



*Affresco pompeiano*

## **ACTIVITY REPORT**

**2009**



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### **What is CSEF?**

The Centre for Studies in Economics and Finance (CSEF) was established by the University of Naples Federico II, the University of Salerno, and Bocconi University to perform and promote research on household choices, financial economics and microeconomic theory. The primary aim of CSEF is to link up researchers in Naples, Salerno and Bocconi with international research on these issues via seminars, conferences, exchange of researchers and joint research projects.

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

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

The Centre's administration is entrusted to Lia Ambrosio.

### **News**

We are delighted to welcome **Francesco Flaviano Russo**, who joined CSEF in September as a Post-Doctoral Fellow. Francesco holds a Ph.D. in Economics from Boston University and specializes in Macroeconomics, Development and Applied Econometrics

Unfortunately, on September 14 **Etta Chiuri** passed away, just after turning 40. Etta was a Professor of Economics at the University of Bari, and highly regarded as an economist by her colleagues in Italy and Europe. She contributed to research particularly in the fields of the economics of the household and of labor economics. She was a dedicated teacher and a wonderful colleague, and actively collaborated with our Centre since its start in 1998. We will all miss her immensely.

In 2009 CSEF hosted several researchers who carried out joint research projects with CSEF Fellows and taught in the Master in Economics and Finance: **Andrew Ellul** (Indiana University), **Alex Frino** (University of Sydney), **Chiara Fumagalli** (Bocconi University), **Dimitris Georgarakos** (University of Frankfurt), **Michael Haliassos** (Frankfurt University), and **Christian Lundblad** (Kenan-Flagler School of Business).

### **How to contact us:**

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## Main Research Projects

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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, securities markets, corporate finance). Main areas of research include law and finance, corporate governance, and issues at the interface between finance and macroeconomics.
- (iii) Microeconomic theory, and in particular the economics of information, contract theory, and the design of regulation.

### **Funding**

Research projects carried out at CSEF in 2008 were funded by the Compagnia di San Paolo, the Sixth Research and Technological Development Framework Programme, the Italian Ministry of University and Research (MIUR) and the Unicredit Group.

### Conferences

#### 6<sup>th</sup> Workshop for Italian PhD Students in Economics

The Sixth Workshop on **Contribution to Economics by Young Italian Students** was held in Salerno on May 28-29, 2009. The Workshop was organized by CSEF Fellows **Antonio Acconcia**, **Alberto Bennardo**, **Marco Pagnozzi** and **Giovanni Pica**.

Italian scholars in economics who had completed or near to complete their PhD dissertation were invited to submit one of their papers at the workshop. The aim of the workshop was to favour the interaction between young and senior researchers, providing young scholars with a useful opportunity to obtain feedback from leaders in their field. Four young researchers were selected for presentations among the 50 submissions: **Astrid Gamba** (Bocconi University), **Filomena Pietrovito** (University of Molise), **Luca Paolo Merlino** (IDEA, Universitat Autònoma de Barcelona) e **Fabio Moneta** (Boston College).

Each paper was discussed by a senior researcher, who also presented one of his own recent contributions: **Vincent Cunat** (LSE), **Dino Gerardi** (Yale University), **Philippe Jehiel** (PSE, Paris), **Massimiliano Marcellino** (EUI).

#### 9th SAET Conference on Current Trends in Economics

CSEF supported the **9th SAET Conference on Current Trends in Economics**, held in Ischia from 29 June to 5 July 2009, and organized by **CSEF Fellow Achille Basile** on behalf of the Society for the Advancement of Economic Theory (SAET), the Department of Mathematics and Statistics of the University of Naples Federico II and Purdue University. The Conference was attended by more than 200 speakers and three Nobel Prize Winners (Erik Maskin, Edward Prescott and James Mirrlees)

#### 5<sup>th</sup> Csef-Igier Symposium on Economics and Institutions

On June 22-26, 2009, the Centre for Studies in Economics and Finance (CSEF) and the Innocenzo Gasparini Institute for Economic Research (IGIER Bocconi) hold their joint **CSEF-IGIER Symposium on Economics and Institutions**. The conference structure reflected the intention of leaving time for free, informal discussion. Seminars took place in the mornings in three parallel sessions. Afternoons were reserved for more informal workshops and collaborative work. The conference program included papers in **Microeconomic Theory, Finance, Industrial Organization and Applied Microeconomics**.

**Lawrence Christiano** (Northwestern University), **Avinash Dixit** (Princeton University), **Alessandro Lizzeri** (New York University), **David Martimort** (IDEI, Université de Toulouse I), **Morten Ravn** (University of Southampton), **Gianluca Violante** (New York University) were invited to present one of their recent contributions. The Workshop was organized by CSEF Fellows **Carlo Ambrogio Favero**, **Chiara Fumagalli**, **Anna Maria Cristina Menichini**, **Salvatore Piccolo** and **Saverio Simonelli**.

#### CSEF Workshop on “Modelling and Measuring the Shadow Economy”

The CSEF Workshop on *Modelling and Measuring the Shadow Economy* was held on 16 November 2009 at the University of Naples Federico II. It was organized by CSEF Fellows **Salvatore Capasso** and **Francesco Flaviano Russo** who invited **Friedrich Schneider** (University of Linz, Austria) and **Pietro Garibaldi** (Università di Torino) to present their recent works on the underground economy.

