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What is CSEF?

The Centre for Studies in Economics and Finance (CSEF) is a joint venture of the University of Naples Federico II, the University of Salerno, and Bocconi University. 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 graduate 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. Its administration is entrusted to **Immacolata Diez** and **Stefania Maddaluno**.

News

2014 has been a great year for CSEF. **Antonio Acconcia** and **Marco Pagnozzi** have been promoted Professors of Economics, while **Maria Laura Pesce** and **Saverio Simonelli** have been promoted Associate Professors, all at the University of Naples. Two post-doctoral Fellows joined CSEF in 2014: **Annalisa Scognamiglio** (PhD MIT) and **Salvatore Morelli** (PhD Oxford University), while **Dimitris Christelis** (PhD University of Pennsylvania) has returned to visit CSEF with a research grant.

In 2014 CSEF Fellows have published articles on the *American Economic Review*, *American Economic Journal: Applied Economics*, *American Economic Journal: Macroeconomics*, *Economic Journal*, *Economic Policy*, *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 Financial Studies*, and *Theory and Decision*, among others. Moreover, they have organized 6 conferences and workshops, often jointly with other institutions and research centres.

We are also proud to announce that CSEF has been chosen as one of the three institutions that will host the 27th meeting of the *Review of Economic Studies* May Meetings in 2015.

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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 2014 were funded by research grants of the European Research Council (ERC Advanced Grant on Labor and Finance), University of Naples and Compagnia di San Paolo (FARO projects), the European Commission (Collaborative Project), the Italian Ministry of University and Research (PRIN, FIRB and PON projects), Global Risk Institute in Financial Services.

Conferences

Workshop on *Stability in Equilibrium Analysis*

The **Workshop on *Stability in Equilibrium Analysis***, held at the University of Naples Federico II on 24-25 January, was organized by CSEF Fellows Maria Gabriella Graziano, Achille Basile and Marialaura Pesce. It included the following keynote speakers: Francesca Busetto (University of Udine), Giulio Codognato (University of Udine), Joao Correia da Silva (University of Porto), Marta Faias (Universidade Nova de Lisboa), Rob Gilles (Queen's University Management School), Carlos Herves-Beloso (University of Vigo), Javier Herves-Estevez (University of Vigo), Emma Moreno Garcia (University of Salamanca), Mario Pascoa (University of Surray - UK), Konrad Podczeck (Universitat Wien), Nobusumi Sagara (Hosei University - Tokyo), Yiannis Vailakis (University of Glasgow), Rajiv Vohra (Brown University).

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

The **Conference on *Bank Performance, Financial Stability and the Real Economy***, held at the Federico II Conference Center on 21 March, was co-funded by Unicredit & Universities Foundation. The scientific committee was composed by Viral Acharya (New York University), Franklin Allen (Imperial College), Arnoud Boot (University of Amsterdam), Markus Brunnermeier (Princeton University), Elena Carletti (Bocconi University), Hans Degryse (University of Leuven), Giovanni Dell'Ariccia (IMF), Andrew Ellul (Indiana University), Xavier Freixas (Pompeu Fabra University), Atif Mian (Princeton University), Tommaso Oliviero (CSEF), Steven Ongena (University of Zurich), Marco Pagano (University of Naples Federico II), Jean-Charles Rochet (University of Zurich), Jorg Rocholl (ESMT).

Conference on *Aggregate Fluctuations: Causes and Consequences*

The **Conference on *Aggregate Fluctuations: Causes and Consequences*** took place in Ortigia at the "Ex Convento del Ritiro" Hall on 13-14 June. The Scientific Committee included Martin Eichenbaum (Northwestern University), Morten Ravn (University College London), Saverio Simonelli (University of Naples Federico II). The Workshop was attended by Marios Angeletos (MIT), Paolo Angelini (Bank of Italy), Larry Christiano (Northwestern University), Giancarlo Corsetti (Cambridge University), Wei Cui (University College London), Martin Eichenbaum (Northwestern University), Martin Ellison (Oxford University), Andrew Ellul (Indiana University), Ethan Ilzetzki (London School of Economics), Francesco Lippi (EIEF), Marco Pagano (University of Naples Federico II), Franck Portier (Université des Sciences Sociales de Toulouse), Giorgio Primiceri (Northwestern University), Morten Ravn (University College London), Sergio Rebelo (Northwestern University), Lucrezia Reichlin (London Business School), Vincent Sterk (University College London), Silvana Tenreyro (London School of Economics), Harald Uhlig (University of Chicago).

IV Workshop ME@Ravello: *Rent Seeking in Markets and Institutions: Facts, Theory and Policy in the Wake of the Financial Crisis*

The **IV Workshop ME@Ravello** held in Ravello on 20-22 June, was organized by CSEF Fellows Alberto Bennardo, Francesco Drago and Annamaria C. Menichini, together with Vincenzo Carrieri (University of Salerno) and Nicola Persico (Northwestern University). The workshop fostered interaction between theorists and empiricists working on organization design and private-public institution choices, and contributed to the training of young researchers and graduate students in this area. Keynote speakers were Josh Angrist (MIT), Christian Hellwig (Toulouse University), Marco Ottaviani (Bocconi University) and Nancy Qian (Yale University).

10th Csef-Igier Symposium on *Economics and Institutions*

From 23 to 27 June 2014, 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 Carlo Altavilla, Francesco Drago, Chiara Fumagalli, Anna Maria Cristina Menichini, Maria Grazia Romano, and IGIER Fellows Nicola Pavoni and Nicola Gennaioli. The Symposium also featured a session on Business Groups, funded by AXA. 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 Micro Theory, Applied Econometrics, Finance, Macro Finance, Applied Micro. The invited speakers were Orazio Attanasio (University College London), Robert Marquez (University of California, Davis), Costas Meghir (Yale University), Nicola Persico (Northwestern University), Victor Rios-Rull (University of Minnesota), Harald Uhlig (The University of Chicago).

12th Conference on Media Economics

The 12th Conference on Media Economics was held at Villa Doria D'Angri on October, 10-11, 2014. The focus was on emerging research areas in media and telecommunications with a goal of fostering interactions and informing policy. The Symposium was organized by CSEF Fellow Emilio Calvano, Simon P. Anderson (University of Virginia) and Lisa George (Hunter College – City University of New York). The Conference was attended by Ali Yurukoglu (Stanford Graduate School of Business), Marit Hinnosaar (Collegio Carlo Alberto), Elizabeth Schroeder (Oregon State University), Ruben Durante (Sciences Po), Lapo Filistrucchi (University of Florence and Tilburg University), Greg Taylor (University of Oxford), Matthew Ellman (Barcelona GSE), Fabrizio Germano (Universitat Pompeu Fabra), Tommaso Oliviero (Csef), Francesco Sobbrio (Catholic University of Milan), Michele Polo (Bocconi University and Csef), Helen Weeds (University of Essex), Maria Rosa Battaggion (Bergamo University), Maria Grazia Romano (University of Salerno and Csef), Christian Peukert (University of Zurich), Andrea Mangani (University of Pisa), Luis Aguiar (Institute for Prospective Technological Studies), Andrea Pozzi (Einaudi Institute for Economics and Finance), Manuel Mueller-Frank (IESE Business School), Alberto Bennardo (University of Salerno and Csef), Ananya Sen (Toulouse School of Economics), Mark Armstrong (University of Oxford), Justin Johnson (Cornell University).

First MEF–LMEF Workshop on *"Preparing for the Job Market with a Master's Degree"*

The First MEF-LMEF Workshop on "Preparing for the Job Market with a Master's Degree" held at the Federico II Conference Center on December 22 2014, hosted as speakers the following MEF Alumni:: Alessandro Bonatti (MIT), Marco Di Maggio (Columbia Business School), Ferdinando Giugliano (the Financial Times), Alessandra Losito (Pictet & Cie Europe), Marzia Parascandolo (SC Johnson). The Workshop was organized by CSEF Fellows Marco Pagnozzi and Tommaso Oliviero, Micol Sorrentino and Stefania Maddaluno (University of Naples Federico II).

Seminars

In 2014 CSEF hosted one or two research seminars per week. Papers were presented both by invited speakers and resident researchers.

