CSEF

Centre for Studies in Economics and Finance

ACTIVITY REPORT 2013

CENTRE FOR STUDIES IN ECONOMICS AND FINANCE
University of Naples "Federico II"
Department of Economics and Statistics
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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. It aims at performing and promoting research in economics and finance, and at linking up researchers in Naples, Salerno and Bocconi with international research via seminars, conferences, exchange of researchers and joint research projects.

CSEF premises are at the Department of Economics and Statistics of the University of Naples Federico II, where CSEF hosts researchers and doctoral students from other Italian and foreign universities. CSEF runs a weekly research seminar, open to faculty and doctoral students, and collaborates with the Master in Economics and Finance (MEF) at the University of Naples Federico II.

Besides strengthening the networking between its parent institutions, the Centre applies for research grants, organizes workshops and conferences, and runs research projects as an independent entity.

The Centre’s administration is entrusted to **Maria Rosaria Esposito** and **Stefania Maddaluno**.

News

This has been a great year for CSEF, with researchers getting important academic recognitions and professional appointments or advancements.

Tommaso Oliviero won the Foscolo Europe Fellowship - 4th edition. Ph.D. candidate at the European University Institute, he has chosen to continue his research at the Centre for Studies in Economics and Finance (CSEF) of the University Federico II of Naples.

CSEF Fellow **Chiara Fumagalli** (Bocconi University) has been appointed to a new named chair endowed by the Agnelli Foundation, delivering her Lectio Inauguralis on 22 November.

Two CSEF Fellows have received STAR Grants: **Marialaura Pesce** has been awarded €106,000 for a project "Equilibrium with Ambiguity" and **Francesco Drago** €87,000 for a project on "Social Interactions and Illegal Behavior".

Last year CSEF benefited from the presence of excellent researchers who carried out joint projects with CSEF Fellows and taught in the Master in Economics and Finance: **Cristina Cella** (Stockholm School of Economics), **Andrew Ellul** (Kelley School of Business, Indiana University), and **Rajeev Dehejia** (Robert F. Wagner Graduate School of Public Service, New York University).

How to contact us:

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Main research areas

Research activity at CSEF focuses on three main areas:

(i) Analysis of household choices (saving, portfolio and labor decisions), especially regarding saving, portfolio choice, retirement and labor supply.

(ii) Financial economics (banking, portfolio choice, corporate finance, market microstructure). Main areas of research include law and finance, corporate governance, and issues at the interface between finance and macroeconomics.

(iii) Economic theory, particularly economics of information, contract theory, design and enforcement of regulation, game theory and general equilibrium theory.

Funding

Research projects carried out at CSEF in 2013 were funded by research grants of the Italian Ministry of University and Research (FIRB projects), the European Research Council (ERC Advanced Grant on Labor and Finance), Europlace Institute of Finance (EIF), University of Naples and Compagnia di San Paolo (FARO projects), the European Commission (Collaborative Project) and the Italian Ministry of University and Research (PRIN projects).

Conferences

Workshop on *Stability in Equilibrium Analysis*

The ***Workshop on "Stability in Equilibrium Analysis"***, held at the University of Naples "Federico II" on January 25-26 2013, was organized by CSEF Fellows M.G. Graziano, A. Basile and M. Pesce. It saw the participation of the following keynote speakers: Nizar Allouch (Queen Mary Univeristy of London), Giulio Codognato (Università di Udine), Bernard Cornet (Universitè Paris 1), Marta Faias (Universidade Nova de Lisboa), Carlos Herves-Beloso (Università di Vigo), Paulo K. Monteiro (Fundacao Getulio Vargas, Rio de Janeiro), Emma Moreno Garcia (Università di Salamanca), Daniil Musatov (New Economic School, Moscow), Konrad Podczeck (Universitat Wien), Shlomo Weber (Southern Methodist University, Dallas).

9th Csef-Igier Symposium on *Economics and Institutions*

From 24 to 28 June 2013, 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 Andrew Ellul, Giovanni Immordino, and Saverio Simonelli and Nicola Pavoni member of IGIER, in collaboration with Cristina De Nardi, economist at Federal Reserve Bank of Chicago. 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 Applied Microeconomics, Finance, Applied Theory, Theory, Experiments and Macroeconomics. The invited speakers and discussants were Dean Corbae (University of Wisconsin, Madison), Martin Eichenbaum (Northwestern University), Deborah Lucas (MIT Sloan School of Management), Luigi Pistaferri (Stanford University), Morten Ravn (University College London), Hélène Rey (London Business School), Joel Sobel (University of California, San Diego), Daniel Wolfenzon (Columbia University).

1st CSEF Conference on *Finance and Labor*

The ***1st CSEF Conference on Finance and Labor*** was held in Anacapri, on August 26-27 2013.

The Scientific Committee was composed of the following people: Effi Benmelech (Northwestern University), Jonathan Berk (Stanford University), Andrew Ellul (Indiana University), Christian Julliard (London School of Economics), Luigi Guiso (EIEF), David Matsa (Northwestern University), Ernst Maug (University of Mannheim), Paige Parker Ouimet (University of North Carolina at Chapel Hill), Marco Pagano (University of Naples Federico II e CSEF), Giovanni Pica (University of Salerno e CSEF), Luigi Pistaferri (Stanford University), Fabiano Schivardi (LUISS), David Thesmar (HEC Paris), Vikrant Vig (London Business School), Paolo Volpin (London Business School). The conference aimed to bring together researchers from labor economics and financial economics in order to discuss the topic from the point of view of both disciplines.

Seminars

In 2013 CSEF hosted one or two research seminars per week. Papers were presented both by invited speakers and resident researchers.

January

Paolo Pinotti (Università Bocconi), *Cultural and Political Influence of Non-Informative Media: Evidence from the rise of Berlusconi*

Andrea Presbitero (Università Politecnica delle Marche), *Public Debt and Growth: Is there a Causal Effect?* (with U. Panizza)

Giulio Zanella (Università di Bologna), *Workplace Interactions and Fear of Breast Cancer: Evidence from a Dynamic Natural Experiment* (with R. Banerjee)

Michele Modugno (Université Libre de Bruxelles), *Now-Casting and the Real-Time Data Flow* (with M. Banbura and D. Giannone) – **Job Market seminar**

Vincent Fardeau (Federal Reserve Board), *Market Structure and the Limits of Arbitrage* – **Job Market seminar**

February

Giulia La Mattina (Boston University), *Armed Conflict and Domestic Violence: Evidence from Rwanda* – **Job Market seminar**

Antonio Rosato (University of California Berkley), *Selling Substitute Goods to Loss-Averse Consumers: Limited Availability, Bargains and Rip-offs* – **Job Market seminar**

Erik Theissen (University of Mannheim), *Economic Forces Unleashed: Dissecting the Relation between GDP and the Cross-Section of Stock Returns*

Lucrezio Figurelli (Boston University), *Store Choice in Spatially Differentiated Markets* – **Job Market seminar**

Kenza Benhima (University of Lausanne), *Optimal Exchange Rate Policy in a Growing Semi-Open Economy*

Jan Witajewski-Baltvilks (European University Institute) *Can Endogenous Technology Choices Explain Wage Inequality Dynamics?* - **Job Market seminar**

Alejandro Francetich (Stanford University), *Becoming a Neighbor: Endogenous Winner's Curse in Dynamic Mechanisms* - **Job Market seminar**

Emilio Calvano (Università Bocconi), *A Theory of Community Formation and Social Hierarchy* - **Job Market seminar**

Salvatore Morelli (Oxford University) *Banking Shocks and Top Income Shares* - **Job Market seminar**

Simone Sepe (University of Arizona), *Lawyers and Fools: Lawyer-Directors in Public Corporations* (with L.P. Litov and C.K. Whitehead)