## Seminars

In 2008 CSEF hosted one or two research seminars per week. Papers were presented both by invited speakers and resident researchers:

- January**
- Luigi Balletta** (Yale University and University of Palermo), *Full Extraction of Surplus in Dynamic Mechanisms*
  - Domenico Giannone** (European Central Bank), *Large Bayesian VARs* (with M. Banbura and L. Reichlin)
  - Carlo Altavilla** (University of Naples Parthenope), *Information Combination and Forecast (st)ability. Evidence from vintages of time-series data* (with M. Ciccarelli)
- February**
- Loretti I. Dobrescu** (University of Padua), *To Love or to Pay: On Consumption, Health and Health Care* (Job Market Seminar)
  - Alberto Motta** (University of Padua), *Collusion and Selective Supervision* (Job Market Seminar)
  - Stefano Sacchetto** (London Business School), *Preemptive Bidding, Target Resistance and Takeover Premia: An Empirical Investigation* (with Theodosios Dimopoulos), (Job Market Seminar)
  - Paolo Casini** (ECARES), *Competition and Altruism in Microcredit Markets* (Job Market Seminar)
- March**
- Valerio Ercolani** (Bocconi University), *The Effect of Government Consumption on Private Consumption: Macro Evidence from Micro Data* (with N. Pavoni)
  - Katja Maria Kaufmann** (Bocconi University), *Understanding the Income Gradient in College Attendance in Mexico: The Role of Heterogeneity in Expected Returns to College*
  - Erich Battistin** (Università di Padova), *Misclassified Treatment Status and Treatment Effect Application to Returns to Education in the UK* (with B. Sianesi)
  - Giovanni Sulis** (Università di Cagliari), *Gender Wage Differentials in Italy: A Structural Estimation Approach*
- April**
- Maria Emilia Garcia Appendini** (Bocconi University), *Do Derivatives Enhance or Deter Mutual Fund Performance? Evidence from Italy*
  - In-Uck Park** (Bristol University), *Reputation Online: an Adverse-selection Model without 'Committed' Types* (joint with B. Jullien)
  - Adam Rosen** (UCL), *Identification with Imperfect Instruments* (joint with A. Nevo)
  - Boris Mordukhovich** (Wayne State University), *Variational Analysis in Multiobjective Optimization and Equilibria*
  - Markus Reisinger** (Ludwig-Maximilians-Universität München), *Indirect Taxation in Vertical Oligopoly* (with M. Peitz)
- May**
- Tito Pietra** (University of Bologna), *Income Tax, Subsidies to Education and Human Capital Accumulation in a Two-Sector* (with C. Mendolicchio and D. Paolini)

**Andrew Ellul** (Indiana University), *Regulatory Pressure and Fire Sales in the Corporate Bond Market*

**Rossella Argenziano** (University of Essex), *N-Player Preemption Games*

*June*

**Fabio Braggion** (Tilburg University), *Dividend Policies in an Unregulated Market: The London Stock Exchange 1895-1905*

**Raji Jayaraman** (ESMT European School of Management and Technology), *The Effect of Adversity on Process Innovation and Managerial Incentives*

*October*

**Salvatore Piccolo** (University of Naples Federico II), *Colluding through Suppliers*

**Eleonora Patacchini** (University La Sapienza, Rome), *Juvenile Delinquency and Conformism* (with Y. Zenou)

**Georg Duernecker** (University of Mannheim), *Informational Frictions and the Life-Cycle Dynamics of Labor Market Outcomes*

**Stefano Gagliarducci** (University Tor Vergata, Rome), *Do Better Paid Politicians Perform Better? Disentangling Incentives from Selection* (with T. Nannicini)

**Mariassunta Giannetti** (Stockholm School of Economics), *Do Cultural Differences Between Contracting Parties Matter? Evidence from Syndicated Bank Loans* (with Y. Yafeh)

*November*

**Francesco Flaviano Russo** (University of Naples "Federico II" and CSEF), *Cocaine*

**Stefania Albanesi** (Columbia University), *Maternal Health and the Baby Boom*

**Giovanni Pica** (University of Salerno), *Estate Taxation and Intergenerational Transfers* (with T. Jappelli and M. Padula)

**Marco Pagano** (University of Naples "Federico II"), *Short-Selling Bans around the World: Evidence from the 2007-09 Crisis* (with A. Beber)

*December*

**Giovanni Cespa** (Queen Mary University, London), *Pricewatchers, Liquidity Spillovers, and Endogenous Market Segmentation* (with T. Foucault)

**Matteo Bassi** (University of Salerno and CSEF), *Addiction and the Market of Voluntary Health Insurances*

- ANTONIO ACCONCIA** is Associate Professor of Economics at the University of Naples Federico II. In 2008 he published "Vertical restraints under asymmetric information: on the role of participation constraints", in *The Journal of Industrial Economics* (with R. Martina and S. Piccolo); "A Big Push to Deter Corruption: Evidence from Italy", in *Giornale degli Economisti e Annali di Economia* (with C. Cantabene); "Interpreting Aggregate Fluctuations Looking at Sectors", in *Journal of Economic Dynamics and Control* (with S. Simonelli). He is currently working on the relationship between corruption and mafia, on the impact of the Italian leniency program related to mafia crimes as well as on the effect of public spending on household consumption.
- CARLO ALTAVILLA** is Associate Professor of Economics at the University of Naples Parthenope and a Research Affiliate at CESifo, Munich. He obtained a Ph.D. in Economics from the Catholic University of Leuven and a PhD in Public Economics from the University of Salerno. Carlo also holds a Master in Economics and Finance from the University of Naples Federico II. He has been a visiting scholar at Columbia University. His current research focuses on real-time forecasting, monetary policy uncertainty and the effect of bank consolidation on credit availability. In 2009 he published "The Effects of Monetary Policy on Unemployment Dynamics under Model Uncertainty: Evidence from the US and the Euro Area", in the *Journal of Money, Credit and Banking* (with M. Ciccarelli).
- CIRO AVITABILE** is a Franco Modigliani Research Fellow at the University of Naples Federico II and Junior Fellow of Netspar. He received a PhD in Economics from the University College London in June 2009 and he also holds a PhD in Public Economics from the University of Salerno. During the fall 2009 he has been visiting the Center for Labor Economics at University of California at Berkeley. He is currently studying the effect of citizenship reforms on immigrants' cultural assimilation and fertility behaviour. He has also been working on the effect of health knowledge on nutritional outcomes of both children and adults in developing countries.
- ACHILLE BASILE** is Professor of Mathematics and Chairman of the Faculty of Economics at the University of Naples Federico II. Recent publications include "On the Aumann-Shapley Value" (with C. Costantini and P. Vitolo), in *Positivity*, 2008; "Core and Equilibria in Coalitional Asymmetric Information Economies" (with C. Donnini and M.G. Graziano), in *Journal of Mathematical Economics*, 2009; "Economies with Informational Asymmetries and Limited Vetoer Coalitions" (with C. Donnini and M.G. Graziano) in *Economic Theory*, 2009.
- MATTEO BASSI** is a CSEF Post-doctoral Fellow. In 2008 he received a Ph.D. in Economics from the Toulouse School of Economics, discussing a dissertation on *Behavioral Public Economics*. His current research deals mainly with Public Economics, Political Economy and Behavioral Economics. He is currently working on optimal taxation problems with bounded rationality (income taxation, capital taxation and commodity taxation), on the political economy of social security with time inconsistent agents and on the economics of addiction.