January

Federico Signoretti (Bank of Italy), *The Causes and Consequences of Going Public. Firm-level Evidence from Twelve European Countries*

Claire Célérier (University of Zurich), *Are Bankers Worth Their Pay? Evidence from a Talent Measure* (with B. Vallee)

Andrea Beltratti (University of Turin), *Banks Risk-weights and Cost of Equity* (with G. Paladino)

Edoardo Di Porto (University of Naples Federico II), *The Effect of Local Taxes on Firm Performance: Evidence from Microgeographic Data* (with G. Santoni)

February

Javier Suarez (Cemfi), *The Role of Liquidity Standards in Optimal Lending of Last Resort Policies* (with J.A.C. Santos)

Kai Konrad (MPI for Tax Law and Public Finance), *Old Money, the Nouveau Riche and Brunhilde's Marriage Dilemma* (with A.-K. Bronsert and A. Glazer)

Tiziano Razzolini (University of Siena), *Initial Labor Market Conditions and the Occupational Injury Risk* (with F. Serti and R. Leombruni)

Luca Fanelli (University of Bologna), *Monetary Policy Indeterminacy and Identification Failures in the U.S.: Results from a Robust Test* (with E. Castelnuovo)

Asher Wolinsky (Northwestern Univesity), *A Common Value Auction with Bidder Solicitation* (with S. Lauermann)

March

John Conley (Vanderbilt University), *An Empirical Guide to Choosing a Graduate Program and Hiring Assistant Professors in Economics*

Josef Zechner (Vienna University), *Granularity of Corporate Debt* (with J. Choi and D. Hackbarth)

Gernot Mueller (Bonn University), *Exit Expectations in Currency Unions* (with A.R. Kriwoluzky and M. Wolf)

April

Matthew Ellman (Institut d'Anàlisi Econòmica), *In Google we Trust?* (with R Burguet and R. Caminal)

Emanuele Tarantino (University of Bologna), *Risk Management and Rating Segmentation in Credit Markets*

Alessandro Gavazza (London School of Economics), *A Quantitative Analysis of the Retail Market for Illicit Drugs* (with M. Galenianos)

Andre Veiga (Oxford University), *Product Design in Selection Markets* (with Glen Weyl)

May

Guido Ascari (University of Oxford), *The Macroeconomics of Trend Inflation* (with A. M. Sbordone)

Chris Nosko (University of Chicago, Booth School of Business), *Quality Externalities and the Limits of Reputation in Two-Sided Markets* (with S. Tadelis)

Raoul Minetti (Michigan State University), *Financial Markets, Industry Dynamics, and Growth* (with M. Iacopetta and P. Peretto)

Benjamin Born (Mannheim University), *Does Austerity Pay Off?* (with G. Mueller and J. Pfeifer)

Benjamin E. Hermalin (University of California, Berkeley), *The Strategic Use of Download Limits by a Monopoly Platform* (with N. Economides)

Petko Kalev (University of South Australia), *Algorithmic Trading in Volatile Markets*

Fabrice Collard (University of Bern), *Booms and Banking Crises* (with F. Boissay and F. Smets)

September

Rodrigo Ceni (Universidad de la República, Montevideo and EUI), *Drop-out and enforcement during two Transfer Programs* (with G. Salas)

Lorenzo Pandolfi (PhD Student - University of Naples Federico II), *The Dark Side of Bail-in*

Marco Di Maggio (Columbia University), *Monetary Policy Pass-Through: Household Consumption and Voluntary Deleveraging*

October

Carla Guerriero (University of Naples Federico II), *Eliciting welfare estimates from children and their parents using stated preference techniques*

Camille Landais (London School of Economics), *Market Externalities of Large Unemployment Insurance Extension Programs* (with R. Lalive and J. Zweimuller)

Giuseppe Russo (University of Salerno), *Electoral Systems and Immigration*

Itay Saporta-Eksten (Tel Aviv University), *Job Loss, Consumption and Unemployment Insurance*

Giuseppe Corbisiero (PhD Student - University of Mannheim), *Banks' Home Bias and Credit Traps in a Monetary Union*

Moritz Schularick (University of Bonn), *Betting the House* (joint with O. Jorda and A. Taylor)

November

Michela Tincani (University College London), *Rank Concerns and Classroom Performance: Evidence from Seismic Intensity*

Martin Hellwig (MPI for Research on Collective Goods), *Liquidity Provision and Equity Funding of Banks*

Yi Huang (The Graduate Institute Geneva), *Minimum Wages and Firm Employment: Evidence from China* (with P. Loungani and G. Wang)

Thibaut Lamadon (University of Chicago), *Productivity Shocks, Dynamic Contracts and Income Uncertainty*

Daniele Massacci (Einaudi Institute for Economics and Finance), *Tail Risk and the Macroeconomy*

Francesco Pappadà (Banque de France), *Austerity Plans and Tax Evasion: Theory and Evidence from Greece* (joint with Y. Zylberberg)

December

Alexandre de Cornière (University of Oxford), *Quality Provision in the Presence of a Biased Intermediary* (with G. Taylor)

Valentino Dardanoni (University of Palermo), *Ranking Scientific Journals via Latent Class Models for Polytomous Item Response* (with F. Bartolucci and F. Peracchi).

Giacomo Calzolari (University of Bologna), *Exclusive Contracts and Market Dominance*

Annalisa Scognamiglio (University of Naples Federico II), *Optimal Contracting and the Organization of Knowledge* (with W. Fuchs and L. Garicano)

ANTONIO ACCONCIA is Professor of Economics at the University of Naples Federico II. In 2014 he published "Mafia and Public Spending: Evidence on the Fiscal Multiplier from a Quasi-experiment" (with G. Corsetti and S. Simonelli) in *American Economic Review* and "Accomplice-Witnesses and Organized Crime: Theory and Evidence from Italy" (with G. Immordino, S. Piccolo and P. Rey) in *Scandinavian Journal of Economics*. He is currently working on: "The Consumption Response to Liquidity-Enhancing Transfers: Evidence from Italian Earthquakes" (with G. Corsetti and S. Simonelli); "Fiscal Stimulus in Recession: Evidence from a Tax Credit Program" (with C. Cantabene); "The Effect of Public Spending on Consumption" and "Underpricing and Firm Location" (with A. Del Monte and L. Pennacchio).

CARLO ALTAVILLA is Principal Economist 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, applied time series and financial econometrics. He is currently working on the effects of non-standard monetary policies, the modelling and forecasting of the yield curve, credit and sovereign debt dynamics.

MATTEO BASSI is Economist at the Office of Gas and Electricity Markets (OFGEM), the regulator of energy markets in Great Britain. He received a Ph.D. in Economics from the Toulouse School of Economics, discussing a dissertation on Behavioral Public Economics. His research deals with public economics, regulation, industrial organization and behavioral economics. In 2014, he published "Transparency and Product Differentiation with Competing Vertical Hierarchies" (with M. Pagnozzi and S. Piccolo) in the *Journal of Economics and Management Strategy*.

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 2014 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).

ALBERTO BENNARDO is Professor of Economics at the University of Salerno. His research focuses on contract theory and financial economics. He is currently working on the welfare effects of the manipulation of information by managers, and on multilateral externalities generated by renegotiation opportunities. In 2014, 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, have been accepted for publication 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 Naples Federico II. He uses both theoretical and experimental methods to investigate issues in public and institutional economics. His current research projects focus on the emergence of cooperation in evolutionary environments (with R. Sugden), the experimental analysis of the social processes backwarding the formation of individual preferences (with V. Filoso and M. Stimolo), the adverse effects of fiscal federalism (with M. Bordignon, M. Piacenza and G. Turati), the search for an operative notion of equity in health (with A. Abatemarco and F. Stroffolini).

EMILIO CALVANO Is an Assistant Professor at CSEF. He holds a Ph.D. from the University of Toulouse. 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 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.

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. In 2014 she has worked on several 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. 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, *Management Science,* 2014) he investigates the impact of exchanges' information sales for price efficiency. In the paper "Illiquidity contagion and liquidity crashes" (with T. Foucault, *The Review of Financial Studies,* 2014) he studies liquidity externalities in asset markets. In the paper "The Beauty Contest and Short-term Trading" (with X. Vives, forthcoming in the *Journal of Finance*), he studies the impact of traders' short term speculative horizons for market performance.