March	**Leo Ferraris** (Universidad Carlos III de Madrid), *A Quasi-Walrasian Model of Money* (with N. Amendola) **Yves Balasko** (University of York), *Social Demand Functions in a General Equilibrium Setup* **Leonardo Felli** (London School of Economics), *Competition and Trust: Evidence from German Car Manufacturers* (with J. Koenen and K.O. Stahl)
April	**Aureo De Paula** (University of Pennsylvania), *Econometric Analysis of Simultaneous Duration Models*
May	**David Levine** (Washington University in St. Louis), *Conflict, Evolution, Hegemony and the Power of the State* (with S. Modica) **Elena Carletti** (European University Institute), *Deposit and Bank Capital Structure* (with F. Allen) **Andrew Ellul** (Indiana University), *Survival of the Fittest or of the Cheaters? Dynamics of CEO Compensation and Earnings Management* (with N. Gupta and C. Cella) **Alessandro Tarozzi** (Universitat Pompeu Fabra), *Micro-loans, Insecticide-Treated Bednets and Malaria: Evidence from a Randomized Controlled Trial in Orissa (India)* (with A. Mahajan, B. Blackburn, D. Kopf, L. Krishnan and J. Yoong) **Ethan Ilzetzki** (London School of Economics), *The Puzzling Change in the Transmission of US Macroeconomic Policy Shocks* (with K. Jin)
October	**Dimitrios Tsomocos** (Said Business School), *Remarks on Financial Stability in a Post-Crisis World* (with C.A.E. Goodhart, A.K. Kashyap, A.P. Vardoulakis) **Saverio Simonelli** (Università di Napoli Federico II), *Systemic Risk, Sovereign Yields and Bank Exposures in the Euro Crisis* (with N. Battistini and M. Pagano) **Domenico Giannone** (ECARES), *Prior Selection For Vector Autoregressions* (with M. Lenza and G. E. Primiceri) **Vincenzo Quadrini** (University of Southern California) *Risky Investments with Limited Commitment* (with T. Cooley and R.Marimon) **Francesco Flaviano Russo** (Università di Napoli Federico II), *Fighting Collaborative Tax Evasion* **Fernando Vega-Redondo** (Università Bocconi), Revealing Private Information in Financial Trading: A Simple Game-theoretic Model **Pietro Garibaldi** (Università di Torino), Labor and Finance: Mortensen and Pissariedies meet Holmstrom and Tirole (with T. Boeri and E.R. Moen)
November	**Sergei Kovbasyuk** (EIEF - Einaudi Institute for Economics and Finance) *Advertising Arbitrage* (with M. Pagano) **Vittoria Cerasi** (Università di Milano Bicocca) *Do your Rivals Enhance your Access to Credit? Theory and Evidence* (with A. Fedele and R. Miniaci)

Sergio Beraldo (Università di Napoli Federico II) *Endogenous Preferences and Conformity: Evidence From a Pilot Experiment* (with V. Filoso and M. Stimolo)

Roberto Nisticò (Università di Napoli Federico II) *Funding and Research Outcomes in PhD Programs*

Ian Jewitt (Oxford University) *Asymmetric Information and Adverse Selection*

Roberto Zotti (Università di Salerno) *Selective admission tests and students' performances. Evidence from a quasi - experiment in a large Italian University* (with V. Carrieri and M. D'Amato)

December

Neil Gandal (Tel Aviv University), *Ain't it "Suite"? Bundling in the PC Office Software Market* (with S. Markovich and M. Riordan)

Tullio Jappelli (Università di Napoli Federico II) *Bibliometric Evaluation vs. Informed Peer Review: Evidence From Italy* (with G. Bertocchi, A. Gambardella, C.A. Nappi, and F. Peracchi)

Evi Pappa (European University Institute) *Chronicle of Unanticipated and Anticipated Increases in Military Spending* (with N. B. Zeen)

Luis Rayo (London School of Economics) *Optimal contracting and the organization of knowledge* (with W. Fuchs and L. Garicano)

Klaus Adam (University of Mannheim) *Stock Price Booms and Expected Capital Gains* (with J. Beutel and A. Marcet)

ANTONIO ACCONCIA is Associate Professor of Economics at the University of Naples Federico II. In 2013 he revised the papers “Mafia and Public Spending: Evidence on the Fiscal Multiplier from a Quasi-experiment” (with G. Corsetti and S. Simonelli), forthcoming in *American Economic Review*, and “Accomplice-Witnesses and Organized Crime: Theory and Evidence from Italy” (with G. Immordino, S. Piccolo and P. Rey), forthcoming in *Scandinavian Journal of Economics*. He is currently working on: “Fiscal Policy after a Disaster: Evidence from the 1980-81 Earthquake in the South of Italy” (with G. Corsetti and S. Simonelli); “Fiscal Stimulus in Recession: Evidence from a Tax Credit Programme” (with C. Cantabene); “The Effect of Public Spending on Consumption” and “Underpricing and Firm’s Distance from Financial Centre” (with A. Del Monte and L. Pennacchio).

CARLO ALTAVILLA is senior economist at European Central Bank (on leave from University of Naples Parthenope). He received a Ph.D. in Economics from the Catholic University of Leuven. His research interests cover international monetary policy, applied time series and financial econometrics. He is currently working on the effects money market uncertainty (with D. M. Lenza and G. Carboni, ECB), yield curve modelling and forecasting (with R. Giacomini, UCL), and asset price and macroeconomic news (with D. Giannone, ULB, and M. Modugno, FED).

CIRO AVITABILE is an economist in the Human Development Network of the World Bank Group. He received a Ph.D. in Economics from the University College London. His paper "Citizenship, Fertility and Parental Investment" is forthcoming in the *American Economic Journal: Applied Economics*. He is currently studying the effect of Conditional Cash Transfer programs on the school achievements of children in beneficiary households and the determinants of students' school choices in a centralized allocation system.

ACHILLE BASILE is Professor of Mathematics, and President of AMASES, the Italian Association of Mathematics Applied to Economics and Social Sciences for 2014-16. His recent publications include “Core Equivalences for Equilibria Supported by Non-linear Prices” (with M.G. Graziano), in *Positivity*, and “On Fairness of Equilibria in Economies with Differential Information” (with M.G. Graziano and M. Pesce) in *Theory and Decision.* Recent working papers include “On mixed markets with public goods” (with G. Graziano and M. Pesce).

MATTEO BASSI is a CSEF Post-Doctoral Fellow. He received a Ph.D. in Economics from the Toulouse School of Economics, discussing a dissertation on *Behavioral Public Economics*. His current research deals with public economics, political economy, industrial organization and behavioral economics. In 2013, his paper "Optimal Indirect Taxation when Consumers have Preferences for Immediate Gratification" has been published in the *Rivista di Politica Economica.* His paper "Optimal Contracting with Altruism and Reciprocity", a joint work with M. Pagnozzi and S. Piccolo, has been published in *Research in Economics.*

LUIGI BENFRATELLO is Assistant Professor of Economics at the University of Naples Federico II. He previously worked at the Italian National Research Council (CNR) and the University of Turin. His research focuses on applied industrial organization (firms’ location choices and export activities, regulation and privatization). In 2013 he published the article “Spatial clustering and nonlinearities in the location of multinational firms" (joint with R. Basile and D. Castellani) on *Geographical Analysis* and worked on two papers, one on technology adoption by private and public owned firms (joint with A. Iozzi and M. Piacenza) and the other on the effect of R&D on exports (joint with C. Piccardo and A. Bottasso).

ALBERTO BENNARDO is Professor of Economics at the University of Salerno. He is currently working on two research projects: the former investigates the welfare effects of the manipulation of information by managers; the latter focuses on the determinants of bargaining power, in a set-up where the members of an institution creates multilateral externalities, and renegotiation opportunities prevent full efficiency. His papers "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, are forthcoming in the *Review of Finance* and in the *Journal of the European Economic Associatio*n, respectively.