**ALBERTO BENNARDO** is Professor of Economics at the University of Salerno and CEPR Research Affiliate. His research fields are Microeconomic Theory and Financial economics. His current research focuses on three themes: the effects of information sharing in credit markets with multi-bank lending (joint with M. Pagano and S. Piccolo); private and social incentives to gather information in perfectly and imperfectly competitive financial markets; managers second-best optimal compensation schemes in the presence of manipulation opportunities.

**SALVATORE CAPASSO** is Associate Professor of Economics at University of Naples "Parthenope". He holds a Ph.D. in Economics from the University of Manchester where he has also been a Research Fellow. He has also been a Research Fellow at the University of Santiago de Compostela (2004-06) and a Visiting Professor at the University of Wisconsin-Milwaukee (2006-07). His fields of research are economic growth, contract theory, monetary economics and theory of financial intermediation. His latest research focuses on the relationship between criminal activity, corruption and growth and on the role of the underground economy in economic development. Latest publications include: "Loan Processing Costs, Information Asymmetries and the Speed of Technology Adoption", Economic Modelling (with G. Mavrotas); "Endogenous Information Frictions, Stock Market Development and Economic Growth", The Manchester School; "Threshold Effects of Corruption: Theory and Evidence", World Development (with N. Bose and A. Murshid).

**GIOVANNI CESPÀ** is a Reader at Queen Mary University of London and a CEPR Research Affiliate. His research focuses on market microstructure theory and corporate governance. In the former field, he has investigated the effect of short term behavior in financial markets, the properties of different trading mechanisms, and the relationship between the sale of financial market information and insider trading in a dynamic market. In the latter (with G. Cestone), he investigated the relationship between corporate social responsibility and corporate governance. His recent research focuses on the informational properties of asset prices and consensus opinion in markets with differential information ("Dynamic Trading and Asset Prices: Keynes vs. Hayek" and "Higher Order Expectations and Short Term Trading," both with X. Vives). With T. Foucault, he also investigates the market for the sale of price and quote information by focussing on its welfare properties ("Insiders-Outsiders, Transparency, and the Value of the Ticker") and its implication for liquidity ("Pricewatchers, Liquidity Spillovers, and Endogenous Market Segmentation").

**GIACINTA CESTONE** is a Lecturer at Queen Mary, University of London and a ECGI Research Associate. Her research focuses on corporate finance, corporate governance and industrial organization. She has investigated the interaction between firms' financial decisions and product market competition ("Anticompetitive Financial Contracting: The Design of Financial Claims", with L. White, *Journal of Finance*, 2003, and "The Strategic Impact of Resource Flexibility in Business Groups", with C. Fumagalli, *RAND Journal of Economics*, 2005). Her current research empirically investigates whether incumbent firms affiliated with long-pursed business groups may deter entry in product markets. She has also contributed to the literature on venture capital finance. In an ongoing paper with J. Lerner and L. White she studies

how double-sided asymmetric information shapes venture capital syndication deals. She has also investigated the relationship between corporate social responsibility and corporate governance in a joint paper with G. Cespa (*Journal of Economics and Management Strategy*, 2007).

**DIMITRIOS CHRISTELIS** is a Research Officer of the Survey of Health, Aging and Retirement in Europe (SHARE). He obtained his Ph.D. in Economics from the University of Pennsylvania in 2003. His research interests include household portfolio choice, imputation of missing data, and panel data estimation methods. Recently, he has been working on the effects of fear of terrorism on household economic decisions (with D. Georgarakos), on cross-country comparisons of smoking persistence (with A. Sanz-de-Galdeano), and on the analysis of different forms of household stockholding (with D. Georgarakos and M. Haliassos).

**MARCELLO D'AMATO** is Professor of Economics at the University of Salerno. His current research focuses on Central Bank Institutions, the Political Economy of Social Security, on Education and Social Mobility and on Managerial Incentives. Recent publications include: "Gone for Good? Determinants on School Drop-Out in Southern Italy", *Giornale degli Economisti e Annali di Economia*, 2007 (with N. O'Higgins, F.E. Caroleo e A. Barone); "Product Market Competition and Organizational Slack under Profit Target Contracts", *International Journal of Industrial Organization*, 2008 (with R. Martina e S. Piccolo); "On the determinants of Central Bank Independence", forthcoming in the *International Journal of Finance and Economics* (with B. Pistoiesi e F. Salsano). In 2008 he has produced the working paper "Political Intergenerational Risk Sharing", *CEPR Discussion Paper* n. 6972 (with V. Galasso).