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. Her paper "The Deep Pocket Effect of Internal Capital Markets" provides empirical evidence that affiliation with a cash-rich group represents a source of competitive strength for manufacturing firms. She 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. 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. She 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. He obtained his Ph.D. in Economics from the University of Pennsylvania in 2003. His research interests include household saving and portfolio choice, health economics, microeconometrics, and the imputation of missing data. He is currently working on the estimation of panel discrete choice models (with R. Fonseca), 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), on differences in household debt among Eurozone countries (with M. Ehrmann and D. Georgarakos), on the effect of consumption uncertainty on precautionary saving (with D. Georgarakos, T. Jappelli, and M. Van Rooij), and on the interaction between health status and political preferences (with D. Georgarakos and A. Zangelidis).

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, health and Europeans' life satisfaction, on the legal origins of corporate social responsibility, on fertility and happiness in rural Etiopia. Recent publications include: "Public Disclosure of Players' Conduct and Common Resources Harvesting: Experimental Evidence from a Nairobi Slum", in *Social Choice and Welfare* (2015); "Violence, trust, and trustworthiness: evidence from a Nairobi slum", *Oxford Economic Papers* (2013); "Enhancing capabilities through credit access: Creditworthiness as a signal of trustworthiness under asymmetric information", *Journal of Public Economics* (2011).

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 the *International Journal of Finance and Economics*, "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*.

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: "On Ordered Weighted Averaging Social Optima" (with J. Morgan) in *Journal of Optimization Theory* (2014), "Beliefs Correspondences and Equilibria in Ambiguous Games" (with M. Romaniello) in the *International Journal of Intelligent Systems* (2012), and " Reciprocity in the Principal-Multiple Agent Model" (with G. Immordino) in *The B.E. Journal of Theoretical Economics* (2014).

SERGIO DESTEFANIS Sergio Destefanis is Professor of Economics at the University of Salerno, where he heads the Ph.D. Programme in Economics. In 2014 he published Financial development and local growth: evidence from highly disaggregated Italian data (with C. Barra and G. Lubrano Lavadera) in *Applied Financial Economics*, Firm Size Distribution and Returns to Scale. Non-Parametric Frontier Estimates from Italian Manufacturing (with L. Crosato and P. Ganugi) in *Innovation, Globalization and Firm Dynamics Lessons for Enterprise Policy*, Routledge, edited by A.M Ferragina, E. Taymaz, and K. Yilmaz.. Other 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), and the macro-evaluation of labour market policies (with G. Mastromatteo).

EDOARDO DI PORTO Is Assistant Professor of Economics 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 TorVergata, 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 2014 he revised the following papers: "Estimating Labor Demand Function in the Presence of Undeclared Labour: A Look Behind the Curtain" (with L. Elia); "Migration, labour tasks and production structure" together (with G. De Arcangelis and G. Santoni). He also completed a paper on "Local government cooperation at work: a control function approach" (with Z. Abidi, A. Parenti and S. Paty) and published "Employers' agglomeration and innovation in a small business economy: the Italian case." (with G. Croce, E. Ghignoni, A. Ricci,) in *Geographical labor market imbalances. Recent explanations and cures*, Springer-Verlag Berlin, edited by C. Mussida and F. Pastore. From September to December 2014 he visited UCFS, Uppsala University focusing his research agenda on inheritance taxation and tax avoidance.

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 political economy and economics of crime. He currently has a STAR grant, funded by Compagnia di San Paolo and Fondazione Banco di Napoli. In 2014 he published a paper in the *Journal of Contemporary Criminal Justice* and one of his political economy paper on Italian municipalities in the *American Economic Journal: 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 "Circuit Breakers and Market Runs" (co-authored with M. Van Achter, Erasmus University) which was presented in several major conferences such as the WFA annual meeting, "Does Stock Exchange Competition Lead to Less Disclosure?" and "Information, Rebalancing and Circuit Breakers" (co-authored with M. Van Achter from Erasmus University, and D. Zvilichovsky from Tel Aviv University). She is involved in further research projects with M. Pagano (Univ. of Naples) and S. Piccolo (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 CSEF, CEPR, ECGI, FMG and SRC, and serves as Associate Editor of the *Review of Finance* since 2010. In 2014 his paper titled "Is Historical Cost a Panacea? Market Stress, Incentive Distortions and Gains Trading," was accepted by the *Journal of Finance*. His paper titled "Mark-to-Market Accounting and Systemic Risk in the Financial Sector" (with Chotibhak Jotikasthira, Christian Lundblad, and Yihui Wang) was published by *Economic Policy*. In 2014 he has also completed two new working papers titled "Access to Public Capital Markets and Employment," (with Alex Borisov and Merih Sevilir), and "Labor Unemployment Risk and CEO Incentive Compensation," (with Cong Wang and Kuo Zhang).

CARLO FAVERO Carlo Favero holds a D.Phil. from Oxford University, where he was a member of the Oxford Econometrics Research Centre. He has been professor of Econometrics at Bocconi University from 1994 to 2001 and professor of Economics since 2002. In 2009 he joined the newly formed Dept of Finance at Bocconi University, where he teaches Financial Econometrics and he is currently Head of Department. 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 president of the Innocenzo Gasparini Institute for the Economic Research at Bocconi University and 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 commitee of Wise Men of Borsa Italiana and member of the editorial board of the Bocconi Springer Series in Mathematics, Statistics, Finance and Economics

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 started working on predation, on bundled rebates 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 studies - from the theoretical and the empirical perspective - the interaction between the activity of internal capital markets and the competitive behaviour of affiliated firms. 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.

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 2014 she has published "Coalitional fairness in interim differential information economies" (with C. Donnini and M. Pesce) in the *Journal of Economics*, and "On fairness of equilibria in economies with differential information" (with A. Basile and M. Pesce) in *Theory and Decision*. Recent accepted papers include: "Stable sets of allocations and the provision of public goods" (with M. Romaniello), forthcoming in *Economic Theory*; "Stable sets for asymmetric information economies" (with C. Meo and N.C. Yannelis) forthcoming in *International Journal of Economic Theory*, “On Vind’s theorem for an economy with atoms and infinitely many commodities" (with A. Bhowmik), forthcoming in the *Journal of Mathematical Economics*; “Oligopoly and cost sharing in markets with public goods" (with A. Basile and M. Pesce), forthcoming in *International Economic Review*.

GIOVANNI IMMORDINO is Associate Professor of Economics 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 2014 he has published the articles “Parents, television and cultural change”, (with E. Hauk), in the *Economic Journal*; “Antitrust in innovative industries: the optimal legal standards” (with M. Polo) in the *International Review of Law and Economics*; “Reciprocity in the principal multiple agent model” (with G. De Marco) in the *B.E. Journal of Theoretical Economics*; “Accomplice witnesses and organized crime: theory and evidence from Italy” (with A. Acconcia, S. Piccolo and P. Rey) in the *Scandinavian Journal of Economics*; “Public Policies in Investment Intensive Industries” (with M. Polo) in *The Analysis of Competition Policy and Sectoral Regulation*, Now Publishers Inc., edited by M. Peitz e Y.Spiegel. 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; “Contracts with wishful thinkers” (with A. Menichini and M. Romano), forthcoming in the *Journal of Economics & Management Strategy*; “Regulating prostitution: an health risk approach” (with F.F. Russo), forthcoming in the *Journal of Public Economics*.

TULLIO JAPPELLI is Professor of Economics at the University of Naples Federico II and Chairman of the Department of Economics and Statistics for 2013-15, 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 2014 he published "Fiscal policy and MPC heterogeneity" (with L. Pistaferri) in *American Economic Journal: Macroeconomics*, "Do transfer taxes reduce intergenerational transfers?" (with M. Padula and G. Pica) in *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*. The following papers have been accepted for publication: “Wealth shocks, unemployment shocks and consumption in the wake of the Great Recession (with D. Christelis and D.

Georgarakos), in the *Journal of Monetary Economics*, "Investment in financial literacy, social security and portfolio choice" (with M. Padula), in *Journal of Pension Economics and Finance*, "Wealth and consumption effects of an unanticipated income shock" (with M. Padula) in *Management Science*; "Bibliometric evaluation vs. informed peer review: Evidence from Italy (with G. Bertocchi, A. Gambardella, C.A. Nappi, F. Peracchi) in *Research Policy*, Accounting Transparency, Tax Pressure and Access to Finance (with A. Ellul, M. Pagano and F. Panunzi) in the *Review of Finance*. Currently he is working on consumption risk and precautionary saving (with D. Christelis and D. Georgarakos); the effect of income shocks on consumption (with M. Padula), financial information and saving (with M. Padula); financial advice (with M. Haliassos). With L. Pistaferri he is writing a book for Oxford University Press on consumption theories and applications.

