. Panunzi) in the *Review of Finance*. He also published the chapter on "Financial Structure" (with S. Langfield) in the *Handbook of European Banking*, edited by T. Beck and B. Casu Lukac, Palgrave Macmillan. Finally, he has two forthcoming articles: "Financial Disclosure with Costly Information Processing" (with M. Di Maggio) 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*. In 2016, Marco Pagano worked on several projects: on employment and wage insurance within firms together with A. Ellul and F. Schivardi, on the effect on corporate leverage of employees' rights in bankruptcy with A. Ellul, on careers in finance with A. Ellul and A. Scognamiglio, on talent discovery, layoff risk and unemployment insurance with Luca Picariello, on the effect of short-selling bans on bank stability with A. Beber and D. Fabbri, on arbitrageurs advertising their trades with S. Kovbasyuk, on sovereign exposures of euro-area banks with C. Altavilla and S. Simonelli, and on public debt and private investment in China with Y. Huang and U. Panizza.

MARCO PAGNOZZI is Professor of Economics at the University of Naples Federico II, and Director of the Master in Economics and Finance and of the Laurea Magistrale in Economics and Finance. 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 2016 four of his papers were published or accepted for publication: "Entry by Takeover: Auctions vs. Bilateral Negotiations" (with A. Rosato) in the *International Journal of Industrial Organization*; "Entry and Product Variety with Competing Supply Chains" (with M. Bassi and S. Piccolo) in the *Journal of Industrial Economics*; "Multi-Object Auctions with Resale: An Experimental Analysis" (with K. J. Saral) forthcoming in the *Economic Journal*; and "Contracting with Endogenous Entry" (with S. Piccolo) forthcoming in the *International Journal of Industrial Organization*. He has recently completed three papers: "Efficiency in Auctions with (Failed) Resale" (with K. J. Saral), "Selling Information to Competitive Firms" (with J. Kastl and S. Piccolo), and "Entry by Successful Speculators in Auctions with Resale" (a project with K. J. Saral that has been awarded an IFREE Grant). He is currently working on "(Mis)Allocation of Talent" (with S. Piccolo); on "Projection of Private Values in Auctions" (with T. Gagnon-Bartsch and A. Rosato); and on "The Dark Side of Financial Advice" (a project with G. W. Puopolo e S. Piccolo that has been awarded a Baffi Carefin grant).

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* (2016); "Are Asymmetrically Informed Individuals Irremediably Envious?" in *Metroeconomica (2017).* She is currently working on the research projects: "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" (with D. Diamantaras and R. Gilles).

GIOVANNI PICA is Associate Professor of Economics at the University of Milan. He is an applied economist working on labour economics, finance and macroeconomics. In 2016, he published “Employment Protection Legislation, Capital Investment and Access to Credit: Evidence from Italy" (with F. Cingano, M. Leonardi, and J. Messina) in the *Economic Journal*, and his paper "Correlating Social Mobility and Economic Outcomes" was conditionally accepted in the *Economic Journal*. Currently, Giovanni 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.

SALVATORE PICCOLO is Professor of Economics at Università Cattolica del Sacro Cuore (Milan) and a CSEF member. He holds a Ph.D in Economics from Northwestern University. His research interests are contract theory, economics of crime, industrial organization and finance. In 2015 he published articles in the *Rand Journal of Economics*, *Economic Journal*, *European Economic Review*, *Journal of Industrial Economics* and the *Review of Finance*. He is currently working on a project (joint with J. Kastl and M. Pagnozzi) that deals with information acquisition in vertical contracting, and on a political economy project that analyzes the effect of violence by criminal organizations on political outcomes (with A. Alesina and P. Pinotti).

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 2016 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 2016, her paper “Gender Differences in Attitudes Towards Competition: Evidence from the Italian Scientific Qualification”(with Maria De Paola and Vincenzo Scoppa) was been accepted for publication by the *Oxford Economic Papers*. Her 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*.

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, household finance. In 2016, he published "Portfolio Selection with Transaction Costs and Default Risk" in *Managerial Finance* and "Non-Exclusive Financial Advice" (with S. Piccolo and L. Vasconcelos) in *Review of Finance.*

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 asymmetry in the permanent price impact of block purchases and sales, with A. Frino and V. Mollica; 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.

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 informal and illegal economic markets. In 2016 he published "Optimal prostitution policy" (with G. Immordino), in the *Handbook of the Economics of Prostitution*, Oxford University Press, and his paper "Commercial Sex and Health" (with G. Immordino) was accepted for publication in the *Encyclopedia of Law and Economics*, Marciano and Ramello ed., Springer.