**ELENA L. DEL MERCATO** is Maître de Conférences of Mathematics at University Paris 1 Panthéon-Sorbonne (Paris). She has been Assistant Professor at University of Salerno from 2004 to 2008. Her research focuses on several kinds of market failure as incomplete markets, externalities and public goods in microeconomic theory. Last year, the work "Externalities, Consumption Constraints and Regular Economies" (with J.-M. Bonnisseau) has been accepted for publication on *Economic Theory*. Recent publications are "General Consumption Constraints and Regular Economies" (with J.-M. Bonnisseau), *Journal of Mathematical Economics*, 2007; "Existence of Competitive Equilibria with Externalities: a Differential Viewpoint", *Journal of Mathematical Economics*, 2006; "Taxes and Money in Incomplete Financial Markets" (with A. Villanacci), *Decisions in Economics and Finance*, 2006; "Edgeworth and Lindahl Equilibria of a General Equilibrium Model with Private Provision of Public Goods" (with M. Florenzano), *Journal of Public Economic Theory*, 2006.

**SERGIO DESTEFANIS** is Professor of Economics at the University of Salerno. He holds a Ph.D. in Economics from the University of Cambridge. He is a member of the Executive Committee of the Italian Association of Labour Economics, and heads the Ph.D. Programme in Economics at the University of Salerno. His research focuses on the macroeconomic analysis of the labour market, the quantitative analysis of productive processes, and growth and development in dualistic economies. Last year he published a paper (with V. Sena) on "Public Capital, Productivity and Trade Balance in the Italian Regions" in *Empirical Economics*, and edited (with M. Musella) a book on *Paid and*

*Unpaid Labour in the Social Economy. An International Perspective* for Physica-Verlag, Heidelberg. This book also contains a joint paper with O.W. Maietta on the productivity of volunteer labour. A paper with G. Mastromatteo on “Wage Inequality and Labour-market Performance. A Role for Corporate Social Responsibility?” is appearing in *International Economics* and a paper with M. Fernandez-Grela and Y. Pena-Boquete on “The Distribution of Gender Wage Discrimination in Italy and Spain: A Comparison Using the ECHP” is appearing in the *International Journal of Manpower*. His current research deals with the relationships between technology and firm size distribution (with P. Ganugi and L. Crosato), the comparison of American and European labour markets (with R. Fonseca and R. Warren), and the evaluation of the OECD Jobs Strategy (with G. Mastromatteo).

**FRANCESCO DRAGO** Francesco Drago is Assistant Professor at the University of Napoli Parthenope and a Research Affiliate at IZA, Bonn. He obtained his Ph.D. in Economics from the University of Siena in 2006. His research interests are in the fields of labour economics, behavioural economics and crime. In 2009 he published “The Deterrent Effects of Prison: Evidence from a Natural Experiment” in the *Journal of Political Economy*, with R. Galbiati and P. Vertova. He is currently involved in a research project with R. Galbiati in which he estimates spillover effects and social interactions in crime using micro data from Italy. In another research project he analyzes the evolution and the determinants of crime rates in Europe.

**CARLO FAVERO** is Professor of Economics at Bocconi University and a CEPR Research Fellow. His current research focuses on the interaction between theory and data for the identification, specification and estimation of the econometric model relevant for policy analysis and forecasting. In particular he concentrates on the use of a VAR framework to integrate information from different types of variables such as macroeconomic and financial variables for the analysis of the interaction between policies and asset prices or financial and demographic variables for analyzing long-run risk and returns in financial markets. In 2009 he published “Monetary Policy Inertia. More a Fiction than a Fact?” (with A. Consolo), in *Journal of Monetary Economics*; and “On the Statistical Identification of DSGE Models” (with A. Consolo and A. Paccagnini), in *Journal of Econometrics*. Two papers are forthcoming: “The Econometrics of Monetary Policy: an Overview”, in T.C. Mills and K. Patterson, *Palgrave Handbook of Econometrics: Volume 2, Applied Econometrics*; and “How Does Liquidity Affect Bond Yields?” (with M. Pagano and E. Von Thadden), *Journal of Financial and Quantitative Analysis*.

**CHIARA FUMAGALLI** is Associate Professor of Economics at Bocconi University and a CEPR Research Affiliate. She is also special consultant of LECCG. She holds a Ph.D. in Economics from Universitat Pompeu Fabra. Her research focuses on industrial organization, in particular on competition policy issues. Part of her work deals with the interaction between firms’ financial decisions and competitive behaviour. Her paper with G. Cestone “The Strategic impact of resource flexibility in business groups”, has been published in the *RAND Journal of Economics* in 2005. In a related paper with X. Boutin, G. Cestone, G. Pica and N. Serrano Velarde (*ECGI Finance Working Paper No. 258/2009*), she tests empirically whether internal capital market allocations affect market entry. She has also contributed to the literature on

exclusive dealings. A recent paper with M. Motta (“Exclusive Dealing and Entry, when Buyers Compete”), has been published in the *American Economic Review* in 2006. The paper “On the anticompetitive effect of exclusive dealing when entry by merger is possible” (with M. Motta and L. Persson) has been published *The Journal of Industrial Economics* in 2009. In a recent project with M. Motta and T. Ronde (*CEPR Discussion Paper No. 7240*, March 2009) she is studying the welfare effects of exclusive dealing when investment promotion can interact with potential foreclosure. Finally, she is working on Buyer Power. On this issue, the paper “Buyers’ miscoordination, entry, and downstream competition” (with M. Motta) has been published in *The Economic Journal* in 2008.

**VINCENZO GALASSO** is Associate Professor of Economics at Bocconi University, CEPR Research Fellow, IGIER Research Fellow, and associate editor of the *European Journal of Political Economy*. His current research focuses on the interactions between fertility decisions and welfare state, on the selection of politicians and the political economy of structural reforms. In 2009 he has published “Investing for the Old Age: Pensions, Children and Savings”, *International Tax and Public Finance*, 2009, (with R. Gatti and P. Profeta), and “The Euro and Structural Reforms” (with A. Alesina and S. Ardagna) in A. Alesina and F. Giavazzi (eds.) *Europe and the Euro*, University of Chicago Press and NBER, 2009. He has served as International Senior Expert on the EU-China, Social Security Co-operation Project.