ORNELLA WANDA MAIETTA is Assistant Professor of Economics at the University of Naples Federico II. She previously was research officer at the Centre for Advanced Training and Research in Agricultural Economics, in Portici (Naples). Her current research mainly focuses on the measurement of productivity growth and of firm efficiency, the adoption of innovation and the analysis of consumer preferences with reference to ethical attributes. In 2014 she published the article "The relationship between economic growth and environmental quality: the contributions of economic structure and agricultural policies" (joint with F. Carillo) on *NEW MEDIT* and worked on two papers, the former on the role of university-firm interactions on the adoption of firm innovation and the latter on the shadow price of human capital in the European agriculture (joint with B. De Devitiis).

RICCARDO MARTINA is Professor of Economics and member of the Board of the University of Naples Federico II. He received a Ph.D. in Economics from the University of Naples. His research interests are mainly in the areas of industrial organization and public economics. His recent research focuses on the relationship between corruption and tax evasion, on the second mover advantage in multi-stage games with sequential choices, and on tax evasion and incentive contracts in oligopolistic markets. In 2014, he has published the papers "Endogenous Residual Claimancy by Vertical Hierarchies" (joint with S. Piccolo and A. Gonzales) in Economics Letters and "Gibrat's Law, Firms's Growth (and Decline) and the Evolution of Firm's Size Distribution" (joint with M. D'Amato and C. Di Pietro) in "Innovation, Globalization and Firm Dynamics".

ANNAMARIA MENICHINI In 2014 her paper Sorting the Good Guys from Bad: "On the Optimal Audit Structure under Ex-Ante Information Acquisition" (with P. Simmons) has appeared in *Economic Theory*, while the paper "Contracts with Wishful Thinkers" (with G. Immordino and M.G. Romano) is forthcoming in the *Journal of Economics and Management Strategy*. She is currently working on two research projects: one with Daniela Fabbri studying the impact on financial contracts of repeated interactions between borrower and lender in a setting with contract incompleteness; and one with G. Immordino and M.G. Romano on the effects for time-inconsistent individuals of regulation and taxation of sin goods.

SALVATORE MORELLI holds a D.Phil in Economics at the University of Oxford and in February 2014 joined the CSEF as a post-doctoral fellow. He is also a Research Associate at the Institute for New Economic Thinking at the Oxford Martin School. His research interests centre around the economics of income and wealth distribution, macroeconomic history and applied microeconomics. His research to date has investigated the evolution as well as the measurement of several dimensions of economic inequality over time for a series of countries (together with T. Atkinson he assembled a novel historical collection of data on economic inequality, *The Chartbook of Economic Inequality*, and released in March 2014 a related open-access interactive website. Moreover, jointly with T. Smeeding and J. Thompson he wrote a chapter for the *Handbook of Income Distribution* Vol 2A, Elsevier, 2015, edited by A. Atkinson and F. Bourguignon). One of his recent paper "Inequality and crises revisited" (joint with A. Atkinson) is forthcoming in the *Journal of Analytical and Institutional Economics*. Since 2011, his research attracted a generous source of funding from the INET for the project "The Long Run History of Economic Inequality: Income, Wealth and Financial Crisis" (jointly with F. Alvaredo and A.B. Atkinson). This research project has now expanded and the INET agreed (in March 2014) to provide additional funds (jointly with F. Alvaredo, A.B. Atkinson, F. Dennig, T. Piketty and M. Roser). With Facundo Alvaredo and Anthony Atkinson he is writing a new paper on the evolution of wealth distribution in the UK since the 1896 and with Edoardo Di Porto and Paolo Lucchino he is exploring the consumption responses of UK households to recent changes in personal income allowances.

JACQUELINE MORGAN is Professor of Game Theory at the University of Naples Federico II. Her present research main focuses on regularizations and viscosity solutions for mathematical programs and minsup problems with constraints defined by variational and quasi-variational inequalities, quasi-equilibria, Nash or social Nash equilibria and on existence results for bilevel differential games. Her publications in 2014 include: "On Ordered Weighted Averaging Social Optima" (with G. De Marco) in the *Journal of Optimization Theory and Applications*, “Approximating Security Values of MinSup Problems with Quasi-variational Inequality Constraints” (with M.B. Lignola) in *Pacific Journal of Optimization* and “Viscosity Solutions for Bilevel Problems with Nash Equilibrium Constraints” (with M.B. Lignola), *Far East Journal of Applied Mathematics*. A recent working paper, submitted for publication, is "MinSup Problems with Quasi-equilibrium Constraints and Viscosity Solutions" (with M.B. Lignola)

ROBERTO NISTICÒ is a Postdoctoral Research Fellow at the University of Naples Federico II. He holds a PhD in Economics from the University of Essex. His research interests are in the fields of Economics of Education, Labor Economics and Public Economics. He is currently working on two research projects: the former on “The Effect of PhD Funding on Early-career Occupational Choices and Research Productivity” and the latter on “Energy Insecurity? Oil Dependence and Bilateral Arms Trade” (with V. Bove and C. Deiana). Recently, he published “Coups d'Ètat and Defense Spending: a Counterfactual Analysis” (with V. Bove) in *Public Choice* and “Military in Politics and Budgetary Allocations” (with V. Bove) in *Journal of Comparative Economics*.

TOMMASO OLIVIERO is Unicredit Foscolo Europe Research Fellow at CSEF, Naples, from October 2013. In the recent past he obtained the PhD in economics from the European University Institute, Florence and visited Wharton Business School and Bicocca University (Milan). His research deals with financial intermediation and macroeconomics, with a focus on housing economics. His recent working papers "Family firms, soft information and bank lending in a financial crisis" (with L. D’Aurizio and L. Romano) and "CEO compensation, regulation and risk in banks: theory and evidence from the financial crisis" (with V. Cerasi) have been accepted for publication respectively in the *Journal of Corporate Finance* and the *International Journal of Central Banking*.

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 2014 he published "Do transfer taxes reduce intergenerational transfers?" (with T. Jappelli and G. Pica) in *Journal of the European Economic Association*. 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), 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 EEA (European Economic Association). Currently he holds the ERC Advanced Grant for a 5-year research project on "Finance and Labor". In 2014 he published the article “Systemic Risk, Sovereign Yields and Bank Exposures in the Euro Crisis” (with N. Battistini and S. Simonelli) in *Economic Policy*. Moreover, his papers “Multiple-Bank Lending, Creditor Rights and Information Sharing” (with A. Bennardo and S. Piccolo) and “Accounting Transparency, Tax Pressure and Access to Finance” (with Andrew Ellul, Tullio Jappelli and Fausto Panunzi) are both forthcoming in the *Review of Finance*, and the chapter “Lessons from the European Financial Crisis” is forthcoming in the volume *Financial Regulation: A Transatlantic Perspective*, edited by E. Faia, A. Hackethal, M. Haliassos and K. Langenbucher. Cambridge University Press, 2015. He has also worked on the “bank bias” of the European financial system with S. Langfield, 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 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, on arbitrageurs advertising their trades with S. Kovbasyuk, on sovereign exposures of euro-area banks with C. Altavilla and S. Simonelli, and on high-frequency trading with Sarah Draus.