GIUSEPPE RUSSO Giuseppe Russo is Associate Professor of Economics at the University of Salerno. He holds a Ph.D. in Economic Analysis and Policy from the PSE. His research centers on political economy, labour market institutions, and human migrations. In 2016, his paper "Fiscal Revenues and Commitment in Immigration Amnesties" (with F. Magris) was published by the *European Journal of Political economy*. He is currently working on the relationship between electoral systems and immigration, on the cultural assimilation of second-generation immigrants, and on the regional effects of emigration.

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 Andrew Ellul and Marco Pagano that studies the careers of finance workers, and a project with Marco Pagano and Luigi Pistaferri studying the impact of credit shocks on firms' investment and hiring decisions. Together with Tullio Jappelli she is finalizing a study that aims at determining the impact of monetary policy on households' consumption for households with adjustable rate mortgages.

SAVERIO SIMONELLI is Associate Professor of Economics at the University of Naples Federico II and research fellow at CSEF. Presently he is a visiting fellow at the University of Mannheim (2016-2017). His research focuses on fiscal policy, macroeconomic forecasting and instability of financial institutions. He is currently working with Carlo Altavilla e Marco Pagano on "Bank Exposures and Sovereign Bank Transmission" and on "Unconventional Monetary Policies, Bank Lending and Sovereign Debt Holdings," with Antonio Acconcia and Giancarlo Corsetti on "The Consumption Response to Liquidity-Enhancing Transfers: Evidence from Italian Earthquakes" and with Ethan Ilzetzki on "Does Vote Counting Count? Labor Productivity through the Lens of an Electoral Task."

MARCO MARIA SORGE is Assistant Professor of International Macroeconomics 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 is currently working on solving and simulating indeterminate equilibrium DSGE models under rational and near-rational expectations, and investigating their role in applied macroeconomic research.

ALBERTO ZAZZARO is Professor of Economics at the University of Naples Federico II and the Polytechnic University of Marche, and a Research Affiliate at MoFiR, Ancona. He is Vice President of the Italian economic Society (SIE) and editor of the Italian Economic Journal. His main research interests are in the fields of banking and economic development. In 2015 he published a paper in the *IMF Economic Review* and contributed to the Handbook of Geographies of Money and Finance, edited by Ron Martin and Jane Pollard.

Here is the full list of the Working Papers published by CSEF in 2016. All papers published since 1998 can be downloaded from the URL http://www.csef.it/OP-ED-508?annee=2016.

424 Andrea Bellucci, Alexander Borisov and **Alberto Zazzaro**, *Bank Organization and Loan Contracting in Small Business Financing*

Academic research recognizes that the organizational structure of banks could have implications for the financing of small businesses and entrepreneurial firms. In this chapter, we start by reviewing the underlying theoretical motivation and then summarize existing evidence. Overall, it is confirmed that the organization of lending institutions is important for the use and transmission of information, as well as credit availability for small businesses. Moreover, using a unique dataset of bank loans, we empirically document that loan contract characteristics such as interest rates and collateral requirements are sensitive to the hierarchical allocation of decision-making authority within the bank's organization.

425 **Giuseppe De Marco,** *Ambiguous Games without a State Space and Full Rationality*

Aim of this paper to differentiate and to better understand the assumptions that must be imposed on the structure of ambiguity and on the attitudes towards ambiguity in order to have the existence of equilibria in games under ambiguous belief correspondences. In the present paper, this class of games is studied under weaker restrictions on preferences which are not required to be rational. This paper shows that the assumption of imprecision averse (resp. loving) preferences is key to obtain equilibrium existence whenever it is combined with the property of convexity (resp. concavity) of the ambiguous belief correspondences. The paper also studies the role played by these assumptions in different specific models, so as to illustrate the applicability of the results of equilibrium existence.

426 **Marco Pagnozzi** and **Salvatore Piccolo**, *Contracting with Endogenous Entry*

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.

427 M.K. Brunnermeier, L. Garicano, P.R. Lane, **Marco Pagano,** R. Reis, T. Santos, D. Thesmar, S. Van Nieuwerburgh and D.Vayanos , *The Sovereign-Bank Diabolic Loop and ESBies*

We propose a simple model of the sovereign-bank diabolic loop, and establish four results. First, the diabolic loop can be avoided by restricting banks domestic sovereign exposures relative to their equity. Second, equity requirements can be lowered if banks only hold senior domestic sovereign debt. Third, such requirements shrink even further if banks only hold the senior tranche of an internationally diversified sovereign portfolio known as ESBies in the euro-area context. Finally, ESBies generate more safe assets than domestic debt tranching alone; and, insofar as the diabolic loop is defused, the junior tranche generated by the securitization is itself risk-free.