**MARIA GABRIELLA GRAZIANO** is Professor of Mathematics at the University of Naples Federico II. Her current research focuses on general equilibrium theory, infinite dimensional economies, economies with public goods, economies with uncertainty and asymmetric information. She has recently published the papers: “The measure of blocking coalitions in differential information economies” (with G. Bimonte) in *Economic Theory*, (2009), “Core and equilibria in coalitional asymmetric information economies” (with A. Basile and C. Donnini), in *Journal of Mathematical Economics* (2009), “The Edgeworth’s conjecture in finitely additive production economies” (with C. Donnini), in *Journal of Mathematical Analysis and Applications* (2009), “Economies with informational asymmetries and limited vetoer coalitions” (with A. Basile and C. Donnini), *Economic Theory* (to appear); “Coalitional fairness under asymmetric information” (with M. Pesce), *Mediterranean Journal of Mathematics* (to appear). Recent working papers include: “Existence of Walrasian expectations equilibria for coalitional economies with asymmetric information” (with C. Donnini), “Linear cost share equilibria and the veto power of the grand coalitions” (with M. Romaniello), “C-type fairness” (with C. Donnini and M. Pesce); “Stable sets in economies with public projects” (with M. Romaniello).

**GIOVANNI IMMORDINO** is Associate Professor of Economics at the University of Salerno. He holds a Ph.D. in Economics from the University of Toulouse. He is currently working on the relationship between organized crime and leniency programs. His recent research has focused on the effect of the firms’ shift from mass marketing to media that target consumers more effectively (“Advertising and cost reduction”, *The B.E. Journal of Theoretical Economics*, 9(1), 2009) and on the design and enforcement of the law (“Legal Standards, Enforcement and Corruption”, with M. Pagano, forthcoming in the *Journal of the European Economic Association*).

**TULLIO JAPPELLI** is Professor of Economics at the University of Naples Federico II, a Research Fellow of CEPR, and an International Fellow of Netspar (Tilburg); he is co-editor of *Economic Policy* and of the *Giornale degli Economisti*. Last year he published: “A direct test of the buffer stock model of saving” (with M. Padula and L. Pistaferri) in the *Journal of the European Economic Association*; “Information sharing and credit market performance: firm-level evidence from transition countries” (with M. Brown and M. Pagano) in the *Journal of Financial Intermediation*; “Income, wealth and financial fragility in Europe” (with D. Christelis, O. Paccagnella and G. Weber) in the *Journal of European Social Policy*; “Financial integration” (with M. Pagano) in *EMU at Ten: Should Denmark, Sweden and the UK Join?*, edited by H. Flam et al. (Stockholm: SNS Economic Policy Group Report). The following papers have been accepted for publication: “Do the elderly reduce housing equity? An international comparison” (with M.C. Chiuri), forthcoming in the *Journal of Population Economics*; “Does consumption inequality track income inequality in Italy?” (with L. Pistaferri) forthcoming in the *Review of Economic Dynamics*; “Cognitive abilities and portfolio choice” (with D. Christelis and M. Padula), forthcoming in *European Economic Review*; “The consumption response to income changes” (with L. Pistaferri), forthcoming in the *Annual Review of Economics*; “The portfolio effect of pension reforms: Evidence from Italy” (with R. Bottazzi and M. Padula), forthcoming in the *Journal of Pension Economics and Finance*; “Financial market integration under EMU (with M. Pagano), forthcoming in *Euro - The First Decade*, edited by M. Buti et al. Cambridge University Press. Last year he has also written working papers on economic literacy, pension risk (with L. Guiso and M. Padula) and the role of financial advice (with M. Haliassos).

**RICCARDO MARTINA** is Professor of Economics at the University of Naples Federico II. He received a Ph.D. in Economics from the University of Naples. His research interests are mainly in the areas of industrial organization and public economics. In 2008 he published “Vertical restraints under asymmetric information: on the role of participation constraints”, *Journal of Industrial Economics* (with A. Acconcia and S. Piccolo) and “Product Market Competition and Organizational Slack under Profit-Target Contracts” (with M. D’Amato and S. Piccolo), *International Journal of Industrial Organization*. Recently he completed a paper on the relationship between corruption and tax evasion (with A. Acconcia and M. D’Amato) and a paper on the “second mover advantage” in multi-stage games with sequential choices (with A. Bonatti). He is currently working on tax evasion and incentive contracts in oligopolistic markets.

**ANNAMARIA MENICHINI** is Associate Professor of Economics at the University of Salerno. Her research interests focus on financial economics, contract theory, and incomplete contracts. Her paper “Trade credit, collateral liquidation and borrowing constraints” (joint with D. Fabbri) has been accepted for publication in the *Journal of Financial Economics*. The paper “Inter-firm trade finance in times of crisis” has appeared in the World Bank Policy Research Paper Series. Her current research focuses on the role of trade credit as a commitment device to contract incompleteness.

**JACQUELINE MORGAN** is Professor of Game Theory at the University of Naples Federico II. Her recent research includes: (1) two refinement concepts for Nash equilibria which capture some idea of altruism, namely “slightly altruistic equilibria”

(*Journal of Optimization Theory and Applications*, 2008, with G. De Marco) and “friendliness equilibria” (*International Game Theory Review*, 2008, with G. De Marco), which allow to exhibit a selection device between network architectures in non-cooperative social networks (“Social Networks: Equilibrium selection and friendliness”, TOP, Published online 10 November 2009, with G. De Marco); (2) new results of existence of social Nash equilibria (*Journal of Mathematical Economics*, 2007, with V. Scalzo) and of variational stability (*International Game Theory Review*, 2008, with V. Scalzo) have been obtained using the class of pseudocontinuous functions, which characterizes the continuity of the preference relations and allows to obtain a nice asymptotical behavior in a finite but discontinuous economy (“Asymptotical behavior of finite and possible discontinuous economies”, *Economic Theory*, 2007, with V. Scalzo); (3) refinement concepts for “multicriteria games” (which describe strategic interactions in which players, having more than one criterion to take into account, do not have an a-priori opinion on the relative importance of all these criteria): “scalarisation-stable equilibrium” (“Refinement Concept for Equilibria in Multicriteria Games via Stable Scalarizations”, *International Game Theory Review*, 2007, with G. De Marco), “Kalai-Smorodinsky bargaining solution equilibria” (to appear in *Journal of Optimization Theory and Applications*, with G. De Marco).