MARCO PAGNOZZI is 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 2014 he published “Britain’s Electricity Capacity Auctions: Lessons from Colombia and New England” (with D. Harbord) in *Electricity Journal* and “Optimal Contracting with Altruism and Reciprocity” (with M. Bassi and S. Piccolo) in *Research in Economics*. The paper “Product Differentiation by Competing Vertical Hierarchies” (with M. Bassi and S. Piccolo) is forthcoming in the *Journal of Economics and Management Strategy*. He has recently completed three papers: “Multi-Object Auctions with Resale: An Experimental Analysis” (with K. J. Saral), “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 Tristan Gagnon-Bartsch and Antonio Rosato on “Projection of Private Values in Auctions” and 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 Assistent 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. She is the Principal Investigator of the Programma STAR (Sostegno Territoriale alle Attività di Ricerca) - Junior Principal Investigator Grants. The research project "Equilibrium with Ambiguity" (2014-2016) is financed by the Compagnia di San Paolo e l'Istituto Banco di Napoli – Fondazione. It has been evaluated TOP PRIORITY by the European Science Foundation (ESF). Her publications in 2014 include: "On fairness of equilibria in economies with differential information" (with A. Basile and M.G. Graziano)" in *Theory and Decision*; "Coalitional fairness in interim differential information economies" (with C. Donnini and M.G. Graziano) in the *Journal of Economics*; "The Veto Mechanism in Atomic Differential Information Economies" in the *Journal of Mathematical Economics*. She is now working on the papers: "Oligopoly and cost sharing in economies with public goods" (with A. Basile and M.G. Graziano), resubmitted to *International Economic Review*; "A new perspective on rational expectations equilibrium. Part I: Existence" (with L. De Castro and N.C. Yannelis); "A new perspective on rational expectations equilibrium. Part II: Efficiency and Incentive Compatibility" (with L. De Castro and N.C. Yannelis) 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 2014 he published "Do Transfer Taxes Reduce Intergenerational Transfers?" in the *Journal of the European Economic Association*. His paper "Employment Protection Legislation, Capital Investment and Access to Credit: Evidence from Italy" (with F. Cingano, M. Leonardi, and J. Messina), is forthcoming in the *Economic Journal*. Currently, Giovanni is working on the role of internal capital and labour markets within business groups (a project that was awarded a 3-year research grant by AXA), on the labour market impact of the financial crisis, on the link between social mobility and macroeconomic outcomes, and on occupational licensing.

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. In 2014 his articles and accepted papers are: "Accomplice-Witnesses and Organized Crime: Theory and Evidence from Italy" (with A. Acconcia, G. Immordino and P. Rey) in the *Scandinavian Journal of Economics*, forthcoming; "Competition with Endogenous Health Risks, (with A. Bennardo) in the *Journal of the European Economic Association*; "Multiple-Bank Lending, Creditor Rights and Information Sharing" (with A. Bennardo and M. Pagano) in the *Review of Finance*, forthcoming; "Optimal contracting under Altruism and Reciprocity" (with M. Bassi and M. Pagnozzi), in *Research in Economics*, "A Note on the Value of Residual Claimancy with Competing Vertical Hierarchies" (with A. Gonzalez and R. Martina) in *Economics Letters*; "Transparency and Product Differentiation with Competing Vertical Hierarchies" (with M. Bassi and M. Pagnozzi) in the *Journal of Economics and Management Strategy*, forthcoming.

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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 2014 she has published "The Long-Lasting Effects of School Entry Age: Evidence from Italian Students" (with Vincenzo Scoppa), Journal of Policy Modeling (2014), and is currently working on "Gender Differences in Attitudes Towards Competition: Evidence from the Italian Scientific Qualification" (with Maria De Paola and Vincenzo Scoppa) and "The Role of Connections and Quality of Evaluators in Academic Promotions: Evidence from Italy" (with Maria De Paola and Vincenzo Scoppa).

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 2014, his paper "Macro-financial determinants of the great financial crisis: Implications for financial regulation" was published in the *Journal of Banking and Finance*. His paper "Non-exclusive financial advice" (with S. Piccolo and L. Vasconcelos) investigates the implications of non-esclusive financial advice on investors' asset allocation and welfare.

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: with A. Frino and V. Mollica she is studying the asymmetry in the permanent price impact of block purchases and sales, with H. Sabourian, herding in financial markets and, with G. Immordino and A.M. Menichini she is investigating the effect of regulation and taxes on the consumption of sin goods when individuals are time-inconsistent.

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. His 2014 publications include: "Regulating Prostitution: an Health Risk Approach", joint with G. Immordino, forthcoming in the *Journal of Public Economics*, where the authors propose a simulation to evaluate the effects of policy interventions in the prostitution market; "Tax Morale and Tax Evasion Reports" in *Economics Letters*, in which he develops a new measure of Tax Morale based on quasi experimental evidence; "Cocaine: the Complementarity between legal and Illegal Trade" in *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.

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 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*. He is currently working on the cultural assimilation of immigrants and on the relationship between electoral systems and openness to immigration.

ANNALISA SCOGNAMIGLIO is a post-doctoral fellow at CSEF. She holds a Ph.D. in Economics from the Massachusetts Institute of Technology and she joined CSEF in November 2014. She is a labor economist with interests also in political economy and health economics. Her most recent projects respectively study the effect of changes in sick leave policy on workers' absenteeism and the use of unnecessary procedures in healthcare in relation to physicians' incentives.

SAVERIO SIMONELLI is Associate Professor of Economics at the University of Naples Federico II. He holds a PhD in Economics from the University of Naples Federico II, and a Master in Economics from University Pompeu Fabra. His current research focuses on fiscal policy, real business cycle and sovereign debt crisis. Recently he published "International Comovements, Business Cycle and Inflation: a Historical Perspective" (with H. Mumtaz and P. Surico) in the *Review of Economic Dynamics*, "Mafia and Public Spending: Evidence on the Fiscal Multiplier from a Quasi-experiment" (with A. Acconcia e G. Corsetti) in the *American Economic Review*, and "Systemic Risk, Sovereign Yields and Bank Exposures in the Euro Crisis" (with N. Battistini and M. Pagano) in *Economic Policy*. He is currently working with Antonio Acconcia and Giancarlo Corsetti on "The Consumption Response to Liquidity-Enhancing Transfers: Evidence from Italian Earthquakes", with Ethan Ilzetzki on "Does Vote Counting Count?" and with Carlo Altavilla e Marco Pagano on "Bank Sovereign Exposures, Risk and Lending in the Euro Debt Crisis."

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 latest research focuses on identifying and estimating indeterminate equilibrium DSGE models with nonfundamental representations, and their use in applied forecasting. Latest publications include "Lobbying (Strategically Appointed) Bureaucrats", forthcoming in *Constitutional Political Economy*, and "Incomplete Contracts as a Screening Device in Competing Vertical Inter-Firm Relationships" (joint with M. Sicoli) in the *Revue d'Économie Industrielle*.

Here is the full list of the Working Papers published by CSEF in 2014. All papers published since 1998 can be downloaded from the URL http://www.csef.it/wpcsef.htm.

351 Giovanni Immordino, Francesco Flaviano Russo, *Taxing Cash to Fight Collaborative Tax Evasion?*

We build a model of collaborative tax evasion where a buyer negotiates a price discount with a seller in exchange for not asking the receipt and paying cash, which eases tax evasion. Sellers and buyers are heterogeneous with respect to their honesty and to their cost of managing non cash payment instruments. We study the effect of two policy instruments, a tax rebate for the buyer that keeps the receipts and a tax on cash withdrawals (TCW), on tax evasion and government revenue. We find that a mix of these two instruments can reduce tax evasion and increase revenue. The TCW is effective only if sufficiently high, and it must be higher the higher the tax evasion in the country and the bigger the mass of individuals that typically pays in cash. We discuss the implementation problems of the TCW and we suggest how to partially overcome them.

352 Carlo Altavilla, Domenico Giannone, Michele Lenza, *The Financial and Macroeconomic Effects of the OMT Announcements*

This paper evaluates the effects of the 2012 announcements of the ECB's Outright Monetary Transactions (OMT) programme. Using high frequency data, we find that the OMT announcements decreased the Italian and Spanish two years government bond yields by about two percentage points, while leaving unchanged the bond yields of the same maturity in Germany and France. The results are robust to controlling for all other relevant macroeconomic and financial news released at the time of the announcements. These outcomes are used to calibrate scenarios in a multi-country model describing the macro-financial linkages in France, Germany, Italy and Spain. The scenario analysis suggests that the reduction in bond yields due to the OMT announcements will be associated to a significant increase in real activity, credit and prices in Italy and Spain.

353 Marco Pagnozzi, Antonio Rosato, *Entry by Takeover: Auctions vs. Negotiations*

We compare two mechanisms through which a potential entrant can take over an incumbent in a market with asymmetric firms: auctions (where other incumbents can bid for the target) and bilateral negotiations between the entrant and the target. The entrant's choice of target depends on the mechanism, and it may not maximize ex-post profit or consumer welfare. In an auction, the entrant pays a higher price to take over a target with higher synergies, because they impose stronger negative externalities on incumbents and increase their willingness to pay for preventing entry. This provides a new rationale for takeover premia. Auctions increase the price obtained by the target, but reduce welfare compared to negotiation because they may discourage the entrant from acquiring a target with higher synergies.