428 Maria De Paola, **Michela Ponzo,** Vincenzo Scoppa, *Are Men Given Priority for Top Jobs? Investigating the Glass Ceiling in the Italian Academia*

We aim to investigate if men receive preferential treatment in promotions using the Italian system for the access to associate and full professor positions that is organized in two stages: first, candidates participate in a national wide competition to obtain the National Scientific Qualification (NSQ), then successful candidates compete to obtain a position in University Departments opening a vacancy. We investigate the probability of success in the two stages in relation to the candidate's gender, controlling for several measures of productivity and a number of individual, field and university characteristics. Whereas no gender differences emerge in the probability of obtaining the NSQ, females have a lower probability of promotion at the Department level. Gender gaps tend to be larger when the number of available positions shrink, consistent with a sort of social norm establishing that men are given priority over women when the number of positions is limited.

429 **Salvatore Capasso** and Lodovico Santoro, *The Determinants of the Contract of Corruption: Theory and Evidence*

This paper develops the notion that corruption is a contract between a public official and a private agent and that the features of this contract depend on the allocation of bargaining power between the parties. Active corruption thus occurs when the public official fixes the terms of the contract and is otherwise considered passive. Employing Italian data on various corruption-based regional-level crimes, the paper empirically reassesses the causes of corruption. A simple theoretical model highlights the differences between these two forms of corruption in terms of bribery and emphasizes the implications both for aggregate corruption and its measurement.

430 Federico Belotti, **Edoardo Di Porto** and Gianluca Santoni, *The Effect of Local Taxes on Firm Performance: Evidence from Geo-referenced Data*

This paper studies the impact of municipal non-residential property taxation on firms' performance using a panel data of italian manufacturing firms in 2001-2010. In the spirit of Duranton et al. (2011), we use a pairwise spatial difference instrumental variable estimator which allows to tackle the endogeneity of local taxation. As well as providing robust inference to arbitrary cross-sectional dependence and serial correlation, our empirical strategy also improves on existing work by exploiting the exogenous variation in local taxes generated by the political alignment of each jurisdiction with the central government. We find that non-residential property taxation exert a negative impact on firms' employment, capital and sales to such an extent as to significantly affect total factor productivity.

431 Giulia Bettin and **Alberto Zazzaro**,*The Impact of Natural Disasters on Remittances to Low- and Middle-income Countries*

In this paper, we offer novel empirical evidence on the impact of natural disasters on remittance flows towards low- and middle-income countries. We consider a panel of 98 countries over the period 1990-2010. Our findings show that remittances increase after a disaster, thus contributing ex post to the reconstruction process. At the same time, we find that remittances play a key role in terms of ex ante risk preparedness for those countries that experienced more disruptive events in the past. Finally, when taking into account the interaction with the level of development of the local financial sector, remittances seem to substitute for less efficient financial systems both in terms of ex post response to disasters and in terms of ex ante risk management strategy.

432 **Marco Pagnozzi** and Krista J. Saral, *Efficiency in Auctions with (Failed) Resale*

We analyze how the possibility of resale affects efficiency in multi-object uniform-price auctions with asymmetric bidders using a combination of theory and experiments. Our experimental design consists of four treatments that vary the (exogenous) probability that bidders participate in a post-auction resale market, which is implemented as an unstructured bargaining game between bidders. In all treatments, the possibility of resale increases efficiency after the auction, but it also induces demand reduction by high-value bidders during the auction, which reduces auction efficiency. In contrast to what is usually argued, resale does not necessarily increase final efficiency. When there is a low probability of a resale market, final efficiency is actually lower than in an auction without resale. We also analyze the quantitative and qualitative bargaining chat data to provide additional behavioral insights into the functioning of resale markets.

433 Alberto Alesina, **Salvatore Piccolo** and Paolo Pinotti, *Organized Crime, Violence, and Politics*

We investigate how criminal organizations strategically use violence to influence elections in order to get captured politicians elected. The model offers novel testable implications about the use of pre-electoral violence under different types of electoral systems and different degrees of electoral competition. We test these implications by exploiting data on homicide rates in Italy since 1887, comparing the extent of “electoral-violence cycles” between areas with a higher and lower presence of organized crime, under democratic and non-democratic regimes, proportional and majoritarian elections, and between contested and non-contested districts. We provide additional evidence on the influence of organized crime on politics using parliamentary speeches of politicians elected in Sicily during the period 1945-2013.