**MARIO PADULA** is Associate Professor of Econometrics at the University “Ca’ Foscari” of Venice. He has a Master in Economics from Bocconi University and a Ph.D. in Economics from University College London. His current research interests are pension reforms, relation between health and saving, and the effect on credit allocation of law enforcement, household portfolio choice. He is involved in several international projects on saving, retirement and health. He has four papers forthcoming: “An Approximate Consumption Function”, forthcoming in the *Journal of Economic, Dynamics and Control*; “The Portfolio Effect of Pension Reforms: Evidence from Italy” (with R. Bottazzi and T. Jappelli), forthcoming in the *Journal of Pension Economics and Finance*; “Cognitive Ability and Portfolio Choice” (with D. Christelis and T. Jappelli), forthcoming in *European Economic Review*; “Evidence on the Insurance Effect of Redistributive Taxation”, (with C. Grant, C. Koulovatianos and A. Michaelides), forthcoming in *Review of Economics and Statistics*. Last year he has also written working papers on economic literacy, pension risk (with L. Guiso and T. Jappelli) and on the age-productivity gradient (with F. Castellucci and G. Pica).

**MARCO PAGANO** is Professor of Economic Policy at the University of Naples Federico II, President of EIEF, Research Fellow of CEPR and managing editor of the *Review of Finance*. In 2009 he published the article “Information Sharing and Credit: Firm-Level Evidence from Transition Countries” (with Martin Brown and Tullio Jappelli) in the *Journal of Financial Intermediation*. He has seven forthcoming papers: “Inheritance Law and Investment in Family Firms” (with A. Ellul and F. Panunzi), forthcoming in the *American Economic Review*; “How Does Liquidity Affect Government Bond Yields?” (with C. Favero and E-L. von Thadden), forthcoming in the *Journal of Financial and Quantitative Analysis*; “Legal Standards, Enforcement and Corruption” (with G. Immordino), forthcoming in the *Journal of the European Economic Association*; “Credit Ratings Failures and Policy Options” (with P. Volpin), forthcoming in *Economic Policy*; “Financial market integration under EMU” (with T. Jappelli) forthcoming in *Euro - The First Decade*, edited by Buti et al

for Cambridge University Press; “Financial Integration in Europe” (with T. Jappelli), forthcoming in *Encyclopedia of Financial Globalization*; and “Market Transparency” (with A. Röell and T. Foucault), forthcoming in *Encyclopedia of Quantitative Finance*. Finally, he produced a new paper with A. Beber, titled “Short-Selling Bans Around the World: Evidence from the 2007-09 Crisis”, CSEF Working Paper No. 241.

**MARCO PAGNOZZI** is Assistant Professor of Economics at the University of Naples Federico II. He received a D.Phil. in Economics from Oxford University in 2004 and a Ph.D. in Applied Mathematics from the University of Naples Federico II in 2000. His research focuses on auction theory and its application to the sale of public assets. In 2009 he published the article “Resale and Bundling in Auctions” in the *International Journal of Industrial Organization*. His paper “Are Speculators Unwelcome in Multi-Object Auctions?” is forthcoming in the *American Economic Journal: Microeconomics*. He is currently studying the effects of the threat of entry by speculators on bidders’ ability to collude in auctions

**GIOVANNI PICA** is Assistant Professor of Economics at the University of Salerno. He received a Ph.D. in Applied Mathematics from the University of Naples Federico II in 2001 and a Ph.D. in Economics from Universitat Pompeu Fabra in 2004. In 2002 he has been Jean Monnet Fellow at the European University Institute of Florence and in 2003-04 a Lecturer at the University of Southampton. His primary research interests are in labor economics, international economics and macroeconomics. The paper “Effects of Employment Protection on Job and Worker Flows: Evidence from the 1990 Italian Reform” (with A. Kugler) has been published in *Labour Economics* in 2008. The paper “The Effect of Employment Protection Legislation and Financial Market Imperfections on Investment: Evidence from a Firm-Level Panel of EU countries” (with F. Cingano, M. Leonardi and J. Messina) is forthcoming in *Economic Policy*. The paper “Who’s Afraid of a Globalized World? Foreign Direct Investment, Local Knowledge and Allocation of Talents” is R&R at the *Journal of International Economics*; the paper “Capital Markets Integration and Labor Market Institutions” is R&R at the *The B.E. Journal of Macroeconomics*; the paper “The age-productivity gradient: evidence from a sample of F1 drivers” with F. Castellucci and M. Padula is R&R at *Labour Economics*. Last year he started three new projects: the first (with X. Boutin, G. Cestone, C. Fumagalli and N. Serrano Velarde) on the effects of internal capital market allocations on market entry (ECGI WP 258/2009); the second (with T. Jappelli and M. Padula) on estate taxation and intergenerational transfers; the third (with M. Güell, M. Pellizzari and J.V. Rodríguez Mora) on the correlation between measures of intergenerational mobility and socio-economic outcomes.