354 Tullio Jappelli, Mario Padula, *The Consumption and Wealth Effects of an Unanticipated Change in Lifetime Resources*

In 2000 Italy replaced its traditional system of severance pay for public employees with a new system. Under the old regime, severance pay was proportional to the final salary before retirement; under the new regime it is proportional to lifetime earnings. This reform entails substantial losses for future generations of public employees, in the range of €20,000-30,000, depending on seniority. Using a difference-in-difference framework, we estimate the impact of this unanticipated change in lifetime resources, on the current consumption and wealth accumulation of employees affected by the reform. In line with theoretical simulations, we find that each euro reduction in severance pay reduces the average propensity to consume by 3 cents and increases the wealth-income ratio by 0.32. The response is stronger for younger workers and for households where both spouses are public sector employees.

355 **Pierluigi Conzo,** *Trust and Cheating in Sri Lanka: The Role of Experimentally-Induced Emotions about Tsunam*

Through a field experiment in Sri Lanka I analyze the role of experimentally-induced memories of 2004 tsunami on behavior in a trust game in which personal notions of cheating are elicited. Microfinance borrowers were randomly assigned to a treatment (control) group consisting in watching a video about the calamity before (after) playing. Trust game participants were asked how much to receive (return) in order not to (make the counterpart) feel cheated; in a survey they selected whether the video mostly reminded about solidarity, looting or the calamity experience. Results suggest a differential impact of emotional stimuli induced by the video-treatment on trustors' definition of cheating and trustees' intentional cheating. Among the treated, the probability trustors define cheating as a non-negative return on investment (i.e. receive no more than what invested) and trustees satisfy trustor's cheating notion (i.e. return at least what makes him/her not feel cheated) is higher when recalling solidarity than when looting and/or the calamity. As expected, there are no significant emotional effects of the video on control group's behavior. If the trust game replicates real investment decisions, identifying the channels through which emotional memories of a past shock affect behavior offer important insights on what hinders socio-economic transactions within post-disaster areas.

356 **Salvatore Morelli,** Timothy Smeeding, Jeffrey Thompson, *Post-1970 Trends in Within-Country Inequality and Poverty: Rich and Middle Income Countries*

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.
Published in A. Atkinson and F. Bourguignon (eds), Handbook of Income Distribution, Elsevier B.V., 2015, Volume 2A, pp. 596-693.

357 Leandro D'Aurizio, **Tommaso Oliviero**, Livio Romano, *Family Firms, Soft Information and Bank Lending in a Financial Crisis*

This paper studies how access to bank lending differed between family and non-family firms in the 2007-2009 financial crisis. The theoretical prediction is that family block-holders' incentive structure results in lower agency conflict in the borrower-lender relationship. Using highly detailed data on bank-firm relations, we exploit the reduction in bank lending in Italy following the crisis in October 2008. We find statistically and economically significant evidence that the contraction in credit for family firms was smaller than that for non-family firms. Results are robust to ex-ante observable differences between the two types of firms and to time-varying bank fixed effects. We further show that the difference in the amount of credit granted to family and non-family firms is related to an increased role for soft information in Italian banks' operations, following the Lehman Brothers' failure. Finally, by identifying a match between those banks and family firms, we can control for time-varying unobserved heterogeneity among the firms and validate the hypothesis that our results are supply driven.

358 **Ornella Wanda Maietta,** *Innovation Systems Research in the Italian Food Industry*

The objective of the paper is to determine the role that R&D networking, through the collaboration of firms with universities, plays among the determinants of product and process innovation in the Italian food and drink industry and how geographical proximity to a university affects both R&D university-industry collaboration and innovation. The data are sourced from the 7th (1995-1997), 8th (1998-2000), 9th (2001-2003) and 10th (2004-2006) waves of Capitalia survey data. The approach is a triprobit analysis in which the dependent variables are R&D collaboration with a university, process and product innovation; the independent variables are firm, territorial and university characteristics.

359 **Salvatore Morelli,** *Banking Crises in the US: the Response of Top Income Shares in a Historical Perspective*

This paper examines the response of the national income shares accruing to different groups within the richest decile in the US to the occurrence of major systemic banking crises since the beginning of the twentieth century. The findings suggest that the impact of banking crises on the US top income shares is mostly small in magnitude. Indeed, the estimated total effect of crises is never bigger than one standard deviation of a specific top shares under investigation. Results are robust to a variety of checks and the analysis also highlights interesting heterogeneity across different income groups. Additional results also point out that the short-term impact of crises may be also temporary in nature as top shares recover faster in the aftermath of a shock. These findings lend indirect support to the idea that only substantial changes in government policies and institutional frameworks can bring about radical changes in income distribution.

360 Sergei Kovbasyuk**, Marco Pagano,** *Advertising Arbitrage*

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. Speculators often advertise arbitrage opportunities in order to persuade other investors and thus accelerate the correction of mispricing. This induces under-diversification: a risk-averse arbitrageur will optimally advertise only one of several mispriced assets, and overweigh it in his portfolio; a risk-neutral arbitrageur will invest only in this asset. The choice of the asset to be advertised depends not only on its mispricing, but also on its "advertisability" and the precision of future news about it. Prices react more to advertising by arbitrageurs with a successful track record, and reputation building induces high-skill arbitrageurs to advertise more than low-skill ones. Strategic complementarity induces arbitrageurs to invest in the same asset and advertise it. This choice may be inefficient, in the sense that arbitrageurs might collectively benefit by investing in another asset.

361 **Marco Pagano**, *Dealing with Financial Crises: How Much Help from Research?*

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.Has economic research been helpful in dealing with the financial crises of the early 2000s? On the whole, the answer is negative, although there are bright spots. Economists have largely failed to predict both crises, largely because most of them were not analytically equipped to understand them, in spite of their recurrence in the last 25 years. In the pre-crisis period, however, there have been important exceptions – theoretical and empirical strands of research that largely laid out the basis for our current thinking about financial crises. Since 2008, a flurry of new studies offered several different interpretations of the US crisis: to some extent, they point to potentially complementary factors, but disagree on their relative importance, and therefore on policy recommendations. Research on the euro debt crisis has so far been much more limited: even Europe-based researchers – including CEPR ones – have often directed their attention more to the US crisis than to that occurring on their doorstep. In terms of impact on policy and regulatory reform, the record is uneven. On the one hand, the swift and massive liquidity provision by central banks in the wake of both crises is, at least partly, to be credited to previous research on the role of central banks as lenders of last resort in crises and on the real effects of bank lending and monetary policy. On the other hand, economists have had limited impact on the reform of prudential and security market regulation. In part, this is due to their neglect of important regulatory choices, which policy-makers are therefore left to take without the guidance of academic research-based analysis.

362 **Roberto Nisticò**, *Funding and Research Outcomes in PhD Programs*

This paper explores to what extent the receipt of funding during Ph.D. encourages post-degree research career and influences research productivity after graduation. Using novel data on new Ph.D. graduates from Italian universities, I estimate the causal effect of funding on either the likelihood to enter a research profession (extensive margins) or the early research productivity (intensive margins). Results uncover a positive impact of funding on early research outcomes at both margins and are robust to different model specifications and outcomes. Additional estimates show that funded students invest more in research-oriented activities and spend less time working part-time while studying.

363 **Giuseppe De Marco**, Maria Romaniello, *Variational Preferences and Equilibria in Games under Ambiguous Beliefs Correspondences*

In previous papers we studied a game model in which players' uncertainty is expressed entirely in the space of probabilities (lotteries) over consequences, it depends on the entire strategy profile chosen by the agents and it is described by the so called ambiguous beliefs correspondences. In this paper, we extend the previous results by embodying variational preferences in the model. We give a general existence result that we apply to a particular example in which beliefs correspondences depend on the equilibria of specific subgames. Then, we study the limit behavior of equilibria under perturbations on the index of ambiguity aversion.

364 Anuj Bhowmik and **Maria Gabriella Graziano**, *On Vind's Theorem for an Economy with Atoms and Infinitely Many Commodities*

We extend Vind's classical theorem on the measure of blocking coalitions valid in finite dimensional atomless economies (see [29]), to include the possibility of infinitely many commodities as well as the presence of atoms. The commodity space is assumed to be an ordered Banach space which has possibly the empty positive cone. The lack of interior points is compensated by an additional assumption of a cone of arbitrage that allows us to use the Lyapunov's convexity theorem in its weak form. The measure space of agents involves both negligible and non negligible traders. The extension is proved in the general class of Aubin coalitions for which a suitable version of Grodal's result ([17]) is also formulated. Our results wish to point out the relevance of cone conditions dealing with blocking coalitions of arbitrary measure or weight.