434 **Giovanni Immordino, Anna Maria C. Menichini, Maria Grazia Romano,** *Taxing and Regulating Vices*

We study the sin taxes and regulatory measures that it is optimal to implement when consumers are time-inconsistent and there are inefficiencies associated with the use of either instrument. For high inefficiency of regulation, only taxation is used and it may be higher or lower than the first-best depending on the price elasticity of demand. For high inefficiency of taxation, only regulation is used to an extent which depends on its effectiveness in terms of quantity reduction relative to the disutility it generates. For moderate inefficiency of either instrument, taxation and regulation are both optimally used.

435 Maria Beatrice Lignola and **Jacqueline Morgan**, *Inner Regularizations and Viscosity Solutions for Pessimistic Bilevel Optimization Problems*

Pessimistic bilevel optimization problems are not guaranteed to have a solution even when restricted classes of data are involved. Thus, we propose a concept of viscosity solution which can satisfactory obviate the lack of optimal solutions since it allows to achieve in appropriate conditions the security value. Differently from the viscosity solution concept for optimization problems, introduced by H. Attouch in 1996 and defined through a viscosity function that aims to regularize the objective function, viscosity solutions for pessimistic bilevel optimization problems are defined through regularization families of the solutions map to the lower level optimization These families are termed "inner regularizations" since they approach the optimal solutions map from the inside. First, we investigate several classical regularizations of parametric minimum problems giving sufficient conditions for getting inner regularizations; then, we establish existence results for the corresponding viscosity solutions.

436 **Edoardo Di Porto** and Henry Ohlsson, *Avoiding Taxes by Transfers Within the Family*

We document an episode with considerable tax avoidance that occurred in Italy after 2008 when the Italian government reformed the property taxation by abolishing taxation on principal residences and increasing taxation on secondary properties. In presence of a very low inter vivos gift tax, Italian families found it beneficial to redistribute properties among their members. Difference-in-difference estimates indicate that property tax reform increased the probability that high-wealth donors made an inter vivos property gift by 3 percentage points and the size transferred by 4 square meters relative to less wealthy donors. Our estimates allow us to compute (back of the envelope) the amount of tax avoidance due to inter vivos transfer. The amount is around 78 million euros, or 4 percent of the annual tax revenue from principal residences.

437 Antonio Abatemarco, **Sergio Beraldo** and Francesca Stroffolini, *A Resource-Sensitive Framework for Defining and Measuring Equality of Opportunity in Health*

We offer a new framework for defining and measuring disparities in the distribution of health opportunities. These are conceived as inversely related to the cost of a specified bundle of health services of given quality, computed by monetizing all the concrete impediments that must be overcome to get access. In the ex-ante perspective we adopt, what is salient is the distribution of costs across cells, where each cell is defined by a set of characteristics determining access barriers. Differently from the existing health literature, our approach allows to disentangle the opportunities individuals enjoy from the mere utilization of health services, working equally well with monetary as well as real costs of access (formal and effective equality of opportunity), where real costs accounts for socioeconomic conditions. Accordingly, an index for the measurement of equality of health opportunities is proposed and resource-conditional policy suggestions are deducted. In particular, given available resources, the design of egalitarian policies is found to depend on how chances of access and socioeconomic conditions are distributed, as well as on the level of cost borne by the individual occupying the best-off cell.

438 **Emilio Calvano** and **Michele Polo**, *Strategic Differentiation by Business Models: Free-to-Air and Pay-TV*

Free-to-air and Pay-TV business models usually cohabit in broadcasting (and more generally in media) markets. We analyze a model in which two identical broadcasting stations compete for viewers and for advertisers. Differentiation by business model arises endogenously in equilibrium. A merger to monopoly maintains differentiation and comes with strings attached. Monopoly power leads to excessive subscription prices, changes the overall provision of advertising and induces an allocative inefficiency of advertising messages across stations. We therefore argue that the prevailing antitrust and regulatory practice of classifying FTA and Pay-TV operators in different relevant markets is misguided.

439 **Tommaso Oliviero** and **Annalisa Scognamiglio**, *Property Tax and Property Values: Evidence from the 2012 Italian Tax Reform*

This paper estimates the impact of property taxes on property values. The unexpected introduction of a new fiscal regime on property taxes in 2012 adopted by the Italian government in December 2011 within the austerity plan to face the sovereign debt crisis ("Manovra Salva Italia") provides an ideal empirical setting. We exploit the cross-sectional variation in the tax rates set by each Italian municipality as the intensity of the treatment. We address the endogeneity problem by instrumenting the tax rate on primary residences with the timing of the elections. As showed by Alesina and Paradisi (2014) municipalities that did not have elections in 2013 set a tax rate about 0.1 percentage points higher than the others. Our results show that in those municipalities there has been a reduction in average property values about 6% higher the others. The effect is attributable to the relative higher property tax rate and provide evidence in favor of the capitalization hypothesis on property values.