**SALVATORE PICCOLO** is Assistant Professor of Economics at the University of Naples Federico II and currently visiting IDEI in Toulouse. In 2006 he completed his Ph.D. in Economics at Northwestern University. Salvatore also holds a Master in Economics and Finance from the University of Naples and a Master in Mathematical Economics from the University of Toulouse. His research focuses on contract theory and mechanism design, with applications to industrial organization, auctions, banking and general equilibrium theory. In 2007 Salvatore published “Resale Price Maintenance under Asymmetric Information” (with D. Martimort), *International Journal of Industrial Organization*, while in 2008 he published “Vertical Restraints under

Asymmetric Information: on the Role of Participation Constraints” (with A. Acconcia and R. Martina), *Journal of Industrial Economics* and “Product Market Competition and Organizational Slack under Profit-Target Contracts” (with M. D’Amato and R. Martina), *International Journal of Industrial Organization*. The paper “The Strategic Value of Quantity Forcing Contracts” (with D. Martimort) is forthcoming in the *American Economic Journal: Microeconomics*. He has also completed three new projects: on common agency and banking (with A. Bannardo and M. Pagano); on Merchant Guilds (with R. Dessì); and on delegation and R&D incentives (with J. Kastk and D. Martimort). Finally, he has started a new project on “Accomplice-Witnesses Regulation, Organized Crime and Corruption” with A. Acconcia and G. Immordino.

**MICHELE POLO** Michele Polo is Professor of Economics at Bocconi University and Vice-Rector of Bocconi University. He holds a M.Sc. (with Distinction) at LSE and a PhD at Bocconi University. He has published in international journals on industrial organization, antitrust and regulation. He is fellow of IGIER and has been member (2003-2006) of the Economic Advisory Group on Competition Policy at the DG Competition (European Commission). Among recent publications, "Anticompetitive v. Competitive Explanations of Unilateral Practices: the Identification Problem", *Journal of Competition Law and Economics*, 2009; “Buyer Power and Quality Improvements” (joint with P. Battigalli e C. Fumagalli), *Research in Economics* (2007); “Entry, Product Line Expansion and Predation” (2007) (joint with V. Denicolò and P. Zanchettini), *Journal of Competition Law and Economics* (2007); “Norms, Flexibility and Private Initiative” (joint with M. Pagano and G. Immordino), CSEF WP 2006, “Take or Pay Contracts and Market Segmentation” (joint with C. Scarpa) and “Judicial Errors and Innovative Activity” (joint with G. Immordino).

**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, discussing a dissertation on “Informational Cascades in Capital Markets with Trading Frictions”. She also has a Master in Economics and Finance at the University of Naples Federico II and a Master in Financial Markets and Intermediaries at the University of Toulouse I. Her research focuses on market microstructure, corporate finance, microeconomics. Recent papers include “Learning, Cascades and Transaction Costs”, in the *Review of Finance* (2007), and “Informational Cascades in Financial Economics: A Review”, in the *Giornale degli Economisti e Annali di Economia* (2009). She is currently working on three research projects: the first one, with H. Sabourian, on herd behaviour in financial markets with continuous investment decisions; the second one, with G. Cestone and S. Piccolo, on competition and R&D incentives; the third one, with G. Immordino, on emotional agency.

**FRANCESCO FLAVIANO** is a CSEF post-doctoral fellow. He received a master degree in economics and finance from the university of Naples Federico II and a PhD in economics from Boston University. His research is focused on the hidden economy. Particular emphasis is given to the relationship between the hidden and the official economy along the business cycle and to the effects of entry regulation on the cross country differential in the size of the hidden sector. Recently he started two research projects on the potential effects of the legalization of illicit drugs, like Marijuana and Cocaine, and on the



impact of globalization on the illegal market for cocaine.

**GIUSEPPE RUSSO** is Assistant 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 interests focus on economics of human migrations, political economy, labour market institutions. His latest publications include "Institutional Rigidities and Employment Rigidity on the Italian Labour Market" (with R. Jiménez-Rodríguez), published in *Applied Economics Quarterly* (2008) and "Selective Immigration Policies, Human Capital Accumulation and Migration Duration in Infinite Horizon" (with Francesco Magris), published in *Research in Economics* (2009). His current research concerns the effect of partial labour market reforms on the aggregate employment dynamics and the voting over immigration policies.

**SAVERIO SIMONELLI** is Assistant Professor of Economics at the University of Naples Federico II. He holds a PhD in Economics from the University of Naples Federico II, a Master in Economics from University Pompeu Fabra and a Master in Economics and Finance from the University of Naples Federico II. In 2007-2008 he has been Visiting Fellow at the European University Institute. His current research focuses on real business cycle, dynamic factor models and forecasting in real-time. Recent publications include "Interpreting Aggregate Fluctuations Looking at Sectors", 2008 (with Antonio Acconcia), *Journal of Economic Dynamics and Control*; "Labor Market Dynamics and the Business Cycle: Structural Evidence for the United States", 2008 (with Morten Ravn), *The Scandinavian Journal of Economics*; "Nowcasting Euro Area Economic Activity in Real-Time: The Role of Confidence Indicator," (with Domenico Giannone and Lucrezia Reichlin) *National Institute Economic Review*, 2009. He is currently working on labor economics (with M. Ravn), forecasting (with D. Giannone and L. Reichlin) and fiscal policy (with A. Acconcia and G. Corsetti).

**FRANCESCA STROFFOLINI** is Professor of Public Economics at the University of Naples Federico II. Her research focuses on: welfare theory and inequality, contract theory, regulation. Recently she has investigated how the information acquisition issues affect the desirability of downstream integration in network industry characterized by an upstream regulated natural monopoly and a downstream imperfect competitive market in two settings: downstream demand uncertainty and optimal regulation (*CSEF Working Paper No. 170*, with E. Iossa); upstream cost uncertainty and access price cap regulation (*CSEF Working Paper No. 193*). In this second setting, a recent work highlights how information transmission issues may affect the welfare desirability of adopting access profit sharing plans in the regulation of network industries. She is also working on a research project that analyses the desirability of different forms of private public partnership in local public services (water sector) in various institutional settings.

## Visiting Researchers in 2009

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**ANDREW ELLUL** is Associate Professor at Indiana University. He visited in the Spring to teach a course on Corporate Governance at the Master of Economics and Finance and to work with Marco Pagano on a joint project on investment in family firms. He also gave a seminar on “Regulatory Pressure and Fire Sales in the Corporate Bond Market”.