EMILIO CALVANO Is an Assistant Professor at CSEF. He holds a Ph.D. from the University of Toulouse in France. In 2007, he moved to the United States where he conducted research and worked at Harvard University and Microsoft Research. In 2009 he won a 4-year research grant from Unicredit Group to be spent in a European institution of his choice. He taught and conducted research at Bocconi University in Milan. He is an applied theoretical economist whose research mainly focuses on the theory of industrial organization. His research interests also include the economics of organization, competition policy and market design. His latest work with M. Reisinger and A. Ambrus studies the competitive forces that shape ideological diversity in media markets.

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. His recent publications include "Tax Evasion, The Underground Economy and Financial Development", *Journal of Economic Behaviour and Organisation* (joint with K. Blackburn and N. Bose), and "Financial Development and the Underground Economy", *Journal of Development Economics* (joint 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. In 2013 she has worked on several projects. The paper "Investors' Horizons and the Amplification of Market Shocks", published on the *Review of Finance* in July 2013, co-authored with A. Ellul (Indiana University) and M. Giannetti (Stockholm School of Economics), studies price dynamics during market stress induced by the trading horizon of institutional investors. In the paper "Is There Too Much Entry in the Entrepreneurial Activity?", co-authored with M. Giannetti, she investigates the relationship between entrepreneurs' social status and entrepreneurial activity and the impact on firm value and welfare. Finally, she has worked on the project titled "Earning Management and CEO's Compensation", co-authored with A. Ellul and N. Gupta (Indiana University) and on the project on "Mutual Funds Flow and Individuals' Holdings", co-authored with P. Sodini (Stockholm School of Economics) and L. Calvet (HEC).

GIOVANNI CESPA is a Reader at Cass Business School and a CEPR Research Affiliate. 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. His paper "Dynamic Trading and Asset Prices: Keynes vs. Hayek (with X. Vives) has recently appeared in the *Review of Economic Studies*. In the paper "Sale of price information by exchanges: Does it promote price discovery?" (with T. Foucault, appeared in *Management Science* in January 2014) he investigates the impact of exchanges' information sales for price efficiency. In another paper "Illiquidity contagion and liquidity crashes" (with T. Foucault, forthcoming in *The Review of Financial Studies*) he studies liquidity externalities in asset markets.

GIACINTA CESTONE is a Senior Lecturer at Cass Business School and a Research Associate of the European Corporate Governance Institute (ECGI). 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. Her paper "The Deep Pocket Effect of Internal Capital Markets" (forthcoming in the *Journal of Financial Economics*) provides empirical evidence that affiliation with a cash-rich group represents a source of competitive strength for manufacturing firms. Giacinta is currently working on a research project – coauthored with C. Fumagalli, F. Kramarz and G. Pica – analyzing the interplay between internal capital markets and internal labor markets in business groups. She has also contributed to the literature on venture capital financing, and in ongoing work she analyzes how double-sided asymmetric information shapes venture capital syndication deals.

DIMITRIS CHRISTELIS is a CSEF Research Fellow and a consultant on issues related to micro data surveys. He obtained his Ph.D. in Economics from the University of Pennsylvania in 2003. In 2013 he worked as a Senior Economist at the Directorate General Research of the European Central Bank. His research interests include household saving and portfolio choice, imputation of missing data, panel data estimation methods, and health economics. He is currently working on the estimation of panel discrete choice models (with R. Fonseca), on determining the effect of capital losses and unemployment on household spending in the US and Europe (with D. Georgarakos and T. Jappelli), on the influence of health insurance on portfolio choice (with D. Georgarakos and A. Sanz-de-Galdeano), on the influence of social activities on cognition (with L.I. Dobrescu), on the impact of childhood cognition and socio-economic status on risky portfolio choice later in life (with L.I. Dobrescu and A. Motta), and on differences in household debt among Eurozone countries (with M. Ehrmann and D. Georgarakos).

PIERLUIGI CONZO is Assistant Professor of Economics at the University of Turin, Department of Economics "Cognetti de Martiis". His research interests are in the field of development economics, experimental economics, economics of happiness and social preferences. He has carried out fieldworks in Argentina, Thailand, Kenya and Sri Lanka regarding subjective and objective well-being as well as other-regarding preferences. He is currently working on the effects of the Sri Lankan tsunami on social preferences, on other-regarding activities and Europeans' life satisfaction, on the legal origins of corporate social responsibility, on reputation and entry in procurement and on identity and punishment. Recent publications include: "Violence, trust, and trustworthiness: evidence from a Nairobi slum", O*xford Economic Papers*, 2013 (with L. Becchetti and A. Romeo); "Enhancing capabilities through credit access: Creditworthiness as a signal of trustworthiness under asymmetric information", *Journal of Public Economics,* 2011 (with L. Becchetti).

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, and managerial incentives. Recent publications include "On the determinants of Central Bank Independence in open economies" (with B. Pistoresi and F. Salsano), in *International Journal of Finance and Economics*, and "Political Intergenerational Risk Sharing" (with V. Galasso) in the *Journal of Public Economics*, "Occupational mobility and wealth evolution in a model of educational investment with credit market imperfections" (with C. Di Pietro) in the *Journal of Economic Inequality*, (f.c. 2014)

GIUSEPPE DE MARCO is Assistant Professor of Mathematics at the University of Naples Parthenope. His current research focuses on ambiguous games, psychological game theory, moral hazard models, multicriteria games, networks and financial contagion. Recent publications include: "Altruistic Behavior and Correlated Equilibrium Selection" (with J. Morgan) in *International Game Theory Review* (2011), "Beliefs Correspondences and Equilibria in Ambiguous Games" (with M. Romaniello) in *International Journal of Intelligent Systems* (2012), and "Partnership, Reciprocity and Team Design" (with G. Immordino) in *Research in Economics* (2013).

ELENA L. DEL MERCATO is Maître de Conférences of Mathematics at University Paris 1 Panthéon-Sorbonne (Paris), and previously Assistant Professor at the University of Salerno (2004-08). Her research focuses on market failure as incomplete markets, externalities and public goods in microeconomic theory. Recently she published "Externalities, Consumption Constraints and Regular Economies" (with J.-M. Bonnisseau) in *Economic Theory*. Work in progress includes "Markets for Externalities à la Arrow-Laffont: Equilibrium and Optimality" and "Externalities in Production Economies and Competitive Equilibria: Existence and Regularity" (with V. Platino).

SERGIO DESTEFANIS is Professor of Economics at the University of Salerno, where he heads the Ph.D. Programme in Economics. In 2013 he has worked on two reports within the OECD-LEED *Youth Entrepreneurship* and *Local Youth Employment Strategies* projects, and concluded his mandate as President of the Italian Association of Labour Economics (AIEL). His current research deals with the comparison of American and European labour markets (with R. Fonseca and R. Warren), the Taylor Curve (with M. Fragetta and E. Gasteiger), the macro-evaluation of labour market policies (with G. Mastromatteo), and the efficiency of small banks (with C. Barra and G. Lubrano Lavadera).

FRANCESCO DRAGO is Associate Professor at the University of Naples Federico II and a Research Affiliate at IZA, Bonn. His research interests are in the fields of labor economics, political economy and crime. Last year he was one of the recipients of the STAR grant funded by Compagnia Sanpaolo and Fondazione Banco di Napoli. In 2013 he published a paper in the *Journal of Contemporary Criminal Justice* and one of his political economy paper on Italian municipalities was accepted for publication in *AEJ: Applied Economics*.