440 **Michela Ponzo** and Vincenzo Scoppa, *Cost-Sharing and Use of Health Services in Italy: Evidence from a Fuzzy Regression Discontinuity Design*

We use a Regression Discontinuity Design (RDD) to evaluate the impact of cost-sharing on the use of health services. In the Italian health system, individuals reaching age 65 and earning low incomes are given total exemption from cost-sharing for health services consumption. Since the probability of exemption changes discontinuously at age 65, we use a Fuzzy RDD in which the age threshold is used as an instrument for exemption. We find that prescription drug consumption, specialist visits and diagnostic checks remarkably increase with exemption. However, using several measures of health outcomes we do not find any change in individual health.

441 **Francesco Flaviano Russo**, Self-Concept Maintenance and Tax Evasion

I analyze quasi-experimental data on tax evasion reports collected by the Italian webpage evasori.info. I find that a bigger number of reports per unit of irregular activity, which indicates a stronger tax morale, is negatively correlated with the median reported amount. I show that this evidence is consistent with a model of self-concept maintenance, where illegal actions are categorized more easily, in the sense that they are consistent with a positive self image of honesty, if they involve small amounts of money. The data suggest that a stronger individual and social attitude towards evasion makes this categorization more difficult, lowering the threshold below which evasion is acceptable. The result is tax evasion reports of smaller amount. I also propose a Montecarlo exercise to estimate this threshold and its dependence on tax morale.

442 Achille Basile, **Maria Gabriella Graziano** and Ciro Tarantino, *Coalitional Fairness with Participation Rates*

This paper investigates coalitional fairness in pure exchange economies with asymmetric information. We study allocations of resources which are immune from envy when comparisons take place between coalitions. The model allows negligible and non-negligible traders, only partially informed about the true state of nature at the time of consumption, to exchange any number, possibly infinite, of commodities. Our analysis is based on the Aubin approach to coalitions and cooperation, i.e. on a notion of cooperation allowing traders to take part in one or more coalitions simultaneously employing only shares of their endowments (participation rates). We introduce and study in detail the notion of coalition fairness with participation rates (or Aubin c-fairness) and show that flexibility in cooperation permits to recover the failure of fairness properties of equilibrium allocations. Our results provide applications to several market outcomes (ex-post core, fine core, ex-post competitive equilibria, rational expectations equilibria) and emphasize the consequences of the convexification effect due to participation rates for models with large traders and infinitely many commodities.

443 Achille Basile, **Maria Gabriella Graziano** Maria Papadaki and Ioannis A. Polyrakis, *Cones with Semi-interior Points and Equilibrium*

We study exchange economies in ordered normed spaces (X, ||.||) where agents have possibly different consumption sets. We define the notion of semi-interior point of the positive cone X+ of X, a notion weaker than the one of interior point. We prove that if X+ has semi-interior points, then the second welfare theorem holds true and a quasi equilibrium allocation exists. In both cases the supporting price is continuous with respect to a new norm |||.||| on X which is strongly related with the initial norm and the ordering, and in some sense can be considered as an extension of the norm adopted in classical equilibrium models. Many examples of cones in normed and Banach spaces with semi-interior points but with empty interior are provided, showing that this class of cones is a rich one. We also consider spaces ordered by strongly reflexive cones where we prove the existence of a quasi equilibrium without the closedness condition (i.e. without the condition that the utility space is closed). The results in the case of semi-interior points derive from those concerning the case of ordering cones with nonempty interior.

444 **Tommaso Oliviero**, Agnese Sacchi, **Annalisa Scognamiglio** and **Alberto Zazzaro**, *House Prices and Immovable Property Taxes: Evidence from OECD Countries*

In this paper we study the impact of changes in immovable property taxation on the growth rate of house prices by analyzing a panel of 34 OECD countries over the period 1970-2014. We show that there is a negative relationship, robust to the inclusion of other cyclical determinants of house prices, country and year fixed effects. Furthermore, we do not find evidence of a stabilizing role of immovable property taxes on the variability of house prices: boom-bust cycles in housing markets are, in fact, not correlated with the levels of such a tax.