365 **Salvatore Piccolo** and Giancarlo Spagnolo, *Debt, Managers and Cartels*

We propose a theory of anticompetitive effects of debt finance based on the interaction between capital structure, managerial incentives, and firms ability to sustain collusive agreements. Shareholders' commitments not to expropriate debtholders through managers with valuable reputations or common incentive schemes greatly facilitate collusive behavior in product markets. Disclosure rules aimed at improving transparency in corporate governance or network-based credit markets can confer credibility to such arrangements even in environments where firms lack commitment power, thereby inducing collusion through leverage in otherwise competitive downstream industries. Managers are happy with the arrangement since they share in the collusive rent.

366 Vincenzo Bove and **Roberto Nisticò,** *Coups d'état and Defense Spending: A Counterfactual Analysis*

We present a case study analysis of the impact of coups d'état on defence spending. We use the synthetic control method and compare the evolution of the defence burden for countries affected by coups with the evolution of an artificial control group. We find that successful coups determine a large increase in defence burden, as they directly affect the bargaining power of the military. When no effects or a decrease in the defence burden is found, it is often the consequence of a democratisation process triggered by the coup. Failed coups, instead, produce a smaller, and mostly positive, effect on military burden, possibly a result of coup-proofing strategies. The presence of country-specific dynamics calls for in-depth analyses of single units, to detect particular mechanisms that are averaged out in the aggregate.
Published in Public Choice, 2014, vol. 161 (3-4), pp. 321-344

367 M. Beatrice Lignola, **Jacqueline Morgan,** *Viscosity Solutions for Bilevel Problems with Nash Equilibrium Constraints*

A regularization method for bilevel problems with lower level defined by Nash equilibria is considered and a concept of \viscosity solution" associated to such a regularization is introduced. Sufficient conditions for the existence of viscosity solutions are given and applications to optimistic and pessimistic bilevel optimization problems are presented.
Published in East Journal of Applied Mathematics, 2014, vol.88 (1), p. 15-34.

368 **Sergio Beraldo**, Robert Sugden, *The Emergence of Reciprocally Beneficial Cooperation*

This paper offers a new and robust model of the emergence and persistence of cooperation when interactions are anonymous, the population is well-mixed, and the evolutionary process selects strategies according to material payoffs. The model has a Prisoner's Dilemma structure, but with an outside option of non-participation. The payoff to mutual cooperation is stochastic; with positive probability, it exceeds that from cheating against a cooperator. Under mild conditions, mutually beneficial cooperation occurs in equilibrium. This is possible because the non-participation option holds down the equilibrium frequency of cheating. The dynamics of the model are investigated both theoretically and through simulations.

369 **Andrew Ellul, Marco Pagano** and Fabiano Schivardi, *Employment and Wage Insurance within Firms: Worldwide Evidence*

We investigate the determinants of firms' implicit employment and wage insurance to employees against industry-level and idiosyncratic shocks. We rely on differences between family and non-family firms to identify the supply of insurance, and between national public insurance programs to gauge workers' demand for insurance. Using firm-level data from 41 countries, we find that family firms provide greater employment protection but less wage stability. Employment protection comes at a price: family firms pay 5 percent lower wages, controlling for country, industry and time effects. The additional protection afforded by family firms is greater, and the wage discount larger, the less generous the public unemployment insurance program, indicating that firm and government employment insurance are substitutes. The cross-country evidence is broadly confirmed by Italian employee-employer matched data, which also show that in family firms the adjustment to shocks occurs mostly through the hiring margin, while separations are not responsive to shocks.

370 **Marco Pagano**, *Lessons from the European Financial Crisis*

This paper distils three lessons for bank regulation from the experience of the 2009-12 euro-area financial crisis. First, it highlights the key role that sovereign debt exposures of banks have played in the feedback loop between bank and fiscal distress, and inquires how the regulation of banks' sovereign exposures in the euro area should be changed to mitigate this feedback loop in the future. Second, it explores the relationship between the forbearance of non-performing loans by European banks and the tendency of EU regulators to rescue rather than resolving distressed banks, and asks to what extent the new regulatory framework of the euro-area "banking union" can be expected to mitigate excessive forbearance and facilitate resolution of insolvent banks. Finally, the paper highlights that capital requirements based on the ratio of Tier-1 capital to banks' risk-weighted assets were massively gamed by large banks, which engaged in various forms of regulatory arbitrage to minimize their capital charges while expanding leverage. This argues in favor of relying on a set of simpler and more robust indicators to determine banks' capital shortfall, such as book and market leverage ratios.

371 **Luigi Benfratello,** *Innovative Capacity and Export Performance: Exploring Heterogeneity Along the Export Intensity Distribution*

This paper sheds additional light on the relationship between firm level innovative capacity and export intensity. By drawing from the recent literature on exporters' heterogeneity, we apply quantile regression techniques to a sample of Italian firms in order to verify whether the effect of innovative capacity – measured by R&D expenditures – varies along the conditional distribution of the export intensity, after controlling for censoring and potential endogeneity of the innovation variable. We confirm that R&D expenditures positively affect export intensity and we find that such effect has a bell shaped pattern along its conditional distribution: firms characterized by export intensity of about 60% can take highest advantage from investing in R&D activity. Overall results prove to be robust to several specification checks and suggest not only that firms innovative capacity helps to explain heterogeneity in export intensity performance, but also that its positive effect differs across the export to sales ratio distribution.

372 **Carlo Altavilla**, Domenico Giannone, and Michele Modugno, *Low Frequency Effects of Macroeconomic News on Government Bond Yields*

We analyze the reaction of the U.S. Treasury bond market to innovations in macroeconomic fundamentals. We identify these innovations based on macroeconomic news, which are defined as differences between the actual releases and market expectations. We find that that macroeconomic news explain about one-third of the low frequency (quarterly) fluctuations in long-term bond yields. When we focus on the high frequency (daily) movements, this decrease to one-tenth. This is because macroeconomic news have a persistent effect on bond yields, whereas non-fundamental factors have substantial effects on the day-to-day movements of bond yields, although their effects are shorter lived.

373 Dominik Menno and **Tommaso Oliviero**, *Financial Intermediation, House Prices and the Welfare Effects of the U.S. Great Recession*

This paper quantifies the welfare effects of the aggregate house price collapse during the U.S. Great Recession for leveraged and un-leveraged U.S. households. We calibrate a dynamic general equilibrium model to the U.S. economy and simulate the 2007-2009 Great Recession as a contemporaneous shock to interest rate spread and aggregate income that quantitatively account for the observed collapse in house prices. As a consequence of the loss in housing wealth, our estimates show that borrowers lost significantly more than savers in terms of welfare. The worsened conditions in the financial intermediation sector in the Great Recession forced borrowers to de-leverage, and generated a pure redistribution from savers to borrowers. This amplified the welfare losses of borrowers while caused a relative welfare gain for savers.

374 Vittoria Cerasi and **Tommaso Oliviero**, *Managerial Compensation, Regulation and Risk in Banks: Theory and Evidence from the Financial Crisis*

This paper analyzes the relation between CEOs monetary incentives, financial regulation and risk in banks. We present a model where banks lend to opaque entrepreneurial projects to be monitored by managers; managers are remunerated according to a pay-for-performance scheme and their effort is unobservable to depositors and shareholders. Within a prudential regulatory framework that defines a capital requirement and a deposit insurance, we study the effect of increasing the variable component of managerial compensation on risk taking. We then test empirically how monetary incentives provided to CEOs in 2006 affected banks' stock price and volatility during the 2007-2008 financial crisis on a sample of large banks around the World. The cross-country dimension of our sample allows us to study the interaction between CEO incentives and financial regulation. The empirical analysis suggests that the sensitivity of CEOs equity portfolios to stock prices and volatility has been indeed related to worse performance in countries with explicit deposit insurance and weaker monitoring by shareholders. This evidence is coherent with the main prediction of the model, that is, the variable part of the managerial compensation, combined with weak insiders' monitoring, exacerbates the risk-shifting attitude by managers.