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 completed a Ph.D. in finance at the University of Paris-Dauphine and won the Pirou/Aguirre-Basualdo prize for her doctoral dissertation. Her research combines finance with industrial organization and aims at understanding competition in the stock market industry, devices to regulate trading, and the role of information disclosure requirements. Current work includes the papers "Does Stock Exchange Competition Lead to Less Disclosure?" and "Circuit Breakers and Market Runs" (co-authored with M. Van Achter, Erasmus University). She is involved in further research projects on trading and circuit breakers in collaboration with M. Van Achter, D. Zvilichovsky (Tel Aviv University) and M. Pagano (Univ. of Naples), as well as in a research project on optimal listing requirements together with S. Piccolo (Univ. Cattolica del Sacro Cuore) and P. Tedeschi (Univ. Cattolica del Sacro Cuore).

ANDREW ELLUL is Associate 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 ECGI, CSEF, SRC and FMG, and serves as Associate Editor of the *Review of Finance* since 2010. In 2013 his papers titled "Stronger Risk Controls, Lower Risk: Evidence from U.S. Bank Holding Companies" (with V. Yerramilli) and "Investor Horizons and the Amplification of Market Shocks" (with C. and M. Giannetti) were published in the *Journal of Finance* and *Review of Financial Studies* respectively. His paper "Mark-to-Market Accounting and Systemic Risk in the Financial Sector" (with C. Jotikasthira, C. Lundblad, and Y. Wang) was accepted by *Economic Policy*. He has finished two new working papers titled "Employment and Wage Insurance within Firms (with M. Pagano and F. Schivardi) and "Learning through a Smokescreen: CEO Compensation over Tenure" (with C. Cella and N. Gupta).

CARLO FAVERO is the Head of Finance Department at Bocconi University where he holds the Deutsche Bank Chair in Quantitative Finance and Asset Pricing and a CEPR Research Fellow. His current research focuses on the interaction between theory and data for identification, specification and estimation of econometric models relevant for policy analysis and forecasting, and the interaction between demographics and financial markets. His recent publications include: "The Impact of Longevity Risk On Pensions Systems. The Case of Italy" (with Emilio Bisetti), forthcoming in *North American Actuarial Journal*, "Modelling and forecasting government bond spreads in the euro area: a GVAR model"**,** *Journal of Econometrics*, "Euro Area Money Demand and International Portfolio Allocation" (with R. De Santis and B. Roffia), in *Journal of International Money and Finance* 32, 377-404 (2013), "Sovereign spreads in the Euro Area: Which Prospects for a Eurobond?" (with A. Missale), in *Economic Policy*, 70, 231-273, Blackwell (2012), "Reconciling VAR based and Narrative Measures of the Tax Multiplier" (with F. Giavazzi) in *American Economic Journal: Economic Policy* 4(2): 1–28, http://dx.dooi.org/10.1257/pol.4.2.1 (2012)

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 recent work is concerned with competition policy and the activity of diversified business groups. Chiara's work in competition policy is mainly focused on the economics of exclusionary practices. On this topic, in 2013 her paper "A Simple Theory of Predation" (joint with M. Motta) has been published in the *Journal of Law and Economics.* Chiara is also working on the anti-competitive effects of bundled rebates and on a dymanic theory of vertical integration. Finally, she is writing a book with M. Motta, "Monopolization: A Theory of Exclusionary Practices", in preparation for CUP. Concerning business groups, Chiara studies - from the theoretical and the empirical perspective - the interaction between the activity of Internal Capital Markets and the competitive behaviour of affiliated firms. On this topic, in 2013 her paper "The Deep Pocket Effect of Internal Capital Markets" (joint with X. Boutin, G. Cestone, G. Pica and N. Serrano Velarde) has been published in the *Journal of Financial Economics.* Chiara is also 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.

VINCENZO GALASSO is Professor of Economics at Bocconi University, Director of the Center for Economic and Political Research on Aging at Università della Svizzera Italiana, Lugano (Switzerland), CEPR Research Fellow and IGIER Research Fellow. He is also associate editor of the European Journal of Political Economy and member of the editorial board of the Journal of Pension Economics and Finance. His current research focuses on the interactions between fertility decisions and welfare state, on the selection of politicians and the political economy of structural reforms. In 2013 he has published "The role of income effects in early retirement" (with J.I. Conde-Ruiz and P. Profeta) in the *Journal of Public Economics Theory*, "The role of political partisanship during economic crises" is forthcoming in *Public Choice*.

MARIA GABRIELLA GRAZIANO is Professor of Mathematics at the University of Naples Federico II. Her current research focuses on general equilibrium theory, infinite dimensional economies, economies with public goods, economies with uncertainty and asymmetric information. She has recently published the following papers: "Linear cost share equilibria and the veto power of the grand coalition" (with M. Romaniello), *Social Choice and Welfare* (2012); "Fuzzy cooperative behavior in response to market imperfections", *International Journal of Intelligent Systems* (2012); Core equivalences for equilibria supported by non-linear prices" (with A. Basile), *Positivity* (2012); "Coalitional fairness in interim differential information economies" (with C. Donnini and M. Pesce), *Journal of Economics* (2012), "On fairness of equilibria in economies with differential information", *Theory and Decision*, (2013). Recent working papers include "On mixed markets with public goods" (with A. Basile and M. Pesce); "Stable forms of social organization and the provision of public goods" (with M. Romaniello);" "Stable sets or asymmetric information economies" (with C. Meo and N.C. Yannelis).

GIOVANNI IMMORDINO is Associate Professor of Economics at the University of Salerno and Associate Editor of the *International Review of Law and Economics.* He holds a Ph.D. in Economics from the University of Toulouse. In 2013 he has published the articles "Legal institutions, innovation and growth" (with L. Anderlini, L. Felli and A. Riboni), in the *International Economic Review;* "Partnership reciprocity and team design" (with G. De Marco), in *Research in Economics;* "Discounting and expropriation risk" (with M. Padula). Moreover, three papers have been accepted for publication: "Optimal prostitution policy", (with F. Russo), forthcoming in the *Handbook of the Economics of Prostitution*, Oxford University Press; "Accomplice-witnesses and organized crime: theory and evidence from Italy" (with A. Acconcia, S. Piccolo and P. Rey), forthcoming in *Scandinavian Journal of Economics*; "Parents, television and cultural change" (with E. Hauk), forthcoming in the *Economic Journal.*

TULLIO JAPPELLI is Professor of Economics at the University of Naples Federico II and Chairman of the Department for 2013-15, Research Fellow of CEPR (London) and CFS (Center of Financial Studies, Frankfurt), International Fellow of Netspar (Tilburg). He is currently one of the Managing Editors of Economic Policy. In 2012-13 he chaired the Economics and Statistics Panel for the Evaluation of Italian Research (VQR). In 2013 he published "Investment in financial literacy and saving decisions" (with M. Padula) in *Journal of Banking and Finance*; “Financial development and the underground economy” (with S. Capasso), in *Journal of Development Economics;* “Households’ indebtness and financial fragility” (with M. Pagano and M. Di Maggio), in *Journal of Financial Management, Markets and Institutions*. The following papers have been accepted for publication: “Pension wealth uncertainty” (with L. Guiso and M. Padula) in the *Journal of Risk and Insurance*; “Do transfer taxes reduce intergenerational transfers?” (with M. Padula and G. Pica) in the *Journal of the European Economic Association*; “The role of intuition and reasoning in driving aversion to risk and ambiguity” (with L. Guiso and J. Butler) in *Theory and Decisions*; “MPC Heterogeneity and Fiscal Policy” (with L. Pistaferri) in *American Economic Journal: Macroeconomics*. Currently he is working on projects on financial literacy and portfolio choice (with M. Padula); the effect of wealth shocks on consumption in the U.S. and Europe (with D. Christelis and D. Georgarakos); heterogeneity of the marginal propensity to consume (with L. Pistaferri); firms' transparency, tax pressure and access to finance (with M. Pagano, A. Ellul and F. Panunzi); financial advice (with M. Haliassos and A. Hackethal). With L. Pistaferri he is writing a book on consumption theories and applications.