445 **Giovanni Immordino** and **Francesco Flaviano Russo**, *Cashless Payments and Tax Evasion*

Cashless payments hinder tax evasion because they build a trail for the underlying transactions. We find empirical evidence supporting this claim for Europe, showing a negative relationship between VAT evasion and the payments with credit and debit cards. We also find that using electronic cards to gather cash at ATMs, by making cash more abundant, fosters VAT evasion. Policies aimed at reducing tax evasion should therefore subsidize the direct use of electronic cards as payments, not their possession.

446 Astrid Gamba, **Giovanni Immordino** and **Salvatore Piccolo**, *Corruption, Organized Crime and the Bright Side of Subversion of Law*

When Legislators award amnesties to “low-rank” criminals cooperating with the justice, top criminals may react by capturing public officials to subvert the law and avoid being sanctioned. Policies that optimally deter crime should anticipate this danger and fight it back by granting amnesties not only to low-rank criminals, but also to officials who plead guilty and report bribe- givers. Indeed, even if the threat of being betrayed by their fellows may induce top criminals to bribe prosecutors, these policies boost the conviction risk not only for top criminals but also for low-rank ones, whereby increasing the risk premium that the latter require to participate in the crime. This higher risk premium increases the reservation wage that top criminals need to pay in order to recruit soldiers, and hence reduces the crime profitability: the bright side of subversion of law.

447 Cristian Barra, **Ornella Wanda Maietta** and Roberto Zotti, *Innovation and University-Firm R&D Collaboration in the European Food and Drink Industry*

In National Innovation Systems (NIS), knowledge is generally understood to be produced and accumulated through an interactive innovation process that is embedded in a national context which in turn may help determine propensity for innovation. This paper aims to verify how product and process innovation in the European food and drink industry are affected by: i) NIS structure ii) NIS output in terms of WoS indexed publications and the supply of graduates iii) NIS fragmentation and coordination and iv) NIS scientific impact and specialisation. The main source of data on innovation by firms is the EU-EFIGE/Bruegel-UniCredit dataset. This is supplemented by information from the International Handbook of Universities, Eurostat and the bibliometric analysis of academic research output. The results obtained suggest that large research institutions in the public sector may well be detrimental to interaction between university and industry and that the indicators used for public research assessment are not necessarily the most appropriate proxies of local knowledge spillovers.

448 **Carla Guerriero**, John Cairns, Fabrizio Bianchi and Liliana Cori, *Are Children Rational Decision Makers when they are Asked to Value their own Health? A Contingent Valuation Study Conducted with Children and their Parents*

Despite the importance of including children’s preferences in the valuation of their own health benefits no study investigated the ability of children to understand willingness to pay questions. Using a contingent valuation study we elicit children’s and parents’ willingness to pay (WTP) to reduce children’s risk of an asthma attack. Our results suggest that children are able to understand and value their own health risk reductions and their ability to do so improves with age. Child age was found to be inversely related to parents’ and children’s WTP. The results also suggest that non-paternal altruism is predictive of children’s WTP. For parents, care for their own-health, was found to be inversely related with their WTP for children’s risk reductions. Comparison of parents’ vs. children WTP suggest that parents are willing to sacrifice for their child’s health risk reduction an amount that is approximately twice the size of their children. The analysis of matched pairs of parents and children suggest that there are within-household similarities as the child’s WTP is positively related to parents’ WTP.

449 Luca Anderlini, Leonardo Felli and **Giovanni Immordino***, Costly Pretrial Agreements*

Legal disputes are either settled or end up in Court. Settling a dispute involves some costs (time and money invested in preparations) that the parties have to incur ex-ante, in order for the pretrial negotiation and possible agreement to become feasible. Even in a full information world, if the distribution of these costs is sufficiently mismatched with the distribution of the parties' bargaining powers, a pretrial agreement may never be reached even though actual

Court litigation is overall wasteful. As parameters vary, the equilibrium of our full information model with costly pretrial agreements sheds light on two key features of how disputes are initiated and subsequently handled. First, in some cases a Plaintiff may initiate a law suit even though the parties fully anticipate that it will be settled out of Court. Second, the "likelihood" that a given law suit ends up in Court is unaffected by the way trial costs are distributed among the litigants (e.g. English Rule or American Rule). The choice of fee-shifting rule can only affect whether the Plaintiff files a law suit in the first place. It does not affect whether a given suit is settled before trial or litigated in Court.