375 **Andrew Ellul**, Chotibhak Jotikasthira, Christian T. Lundblad and Yihui Wang, *Is Historical Cost Accounting a Panacea? Market Stress, Incentive Distortions, and Gains Trading*

We provide new empirical evidence concerning the contentious debate over the use of historical cost (HCA) versus mark-to-market (MTM) accounting in regulating financial institutions. These accounting rules, through their interactions with capital regulations, alter financial institutions' trading behavior. The insurance industry provides a natural laboratory to explore these interactions since significant differences exist in regulatory accounting rules: (1) life insurers have greater flexibility to hold speculative-grade assets under HCA than property and casualty insurers, which are required to use MTM, and (2) the degree to which life insurers have to recognize market value through impairment differs across U.S. states. In the context of the sizeable downgrades of asset-backed securities (ABS) during the 2007-2009 financial crisis, we show that insurers facing MTM are more likely to sell the downgraded ABS than insurers holding these assets under HCA. To improve their capital positions, insurers facing HCA disproportionately resort to gains trading, selectively selling their corporate and government bond holdings with the highest unrealized gains. This trading behavior transmits shocks across otherwise unrelated markets.

376 **Michela Ponzo** and Vincenzo Scoppa, *Does the Home Advantage Depend on Crowd Support? Evidence from Same-Stadium Derbies*

We investigate to what extent crowd support contributes to the home advantage in soccer, disentangling this effect from other mechanisms such as players' familiarity with the stadium and travel fatigue. To evaluate the relevance of crowd support in determining home advantage we analyze same-stadium derbies (matches among teams that share the same stadium) in which teams enjoy different levels of support from the crowd – the home team has many more supporters, mainly because of season ticket holders – while teams do not differ in terms of travel fatigue or familiarity with the stadium. Our estimation results suggest the existence of a sizable crowd support's effect on the home advantage generated both through the influence on referee's decisions and through the encouragement of players' performance.

377 **Sergio Beraldo**, Massimiliano Piacenza and Gilberto Turati, *«Must Reward Hard Work»? An Experiment on Personal Responsibility and Preferences for Redistribution*

This study designs a laboratory experiment to investigate the link between personal responsibility and individual preferences for redistribution. We contribute to the literature by considering two key insights: first, effort is costly; second, its fruits can be grasped only in the future. Participants face a crucial trade-off between providing a costly effort or free-riding on their fellows' effort, playing in a context where the size and the distribution of the pie depend both on circumstances beyond their control, and on their choice of working hard and voting for redistribution. Our findings suggest that people tend to reward effort: the demand for redistribution decreases when the observed average effort in the society increases and the cost of effort is higher. Moreover, people ask for less redistribution the more they are interested in the future. These results hold controlling for a number of other possible determinants of the preferences for redistribution.

378 Attila Ambrus, **Emilio Calvano**, and Markus Reisinger, *Either or Both Competition: A "Two-sided" Theory of Advertising with Overlapping Viewership*s

In media markets, consumers spread their attention to several outlets, increasingly so as consumption migrates online. The traditional framework for studying competition among media outlets rules out this behavior by assumption. We propose a new model that allows consumers to choose multiple outlets and use it to study the effect of strategic interaction on advertising levels, and the impact of entry and mergers. We show that novel forces come into play, which reflect the outlets' incentives to control the composition of the customer base in addition to its size. We link consumer preferences and advertising technologies to market outcomes. The model can explain a number of empirical regularities that are difficult to reconcile with existing models.

379 Susan Athey, **Emilio Calvano** and Joshua S. Gans, *The Impact of the Internet on Advertising Markets for News Media*

We provide a model of online advertising display markets where consumer attention may be divided among multiple publishers and, consequently, their advertising attention may be allocated to different platforms. We demonstrate that this gives rise to a mixture of single- and multi-homing advertisers and some consequent matching inefficiency between advertisers and consumers. Thus, as the number of switching consumers expands (associated with, say, the internet's impact on news publishers), ad prices fall and a number of other competitive effects arise. We demonstrate that increased switching leads advertisers to favor reach over frequency and creates an incentive for contracting and technology improvements that can guarantee impressions to advertisers. Finally, we analyze the strategic choice of ad capacity, showing that, in general, increased switching leads to greater equilibrium ad capacity and lower prices.

380 **Marco M. Sorge**, *Lobbying (Strategically Appointed) Bureaucrats*

When are strategic appointments useful in curbing policy bias from ex-post negotiation between state agencies and special interest groups? Bertelli and Feldmann (Jnl. of Public Admin. Research and Theory, 2007) provide an insightful analysis of the issue within a full information model of presidential appointments. This paper examines whether and how their findings extend to a world of policy uncertainty and asymmetric information, which rationalizes delegation in the first place. We establish that the existence of non-zero impact of lobbying crucially relies on interest groups' leverage over the appointment game between higher-level institutions. Remarkably, bureaucratic lobbying may prove highly non-neutral with separated powers even when a candidate agency is agreed upon. In some circumstances (e.g., recess appointments in the U.S.), by contrast, strategic appointments fully offset interest group influence in either form of government (unified versus divided), a finding in line with the conventional theory of delegation.

381 Carrieri Vincenzo, **Marcello D'Amato** and Roberto Zotti, *On the Causal Effects of Selective Admission Policies on Students' Performances. Evidence from a Quasi-experiment in a Large Italian University*

We present a dynamic OLG model of educational signaling, inequality and mobility with missing credit markets. Agents are characterized by two sources of unobserved heterogeneity: ability and parental income, consistent with empirical evidence on returns to schooling. Both quantity and quality of human capital evolve endogenously. The model generates a Kuznets inverted-U pattern in skill premia similar to historical US and UK experience. In the first (resp. later) phase the skill premium rises (falls), social returns to education exceed (falls below) private returns: under-investment owing to financial imperfections dominate (are dominated by) over-investment owing to signaling distortions. There always exist Pareto-improving policy interventions reallocating education between poor and rich children. JEL Classification: Tertiary education, Selective test based admission policies; students' performances; peer effects; quasiexperiment.

382 **Dimitris Christelis**, Dimitris Georgarakos and Anna Sanz-de-Galdeano, *The Impact of Health Insurance on Stockholding: A Regression Discontinuity Approach*

Using data from the US Health and Retirement Study, we study the causal effect of increased health insurance coverage through Medicare and the associated reduction in health-related background risk on financial risk-taking. Given the onset of Medicare at age 65, we identify our effect of interest using a regression discontinuity approach. We find that getting Medicare coverage induces stockholding for those with at least some college education, but not for their less-educated counterparts. Hence, our results indicate that a reduction in background risk induces financial risk-taking in individuals for whom informational and pecuniary stock market participation costs are relatively low.

383 **Giovanni Cespa** and Xavier Vives, *The Beauty Contest and Short-Term Trading*

Short-termism need not breed informational price inefficiency even when generating Beauty Contests. We demonstrate this claim in a two-period market with persistent liquidity trading and risk-averse, privately informed, short-term investors and find that prices reect average expectations about fundamentals and liquidity trading. Informed investors engage in "retrospective" learning to reassess inferences (about fundamentals) made during the trading game's early stages. This behavior introduces strategic complementarities in the use of information and can yield two stable equilibria that can be ranked in terms of liquidity, volatility, and informational efficiency. We derive implications that explain market anomalies as well as empirical regularities.

384 **Sergio Beraldo**, Valerio Filoso and Marco Stimolo, *Endogenous Preferences and Conformity: Evidence from a Laboratory Experiment*

We repeatedly elicited individuals? Willingness to Accept (WTA) evaluations for an auctioned bad in an experimental setting in which truthful revelation is the (weakly) dominant strategy. We investigate whether the observation of supposedly irrelevant signals (the market price, the asks at either the bottom or the top of the distribution of asks) affect the elicited values. Our experimental sample was made up of 162 subjects partitioned in 18 independent markets characterized by different informational conditions. Our analysis provide two main findings. First, individuals? WTA evaluations are remarkably driven by a strong although unexpected tendency to conform to the asks either at the bottom or the top of the distribution by a factor of 44-66%. Second, although a clear tendency to adapt one?s own ask to the market price (Shaping effect) emerges when no other information is being provided, the provision of information about the actual behavior of well identified (groups of) individuals more than halves its magnitude, suggesting that this effect may also qualify as a peculiar case of conformity. We conjecture that in the context at hand conformity emerges as an adaptive response to a problem of preferences imprecision. Our results are identified by means of a methodology not yet employed in the field, which helps in distinguishing between the dynamic and the asymptotic features of preference formation in the presence of either adaptive or rational expectations. The overall evidence suggests a decisive role for market interactions in the definition of preferences.