RICCARDO MARTINA is Professor of Economics at the University of Naples Federico II. He received a Ph.D. in Economics from the University of Naples. His research interests are mainly in the areas of industrial organization and public economics. His recent research focuses on the relationship between corruption and tax evasion, on the “second mover advantage” in multi-stage games with sequential choices, and on tax evasion and incentive contracts in oligopolistic markets. In 2013, the paper “Endogenous Residual Claimancy by Vertical Hierarchies” (joint with S. Piccolo and A. Gonzales) has been accepted for publication in *Economics Letters*.

ANNAMARIA MENICHINI is Associate Professor of Economics at the University of Salerno. Her research interests focus on financial economics, contract theory, behavioural economics and incomplete contracts. Her recent publications include “A Simple Impossibility result in Behavioral Contract Theory” (with G. Immordino and M.G. Romano), *Economics Letters,* and “Inter-firm Trade Finance in Times of Crisis,” *The World Economy.* She is currently working with Daniela Fabbri and Robert Marquez on a project studying the impact of collateral value manipulation on debt renegotiation and she has recently completed a project with Peter Simmons on noisy signal acquisition under costly state verification. Her paper "Contracts with Wishful Thinkers" (with G. Immordino and M.G. Romano) is conditionally accepted in the Journal of Economics & Management Strategy.

JACQUELINE MORGAN is Professor of Game Theory at the University of Naples Federico II. Her current research focuses on abstract economies and social Nash equilibria, models for trading international emission allowances, multicriteria games, mathematical programs and minsup problems with variational and quasi-variational inequality constraints, existence and optimality conditions for bilevel optimal control problems. Her recent publications include: “Global Emission Ceiling versus

International Cap and Trade: What is the Most efficient System when Countries Act Non-Cooperatively?" (with F. Prieur), *Environmental Modeling & Assesment* (2013), "On Ordered Weighted Averaging Social Optima" (with G. De Marco), *Journal of Optimization Theory and Applications* (2013) and "Optimality Conditions for Semivectorial Bilevel Convex Optimal Control Problems" (with H. Bonnel), *Computational and Analytical Mathematics* (2013). Recent working papers, submitted for pubblication, are "Approximating Values of MinSup Problems with Quasi-Variational Inequality Constraints" (with M.B. Lignola) and "Asymptotic Behavior of Regularized Optimization Problems with Quasi-variational Inequality Constraints" (with M.B.Lignola).

TOMMASO OLIVIERO is Unicredit Foscolo Europe Research Fellow at CSEF, Naples, from October 2013. He is a Phd candidate at the EUI, Florence, (expected degree March 2014). He has also been a visiting scholar at the Wharton Business School, U Penn, and the Bicocca University, Milan. His research focuses on financial intermediation, corporate finance and macroeconomics. Recent papers comprise "Financial intermediation, house prices and the welfare effects of US Great Recession" and "Family firms, soft information and bank lending in a financial crisis".

MARIO PADULA is Associate Professor of Econometrics at the University Ca' Foscari of Venice. He has a Ph.D. in Economics from University College London. His current research interests are pension reforms, financial literacy and saving, the effect of law enforcement on credit allocation, and household portfolio choice. In 2011-2013 he published "The Portfolio Effect of Pension Reforms: Evidence from Italy" (with R. Bottazzi and T. Jappelli) in *Journal of Pension Economics and Finance*; "Evidence on the Insurance Effect of Redistributive Taxation" (with C. Grant, C. Koulovatianos and A. Michaelides) in *Review of Economics and Statistics*; "Inflation Dynamics and Subjective Expectations in the United States" (with K. Adam) in *Economic Inquiry*; "The Age-Productivity Gradient: Evidence from a Sample of F1 drivers" (with F. Castellucci and G. Pica) in *Labour Economics*, and "Pension Wealth Uncertainty" (with L. Guiso and T. Jappelli) in *Journal of Risk and Insurance*. His paper "Do Transfer Taxes Reduce Intergenerational Transfers" (with T. Jappelli and G. Pica) is forthcoming in the *Journal of European Economic Association*. He has also co-authored "Inequality in Living Standards since 1980", jointly with O.P. Attanasio and E. Battistin, published by the *American Enterprise Institute Press.*

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), Chair of the Advisory Scientific Committee of the ESRB (European Systemic Risk Board, Frankfurt), Research Fellow of CEPR (Centre for Economic Policy Research, London) and CFS (Centre for Financial Studies, Frankfurt), and Fellow of the ECGI (European Corporate Governance Institute, Brussels) and the EFA (European Economic Association). Currently he holds the ERC Advanced Grant for a 5-year research project on "Finance and Labor". In 2013 he published the book *Market Liquidity: Theory, Evidence and Policy* (with T. Foucault and A. Roëll) with Oxford University Press, the articles "Short-Selling Bans around the World: Evidence from the 2007-09 Crisis" (with A. Beber) in the *Journal of Finance* and "Households' Indebtedness and Financial Fragility" (with T. Jappelli and M. Di Maggio) in the *Journal of Financial Management, Markets and Institutions*, and the chapter "Finance: Economic Lifeblood or Toxin?" in the volume *The Social Value of the Financial Sector: Too Big to Fail or Just too Big?* (edited by V. Acharya, T. Beck, D. Evanoff, G.

Kaufman, and R. Portes). Moreover he has two forthcoming papers: “Systemic Risk, Sovereign Yields and Bank Exposures in the Euro Crisis” (with N. Battistini and S. Simonelli) in *Economic Policy*, and “Multiple-Bank Lending, Creditor Rights and Information Sharing” (with A. Bennardo and S. Piccolo) in the *Review of Finance*. He has also worked on employment and wage insurance within firms with A. Ellul and F. Schivardi, on financial disclosure with costly information processing with M. Di Maggio, on accounting transparency and tax pressure with A. Ellul, T. Jappelli and F. Panunzi, on risk taking and competition for managerial talent with V. Acharya and P. Volpin, on the effect of short-selling bans on bank stability with A. Beber and D. Fabbri, and on arbitrageurs advertising their trades with S. Kovbasyuk.

MARCO PAGNOZZI is Associate Professor of Economics at the University of Naples Federico II. He has a Ph.D. in Economics from Oxford University and a Doctorate in Applied Mathematics from the University of Naples Federico II. His research focuses on auction theory, industrial organization and information economics. In 2013 he published “Information Sharing between Vertical Hierarchies” (with S. Piccolo) in *Games and Economic Behavior*. The paper “Optimal Contracting with Altruism and Reciprocity” (with M. Bassi and S. Piccolo) is forthcoming in *Research in Economics*. He has recently completed four papers: “Multi-Object Auctions with Resale: An Experimental Analysis” (with K. J. Saral), “Product Differentiation by Competing Vertical Hierarchies” (with M. Bassi and S. Piccolo), “Entry by Takeover: Auctions vs. Negotiations” (with A. Rosato), and “Entry and Product Variety with Competing Supply Chains” (with M. Bassi and S. Piccolo). He is currently working with Krista Jabs Saral on “Efficiency in Multi-Object Auctions with (Failed) Resale” and on “An Experimental Analysis of Entry and Speculation in Auctions” (a project that has been awarded an IFREE Grant).

MARIALAURA PESCE is Assistant 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. In 2012 she won the prize for the best presented paper in the XXXVI A.M.A.S.E.S. Conference. Recent publications include: "On fairness of equilibria in economies with differential information" (with A. Basile and M.G. Graziano)" forthcoming in *Theory and Decision*; Incentive compatibility with interdependent preferences" (with N.C. Yannelis) in *International Journal of Economic Theory* (2012); "Coalitional fairness in interim differential information economies" (with C. Donnini and M.G. Graziano) in *Journal of Economics* (2012). She is now working on the papers: "Mixed markets with public goods" (with A. Basile and M.G. Graziano); "A new perspective to rational expectations: maximin rational expectations equilibrium" (with L. De Castro and N.C. Yannelis); "The veto power of big and small coalitions in differential information economies", and "Are Asymmetrically Informed Agents Envious?".