450 Yi Huang, **Marco Pagano**, and Ugo Panizza, *Public Debt and Private Firm Funding: Evidence from Chinese Cities*

In China, local public debt issuance between 2006 and 2013 crowded out investment by private manufacturing firms by tightening their funding constraints, while it did not affect state-owned and foreign firms. Using novel data for local public debt issuance, we establish this result in three ways. First, local public debt is inversely correlated with the city-level investment ratio of domestic private manufacturing firms. Instrumental variable regressions indicate that this link is causal. Second, local public debt has a larger negative effect on investment by private firms in industries more dependent on external funding. Finally, in cities with high government debt, firm-level investment is more sensitive to internal funding, also when this sensitivity is estimated jointly with the firm's likelihood of being credit-constrained. Altogether, these results suggest that, by curtailing private investment, the massive public debt issuance associated with the post-2008 fiscal stimulus sapped long-term growth prospects in China.

451 Susan Athey, **Emilio Calvano** and Saumitra Jha, *A Theory of Community Formation and Social Hierarchy*

We analyze the classic problem of sustaining trust when cheating and leaving trading partners is easy, and outside enforcement is difficult. We construct equilibria where individuals are loyal to smaller groups – communities - that allow repeated interaction. Hierarchies provide incentives for loyalty and allow individuals to trust agents to extent that the agents are actually trustworthy. We contrast these with other plausible institutions for engendering loyalty that require inefficient withholding of trust to support group norms, and are not robust to coalitional deviations. In communities whose members randomly match, we show that social mobility within hierarchies falls as temptations to cheat rise. In communities where individuals can concentrate their trading with pre-selected members, hierarchies where senior members are favored for trade sustain trust even in the presence of proximate non-hierarchical communities. We link these results to the emergence of trust in new market environments and early human societies.

452 Vincenzo Bove, Claudio Deiana and **Roberto Nisticò**, *Energy (In)security and the Arms Trade*

We provide novel empirical models of the arms trade and focus on the role of energy dependence, in particular of oil, in explaining the trade of weapons between countries. Dramatic geopolitical events such as wars can cause significant disruptions in the supply of oil and increase oil prices. Oil-dependent economies have therefore incentives to provide security by selling or giving away arms to oil-rich countries and reduce the risk of instability. We find strong empirical support for this claim using data on international transfers of major weapons and information on global and local oil dependence, oil reserves and oil discoveries.

453 Markus K. Brunnermeier, Sam Langfield, **Marco Pagano**, Ricardo Reis, Stijn Van Nieuwerburgh, and Dimitri Vayanos , *ESBies: Safety in the Tranches*

The euro crisis was fueled by the diabolic loop between sovereign risk and bank risk, coupled with cross-border flight-to-safety capital flows. European Safe Bonds (ESBies), a union-wide safe asset without joint liability, would help to resolve these problems. We make three contributions. First, numerical simulations show that ESBies would be at least as safe as German bunds and approximately double the supply of euro safe assets when protected by a 30%-thick junior tranche. Second, a model shows how, when and why the two features of ESBies — diversification and seniority — can weaken the diabolic loop and its diffusion across countries. Third, we propose a step-by-step guide on how to create ESBies, starting with limited issuance by public or private-sector entities.

454 **Tullio Jappelli** and **Annalisa Scognamiglio,** *Monetary Policy, Mortgages and Consumption: Evidence from Italy*

Using the 2008-2014 Italian Survey of Household Income and Wealth (SHIW), we study whether the drop in interest rates following the Great Recession was associated with a reduction in mortgage payments for households with Adjustable Rate Mortgages (ARM) relative to those with Fixed Rate Mortgages (FRM). Preliminary results indicate that after the shock, consumption of ARM holders increases relative to FRM but the implied marginal propensity to consume (MPC) is not statistically different from zero. We suggest two explanations for the weak consumption response to the income shock. First, most mortgagors believed that the income shock was transitory, and that interest rates would likely increase in the future, implying a small effect on consumption. Second, the shock is offset partly by a reduction in income from financial assets owned by mortgagors. The paper has implications for the conduct of monetary policy interventions and the credibility of the future path of interest rates, pass-through of monetary policy through household balance sheets, and design of the mortgage market.

455 Stefano Filomeni, Gregory F. Udell and **Alberto Zazzaro**, *Hardening Soft Information: How Far Has Technology Taken Us?*

We explore the boundaries of soft information by investigating whether soft information can be “hardened” in commercial loan underwriting such that it can be communicated across the hierarchical layers of a large bank. We use data from a large European bank containing granular loan-level information on the credit score building process and loan approval decisions. Like other banks, soft information is injected into the scoring process at several points. We find that credit scoring technology does not eliminate the barriers to soft information communication within a banking organization. We also find that firms applying to distantly located branches receive a lower amount of credit than firms with the same score applying to branches closer to the bank office with final approval authority, especially if the final score incorporates positive soft information. Our findings confirm the persistence of spatially-based organizational frictions even in the context of a modern credit-scoring based lending technology.