GIOVANNI PICA is Associate Professor of Economics at the University of Salerno. He is an applied economist with interests in labour economics, finance and macroeconomics. In 2013 he published “The deep-pocket effect of internal capital markets” (with G. Cestone, C. Fumagalli, N. Serrano Velarde and X Boutin) in the *Journal of Financial Economics*; “Who Pays for It? The Heterogeneous Wage Effects of Employment Protection Legislation” (with M. Leonardi) in the *Economic Journal.* The paper "Do Transfer Taxes Reduce Intergenerational Transfers?” has been accepted for publication in the *Journal of the European Economic Association*. Currently, Giovanni completed the paper "Employment Protection Legislation, Capital Investment and Access to

Credit: Evidence from Italy" (with F. Cingano, M. Leonardi, and J. Messina), R&R at the *Economic Journal,* and is working on a research project with G. Cestone, C. Fumagalli, and F. Kramarz on the interplay between internal capital markets and internal labor markets in business groups which was awarded a 3-year research grant by AXA.

SALVATORE PICCOLO is Associate Professor of Economics at Università Cattolica del Sacro Cuore (Milan) and a CSEF memeber. He holds a Ph.D in Economics from Northwestern University. His research interests are Contract Theory, Industrial Organization, Regulation and Banking. Recently he has published in the *Journal of European Economic Association*, *Review of Finance*, *Games and Economic Behavior*, *Rand Journal of Economics* and *Scandinavian Journal of Economics*.

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GIOVANNI WALTER PUOPOLO Is 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 investment-based asset pricing, portfolio choice problems with transaction costs, information and learning in the markets. In the paper “The dynamics of Tobin's Q” he investigates the mean-reverting dynamics of market-to-book ratios and its link with stock returns. In the paper “Hysteresis bands, holding period and transaction costs” (with B. Dumas) he computes the optimal size of the no-trading region in presence of transaction costs and predictability in expected returns.

MARIA GRAZIA ROMANO is Assistant Professor of Economics at the University of Salerno. She received a Ph.D. in Applied Mathematics at the University of Naples Federico II. She also has a Master in Financial Markets and Intermediaries at the University of Toulouse. Her research focuses on market microstructure, corporate finance, and microeconomics. She is currently working on two research projects: with A. Frino and V. Mollica she is studying the asymmetry in the permanent price impact of block purchases and sales and, with H. Sabourian, herding in financial markets.

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. Recent publications include "Tax Morale and Tax Evasion Reports" (*Economics Letters),* in which he develops a new measure of Tax Morale based on quasi experimental evidence, and "Cocaine: the Complementarity between legal and Illegal Trade" (*The World Economy)*, in which he proposes an explanation for the decreased price of cocaine as a consequence of the increased flow of trade across countries. In the paper

"Prostitution Policy", joint with G. Immordino (accepted for publication in the *Handbook of the Economics of Prostitution*, Oxford University Press) he proposes a mathematical framework to evalute the effects of policy interventions in the prostitution market.

GIUSEPPE RUSSO is Associate Professor of Economics at the University of Salerno. He holds a Ph.D. in Economic Analysis and Policy from the Paris School of Economics. His research focuses on political economy, labour market institutions, and the economics of human migrations. His latest publications include "A Note on Contribution Games with Loss Functions" (with L. Senatore), in *Economics Letters* and "Who Contributes? A Strategic Approach to a European Immigration Policy" (with L. Senatore), in *The IZA Journal of Migration*. His current projects concern the credibility of immigration amnesties, and the relationship between immigration policies and the immigrants' cultural assimilation.

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Here is the full list of the Working Papers published by CSEF in 2013. All papers published since 1998 can be downloaded from the URL http://www.csef.it/wpcsef.htm.

327 J.V. Butler, L. Guiso and **T. Jappelli**, Manipulating Reliance on Intuition reduces Risk and Ambiguity Aversion

Prior research suggests that those who rely on intuition rather than effortful reasoning when making decisions are less averse to risk and ambiguity. The evidence is largely correlational, however, leaving open the question of the direction of causality. In this paper, we present experimental evidence of causation running from reliance on intuition to risk and ambiguity preferences. We directly manipulate participants' predilection to rely on intuition and find that enhancing reliance on intuition lowers the probability of being ambiguity averse by 30 percentage points and increases risk tolerance by about 30 percent in the experimental sub-population where we would a priori expect the manipulation to be successful (males).

328 **M. Pagnozzi** and K.J. Saral, Multi-Object Auctions with Resale: An Experimental Analysis

We analyze the effects of resale through bargaining in multi-object uniform-price auctions with asymmetric bidders. The possibility of resale affects bidders' strategies, and hence the allocation of the objects on sale and the seller's revenue. Our experimental design consists of four treatments: one without resale and three resale treatments that vary both the bargaining mechanism and the amount of information available in the resale market. As predicted by theory: (i) without resale, asymmetry among bidders reduces demand reduction; (ii) resale increases demand reduction by high-value bidders; (iii) low-value bidders speculate by bidding more aggressively with resale. Therefore, resale induces speculation and demand reduction which reduce auction efficiency. In contrast to what is usually argued, resale does not necessarily increase final efficiency and may not reduce the seller's revenue. Features of the resale market that tend to increase its efficiency also reduce the seller's revenue.

329 **T. Jappelli** and **M. Padula**, Consumption Growth, the Interest Rate and Financial Literacy

We study a model in which financial sophistication improves portfolio returns and therefore the incentive to substitute consumption intertemporally. The model delivers an Euler equation in which consumption growth is positively correlated with financial sophistication. We test the model's prediction using panel data on consumption and financial literacy from the Italian Survey of Household Income and Wealth (SHIW), and an appropriate instrumental variable procedure. We find that consumption growth is positively correlated with financial literacy. Under plausible assumptions, we provide estimates of the intertemporal elasticity of substitution that are in line with previous literature (between 0.2 and 0.4). We complement our results with direct evidence on the link between financial literacy and the return to saving.

330 **T. Jappelli** and **M. Padula**, Investment in Financial Literacy, Social Securities and Portfolio Choices, published in *Journal of Banking and Finance*

We present an intertemporal portfolio choice model where individuals invest in financial literacy, save, allocate their wealth between a safe and a risky asset, and receive a pension when they retire. Financial literacy affects the excess return and the cost of stock market participation. Since literacy depreciates over time and has a cost related to current consumption, investors simultaneously choose how much to save, the portfolio allocation, and the optimal investment in literacy. This last depends on households' resources, its preference parameters and on how much financial literacy affects the returns on risky assets and the stock market participation cost, and the returns on social security wealth. The model implies one should observe a positive correlation between stock market par- ticipation (and risky asset share, conditional on participation) and financial literacy, and a negative correlation between the generosity of the social security system and financial literacy. The model also implies that the stock of financial literacy accumulated early in life is positively correlated with the individual's wealth and portfolio allocations later in life. Using microeconomic cross-country data, we find support for these predictions.

331 **M. Pesce**, The Veto Mechanism in Atomic Differential Information Economies

We establish new characterizations of Walrasian expectations equilibria based on the veto mechanism in the framework of differential information economies with a finite number of states of nature and a measure space of agents that may have atoms. We show that it is enough to consider the veto power of a single coalition, consisting of the entire set of agents, to obtain the Aubin private core. Moreover, we investigate on the veto power of arbitrary small and big coalitions, providing an extension to mixed markets of the well known Schmeidler [20] and Vind's [22] results in terms of Aubin private core allocations.

332 **G. De Marco** and M. Romaniello, On the Stability of Equilibria in Incomplete Information Games under Ambiguity

In this paper, we look at the (Kajii and Ui) mixed equilibrium notion, which has been recognized by previous literature as a natural solution concept for incomplete information games in which players have multiple priors on the space of payoff relevant states. We investigate the problem of stability of mixed equilibria with respect to perturbations on the sets of multiple priors. We find out that the (Painlevé-Kuratowski) convergence of posteriors ensures that stability holds; whereas, convergence of priors is not enough to obtain stability since it does not always implies convergence of posteriors when we consider updating rules (for multiple priors) based on the classical Bayesian approach.

333 **M.G. Graziano**, C. Meo, and N.Y. Yannelis, Stable Sets for Asymmetric Information Economies

An exchange economy with asymmetrically informed agents is considered with an exogenous rule that regulates the information sharing among agents. For it, the notion of stable sets à la Von Neumann and Morgenstern is analyzed. Two different frameworks are taken into account as regards preferences: a model without expectations and a model with expected utility. For the first one, it is shown that the set V of all individually rational, Pareto optimal, symmetric allocations is the unique stable set of symmetric allocations. For the second one, an example is presented which shows that the same set V is not externally stable and a weaker result is proved. Finally, the coalitional incentive compatibility of allocations belonging to the unique stable set is provided.

334 **M. Padula** and Y. Pettinicchi, Providing Financial Education: A General Equilibrium Approach

Since the early 2000s, the importance of financial literacy for safe financial behaviors has increased in public debate and has been the motivation for several national and international institutions to launch and promote financial education initiatives. Although discussion on the effects of such education programs remains open, it is generally presumed that higher levels of financial literacy are associated with more stable financial markets. The present paper challenges this assumption and provides a model of heterogeneous agents which differ according to the level of their cognitive abilities. The model allows us to discuss the implications for asset pricing of policies aimed at increasing levels of financial literacy, and shows that general equilibrium effects cause market price volatility and the share of literate individuals to vary in a non-monotonic way with financial education.

335 **M. Ponzo** and V. Scoppa, Experts' Awards and Economic Success: Evidence from an Italian Literary Prize

Product quality is often unobservable ex-ante and consumers rely on experts' judgments, sometimes coming under the form of ratings or awards. Do awards affect consumers' choices or they are conferred to the most popular products? To disentangle this issue, we use data of the most important Italian Literary Prize, the "Strega Prize", undertaking two different estimation strategies to evaluate the impact on book sales of being awarded the Prize. First, we adopt a Regression Discontinuity Design using as dependent variable a measure of book sales and as forcing variable (proxying for intrinsic book quality) the jury votes received by each nominated book in the competition. We find a very strong impact of the Strega Prize on sales. Second, using weekly data on appearances in bestseller lists, we estimate a difference-in-differences model, comparing sales performance of treated and control books before the award is conferred with their respective performance afterwards. The results confirm a huge influence of the Prize on book sales and show that most of the impact occurs in the weeks following the announcement.

336 **G. De Marco** and M. Romaniello, Games Equilibria and the Variational Representation of Preferences

In this paper we consider a model of games of incomplete information under ambiguity in which players are endowed with variational preferences. We provide an existence result for the corresponding mixed equilibrium notion. Then we study the limit behavior of equilibria under perturbations on the indices of ambiguity aversion.

337 F. Cingano, M. Leonardi, J. Messina and **G. Pica**, Employment Protection Legislation, Capital Investment and Access to Credit: Evidence from Italy

Employment protection may affect both productivity and capital investment because higher adjustments costs hamper allocative efficiency and may therefore affect both the optimal capital labor input mix and total factor productivity. To estimate the impact of dismissal costs on capital deepening and productivity we exploit a reform that introduced unjust-dismissal costs in Italy for firms below 15 employees, leaving firing costs unchanged for bigger firms. We provide evidence that the increase in firing costs induced capital deepening and a decline in total factor productivity in small firms relative to larger firms after the reform. We also find that capital deepening is more pronounced at the low-end of the capital distribution – where the reform arguably hit harder – and among firms endowed with a larger amount of liquid resources, that have more room to react thanks to an easier access to the credit market. Our results also indicate that the EPL reform reduced the probability to access the credit market, possibly because stricter EPL reduces both the value of the firm and the amount of internal resources that the firm can pledge as collateral against lenders.

338 C. Barra, **S. Destefanis** and G.L. Lavadera, Regulation and the Crisis: The Efficiency of Italian Cooperative Banks

In this paper we analyze the impact of the current financial crisis on the determination of technical efficiency in a sample of Italian small banks, highlighting the interaction of the crisis with different regulatory regimes existing for cooperative banks (CB’s) and other banks. We find that the crisis has a negative impact on efficiency, more so for CB's. This is to be expected, as the CB's principle of external mutuality and their branching regulations are likely to locate them in less performing areas. In accordance with this prior, the differential impact of the crisis attenuates or vanishes when we include in the production set some indicators of local environment (GDP per capita). Correspondingly, we find novel evidence in favour of the “bad luck” hypothesis suggested by Berger and De Young (Journal of Banking and Finance, 1997).

339 F. Hespeler and **M.M. Sorge**, Does Near-Rationality Matter in First-Order Approximate Solutions? A Perturbation Approach

This paper studies first-order approximate solutions to near-rational dynamic stochastic models. Under near-rationality, subjective beliefs are distorted away from rational expectations via a change of measure process which fulfils some regularity conditions. As a main result, we show that equilibrium indeterminacy may arise even when the martingale representation of beliefs distortion depends on the economy's fundamentals solely. This provides theoretical support to the modeling assumptions of Woodford [American Economic Review 100, 274-333 (2010)].

340 **M.M. Sorge**, On the Fundamentalness of Nonfundamentalness in DSGE Models

This note warns against the use of noncausal VARs as a reliable test for indeterminacy. By means of a simple example, we show that determinate models may well entail nonfundamental ARMA equilibrium reduced forms - which only (and uniquely) depend on the fundamental structural shocks -, whereas indeterminate ones may actually be sunspot-free and possess fundamental (i.e. invertible) equilibrium representations. Hence, detecting a causal representation of the data cannot be interpreted as evidence of determinacy.

341 L. Balletta and **G. Immordino**, On Repeated Moral Hazard with a Present Biased Agent

This paper introduces time inconsistent preferences into a moral hazard setting where the agent is risk-averse. We derive a necessary optimality condition on the consumption allocation that is different from the so-called Inverse Euler Equation of Rogerson (1985). Specifically, inverse marginal utility is not a martingale, rather it follows a partial adjustment process. If the bias for the present is sufficiently large the optimal allocation will leave the agent with the desire to borrow. We extend the analysis to the case in which the principal does not know if the agent is time consistent or not. Finally, we show that in a setting with a risk-neutral agent and limited liability everything is as if the principal faces a time consistent agent.

342 **M. Bassi**, **M. Pagnozzi** and **S. Piccolo**, Optimal Contracting with Altruism and Reciprocity "Optimal Contracting with Altruism and Reciprocity", forthcoming in *Research in Economics.*

Motivated by the recent experimental evidence on altruistic behavior, we study a simple principal-agent model where each player cares about other players' utility, and may reciprocate their attitude towards him. We show that, relative to the selfish benchmark, efficiency improves when players are altruistic. Nevertheless, in contrast to what may be expected, an increase in the degree of the agent's altruism as well as a more reciprocal behavior by players has ambiguous effects on efficiency. We also consider the effects of the presence of spiteful players and discuss how monetary transfers between players depend on their degrees of altruism and spitefulness.