456 Michele Di Maio and **Roberto Nisticò**, *Effect of Parental Job Loss on Child School Dropout: Evidence from the Palestinian Occupied Territories*

We investigate the effect of parental job loss on child school dropout using data from the Palestinian Labour Force Survey. To identify the effect, we exploit conflict-induced job separations of Palestinian workers employed in Israel during the Second Intifada. Our results show that parental job loss increases child's school dropout probability by 9 percentage points. The effect varies with the gender, grade, and academic ability of the child, with parental education and the number of children in the household. The effect appears to be driven by a drop in household income. We do not find evidence of alternative mechanisms such as parental divorce or relocation.

457 **Salvatore Piccolo** and Aldo Pignataro, *Consumer Loss Aversion, Product Experimentation and Implicit Collusion*

Two firms supplying experience goods compete to attract loss averse consumers that are uncertain about how well these goods fit their needs. To resolve valuation uncertainty, firms can allow perspective customers to test (experiment) their products before purchase. We investigate firms' dynamic incentives to allow experimentation and analyze the resulting effects on the profitability and the stability of horizontal price fixing. The analysis shows that, depending on the regulatory regime in place | i.e., whether experimentation is forbidden, mandated or simply allowed but not imposed (laissez-faire) | the degree of consumer loss aversion has ambiguous effects both on the profits that firms can achieve through implicit collusion and on the extent to which these agreements can be sustained. Moreover, we also show that while in static environments consumer welfare is always maximized by a policy that forbids experimentation, the opposite might happen in a dynamic environment.

458 **Dimitris Christelis**, Dimitris Georgarakos, **Tullio Jappelli** and Maarten van Rooij, *Trust in the Central Bank and Inflation Expectations*

Using micro data from the 2015 Dutch CentERpanel, we examine whether trust in the European Central Bank (ECB) influences individuals' expectations and uncertainty about future inflation, and also whether it anchors inflation expectations. We find that higher trust in the ECB lowers inflation expectations on average, and significantly reduces uncertainty about future inflation. Moreover, results from quantile regressions suggest that trusting the ECB increases (lowers) inflation expectations when the latter are below (above) the ECB's inflation target. These findings hold after controlling for people's knowledge about the objectives of the ECB. In addition, higher trust in the ECB raises expectations about GDP growth. The findings suggest that a central bank can influence the economy through people's expectations, even in times when conventional monetary policy tools likely have weak effects.

459 **Anna Maria C. Menichini** and Francesca Toscano, *Rating Change and CEO Turnover*

We study the relationship between credit rating changes and CEO turnover beyond firm performance. Using an adverse selection model that explicitly incorporates rating change related turnover, our model predicts that a downgrade triggers turnover, more so the lower the managerial entrenchment, but that this relation is weaker when the report provided by the rating agency is more reliable. Our empirical results support these predictions. We show that downgrades explain forced turnover risk, with the new CEO chosen outside the firm that has received the negative credit rating change. In addition, we find that the relation between rating changes and management turnover is stronger when the degree of managerial entrenchment is low, for firms characterized by a high level of investment and for firms less exposed to rating fees. Finally, we show that this relation has weakened in the post-2007 crisis period, in coincidence with the increased reputational concerns of the rating agencies. The results are robust to endogeneity concerns.

460 Roberto Basile, Alessandro Girardi, Marianna Mantuano, and **Giuseppe Russo**, *Interregional Migration, Human Capital Externalities and Unemployment Dynamics: Evidence from Italian Provinces*

The role of labour mobility on regional disparities is at the core of a heated debate: while standard competitive models posit that mobility works as an equilibrating device and reduces the unemployment, models featuring externalities lead to opposite conclusions. Against this backdrop, we present a simple two-region model adapted to the main features of the Italian North-South dualism that illustrates the effects of labour mobility with and without human capital externalities. We show that, when externalities are introduced, regional mobility may exacerbate regional unemployment disparities. Using longitudinal data over the years 2002-2011 for 103 NUTS-3 Italian regions, we document that net outflows of human capital from the South to the North have increased the unemployment rate in the South and decreased the unemployment rate in the North. Our conclusions support the literature that finds an important role of regional externalities, and suggest that reducing human capital flight from Southern regions should be a priority.

461 **Maria Gabriella Graziano**, Claudia Meo and Nicholas C. Yannelis, *Stable Sets for Exchange Economies with Interdependent Preferences*

We introduce the notion of stable sets with externalities and address the existence problem. The importance of this solution concept is related to the fact that the existence of core allocations for exchange economies is not in general assured in a framework with more than two traders.