343 **M. Bassi**, **M. Pagnozzi** and **S. Piccolo**, Entry and Product Variety with Competing Supply Chains

We study a supply chain model where competing manufacturers located around a circle contract with privately informed and exclusive retailers. The number of brands in the market (determined by the manufacturers' zero profit condition) depends on the level of asymmetric information within supply chains and on the types of contracts between manufacturers and retailers. With two-part tariffs, wholesale prices fully reflect retailers' costs. With linear contracts, wholesale prices are constant and independent of retailers' costs. The number of brands is lower (resp. higher) with asymmetric information than with complete information when contracts are linear (resp. with two-part tariffs). Moreover, the number of brands is always higher with linear contracts than with two-part tari¤s. We also analyze the effects of endogenous entry on welfare.

344 G. Bertocchi, A. Gambardella, **T. Jappelli**, C.A. Nappi, and F. Peracchi, Bibliometric Evaluation vs. Informed Peer Review: Evidence From Italy

A relevant question for the organization of large scale research assessments is whether bibliometric evaluation and informed peer review where reviewers know where the work was published, yield similar results. It would suggest, for instance, that less costly bibliometric evaluation might - at least partly - replace informed peer review, or that bibliometric evaluation could reliably monitor research in between assessment exercises. We draw on our experience of evaluating Italian research in Economics, Business and Statistics, where almost 12,000 publications dated 2004-2010 were assessed. A random sample from the available population of journal articles shows that informed peer review and bibliometric analysis produce similar evaluations of the same set of papers. Whether because of independent convergence in assessment, or the influence of bibliometric information on the community of reviewers, the implication for the organization of these exercises is that these two approaches are close substitutes.

345 N. Battistini, **M. Pagano** and **S. Simonelli**, Systemic Risk, Sovereign Yields and Bank Exposures in the Euro Crisis, forthcoming in *Economic Policy*

Since 2008, euro-area sovereign yields have diverged sharply, and so have the corresponding CDS premia. At the same time, banks' sovereign debt portfolios featured an increasing home bias. We investigate the relationship between these two facts, and its rationale. First, we inquire to what extent the dynamics of sovereign yield differentials relative to the swap rate and CDS premia reflect changes in perceived sovereign solvency risk or rather different responses to systemic risk due to the possible collapse of the euro. We do so by decomposing yield differentials and CDS spreads in a country-specific and a common risk component via a dynamic factor model. We then investigate how the home bias of banks' sovereign portfolios responds to yield differentials and to their two components, by estimating a vector error-correction model on 2008-12 monthly data. We find that in most countries of the euro area, and especially in its periphery, banks' sovereign exposures respond positively to increases in yields. When bank exposures are related to the country-risk and common-risk components of yields, it turns out that (i) in the periphery, banks increase their domestic exposure in response to increases in country risk, while in core countries they do not; (ii) in most euro area banks respond to an increase in the common risk factor by raising their domestic exposures. Finding (i) hints at distorted incentives in periphery banks' response to changes in their own sovereign's risk. Finding (ii) indicates that, when systemic risk increases, all banks tend to increase the home bias of their portfolios, making the euro-area sovereign market more segmented.

346 C. Barra, **S. Destefanis** and G.L. Lavadera, Financial Development and Economic Growth: Evidence from Highly Disaggregated Italian Data

In this paper we test the nexus between financial development and economic growth upon territorially highly disaggregated data from Italy, paying particular attention to the role of market power of local banks and cooperative banks. Profit efficiency, computed using the so-called "true fixed-effects" model proposed by Greene (J PROD ANAL 2005), is used as qualitative measure of financial development, while its quantitative measure is credit volume divided by gross domestic product. A growth model, similar to Hasan et al. (J BANK FINANC 2009), is specified and tested on panel data over the 2001-2010 period. Our estimates suggest that both indicators of financial development have a positive significant impact on GDP per worker, especially when considering cooperative banks and duopolistic markets. None of the above quoted results seems to be much affected by occurrence of the ongoing recession.

347 **S. Piccolo** and **G.W. Puopolo**, L. Vasconcelos, Non Exclusive Financial Advice

We study a model of financial advice where investors rely on a financial expert (the advisor) to make their asset allocation choices. There is only one source of risk and the advisor is privately informed about the volatility of the return of the risky asset. Moreover, the advisor's preferences are misaligned with those of his uninformed clients, and this conflict of interests cannot be solved by means of state-contingent monetary transfers. In equilibrium, investors delegate the investment decision to the financial advisor. However, they impose restrictions on the advisor's choices. These restrictions take the form of a cap or a floor on the amount invested in the risky asset. The precise form of partial delegation that emerges depends on whether financial advice is exclusive or not, and in the case of non-exclusive advice, on whether the common advisor perceives investors' asset allocations as complements or as substitutes. We also analyze the implications of non-exclusivity in financial advice on investment behavior and investors' expected utility.

348 G. Ursino, **S. Piccolo** and P. Tedeschi, Deceptive Advertising with Rational Buyers

We study a Bertrand game where two sellers supplying products of different and unverifiable qualities can outwit potential clients through (costly) deceptive advertising. We characterize a class of pooling equilibria where sellers post the same price regardless of their quality and low quality ones deceive buyers. Although in these equilibria low quality goods are purchased with positive probability, the buyer's (expected) utility can surprisingly be higher than in a fully separating equilibrium, which suggests that (absent price regulation) a per se rule banning deceptive practices may harm consumers. We also argue that sellers invest more in deceptive advertising the better their reputation vis-à-vis potential clients – i.e., firms that are better trusted by customers, have greater incentives to invest in deceptive advertising. Finally, we characterize the optimal monitoring effort exerted by a regulatory agency who seeks to identify and punish deceptive practices. We show that consumer surplus maximization requires a higher monitoring e¤ort than social welfare maximization.

349 F. Galli and **G. Russo**, Immigration Restriction and Long-Run Cultural Assimilation: Theory and Quasi-Experimental Evidence

We study the effect of restrictions to immigration on the cultural assimilation of the second generation. Our theoretical model shows that restrictive policies incentivize to permanent immigration individuals with a stronger taste for their original culture. Permanent immigration implies reproduction in the destination country and transmission of cultural traits to the second generation, which will therefore experience a more difficult assimilation. We test this prediction by using the 1973 immigration ban in Germany (Anwerbestopp) as a quasi-experiment, since it only concerned immigrants from countries outside the European Economic Community. Thus, our treatment group is given by the second generation of non-EEC immigrants. Our estimates show that the Anwerbestopp has reduced the cultural assimilation of this generation. This result is robust to several checks, including a triple differences analysis. We conclude that restrictive immigration policies may have unwanted consequences on the process of cultural assimilation.

350 M. B. Lignola and **J. Morgan**, Asymptotic Behavior of Regularized Optimization Problems with Quasi-variational Inequality Constraints

The great interest into hierarchical optimization problems and the increasing use of game theory in many economic or engineering applications led to investigate optimization problems with constraints described by the solutions to a quasi-variational inequality (variational problems having constraint sets depending on their own solutions, present in many applications as social and economic networks, financial derivative models, transportation network congestion and traffic equilibrium). These problems are bilevel problems such that at the lower level a parametric quasi-variational inequality is solved (by one or more followers) meanwhile at the upper level the leader solves a scalar optimization problem with constraints determined by the solutions set to the lower level problem. In this paper, mainly motivated by the use of approximation methods in infinite dimensional spaces (penalization, discretization, Moreau-Yosida regularization ...), we are interested in the asymptotic behavior of the sequence of the infimal values and of the sequence of the minimum points of the upper level when a general scheme of perturbations is considered. Unfortunately, we show that the global convergence of exact values and exact solutions of the perturbed bilevel problems cannot generally be achieved. Thus, we introduce suitable concepts of regularized optimization problems with quasi-variational inequality constraints and we investigate, in Banach spaces, the behavior of the approximate infimal values and of the approximate solutions under and without perturbations.