**ALEX FRINO** is Professor of Finance at the University of Sydney. He visited in January 2009 and taught a portion of the Asset Pricing course at the Master in Economics and Finance.

**DIMITRIOS GERORGARAKOS** is an Assistant Professor of Economics at Frankfurt University. His research interests include household portfolio choice and applied econometrics. In the Spring of 2008 he visited CSEF to work with Dimitris Christelis on two joint papers analyzing home bias in household portfolio choice and the economic perceptions and consequences of terrorism.

**MICHAEL HALIASSOS** is a Professor of Macroeconomics at Frankfurt University. During his visit to CSEF in June and July of 2009, he worked mainly on research projects on the role of financial advice with Tullio Jappelli and on the home bias in household portfolios with Dimitris Christelis. He also attended the IGIER-CSEF conference in Capri, where he presented his paper on “Financial Advisors: A Case of Babysitters?”.

**CHRISTIAN LUNDBLAD** is Associate Professor of Finance at the University of North Carolina’s Kenan-Flagler Business School. He researches empirical asset pricing issues and international finance, with a specialization in emerging market development. Christian visited in February 2009 and taught a portion of the Asset Pricing course at the Master in Economics and Finance

Here is the full list of the Working Papers published by CSEF. The papers can be downloaded from the URL <http://www.csef.it/wpcsef.htm>

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- 1 Tullio Jappelli and Marco Pagano, The Determinants of Savings: Lessons from Italy, published in *Accounting for Saving: Financial Liberalization, Capital Flows and Growth in Latin America and Europe*, C. Reinhart ed. Washington: Inter-American Development Bank, 1999.
- 2 Luigi Guiso and Tullio Jappelli, Background Uncertainty and the Demand for Insurance against Insurable Risks, published in *The Geneva Papers on Risk and Insurance Theory*, 1998, vol. 23, 7-27.
- 3 Orazio Attanasio, Luigi Guiso and Tullio Jappelli, The Demand for Money, Financial Innovation and the Welfare Cost of Inflation: An Analysis with Households' Data, published in *Journal of Political Economy*, 2002, vol. 110, 317-52.
- 4 Marco Pagano, The Changing Microstructure of European Equity Markets, published in *European Securities Markets: the Investment Services Directive and Beyond*, edited by Guido Ferrarini. Kluwer Law International, 1998.
- 5 Luigi Pistaferri, Informal Networks in the Italian Labor Market, published in *Giornale degli Economisti e Annali di Economia*, 1999, vol. 58, 355-75.
- 6 Orazio Attanasio and Tullio Jappelli, Intertemporal Choice and the Cross-Sectional Variance of Marginal Utility, published in *Review of Economics and Statistics*, 2001, vol. 83, 13-27.
- 7 Luigi Pistaferri, Superior Information, Income Shocks and the Permanent Income Hypothesis, published in *Review of Economics and Statistics*, 2001, vol. 83, 465-476.
- 8 Luigi Guiso, Tullio Jappelli, and Luigi Pistaferri, An Empirical Analysis of Earnings and Employment risk, published in *Journal of Business and Economic Statistics*, 2002, vol. 20, 241-53.
- 9 Tullio Jappelli and Franco Modigliani, The Age-Saving Profile and the Life-Cycle Hypothesis, published in *The Collected Papers of Franco Modigliani - Vol. 6*. The MIT Press, 2005.
- 10 Michael Manove, A. Jorge Padilla, and Marco Pagano, Collateral vs. Project Screening: A Model of Lazy Banks, published in *RAND Journal of Economics*, 2001, vol. 32.
- 11 Michael Haliassos and Christis Hassapis, Borrowing Constraints, Portfolio Choice, and Precautionary Motives, published in Kontoghiorghes, E., B. Rustem and S. Siokos (eds.) *Computational Methods in Decision-making, Economics and Finance*. Kluwer, 2002.
- 12 Tullio Jappelli and Luigi Pistaferri, Using Subjective Income Expectations to Test for the Excess Sensitivity of Consumption to Predicted Income Growth, published in *European Economic Review*, 2000, vol. 44, 337-58.
- 13 Tullio Jappelli and Marco Pagano, The Welfare Effects of Liquidity Constraints, published in *Oxford Economic Papers*, 1999, vol. 51, 410-430.

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- 14 Tullio Jappelli, The Age-Wealth Profile and the Life-Cycle Hypothesis: A Cohort Analysis with a Time Series of Cross-Sections of Italian Households, published in *Review of Income and Wealth*, 1999, vol. 45, 57-76.
- 15 Maria Concetta Chiuri, Intra-Household Allocation of Time and Resources: Empirical Evidence on a Sample of Italian Households with Young Children.
- 16 Francesco Giavazzi, Tullio Jappelli, and Marco Pagano, Searching for Non-Keynesian Effects of Fiscal Policy, published in *European Economic Review*, 2000, vol. 44, 1259-1290.
- 17 Luigi Guiso and Tullio Jappelli, Private Transfers, Borrowing Constraints and the Timing of Homeownership, published in *Journal of Money, Credit and Banking*, 2002, vol. 34, 315-39.
- 18 Giacinta Cestone, Corporate Financing and Product Market Competition: An Overview, published in *Giornale degli Economisti e Annali di Economia*, 1999, vol. 58, 269-300.
- 19 Tullio Jappelli and Luigi Pistaferri, Consumption Insurance or Consumption Mobility?, published in the *Journal of the European Economic Association*, 2006, vol. 4, 75-115
- 20 Thierry Tresselt, Financial Intermediation and Growth: Long Run Consequences of Capital Market Imperfections.
- 21 A. Jorge Padilla and Marco Pagano, Sharing Default Information as a Borrower Discipline Device, published in *European Economic Review*, 2000, vol. 44, 1951-80.
- 22 Tullio Jappelli and Marco Pagano, Information Sharing, Lending and Defaults: Cross-Country Evidence, published in *Journal of Banking and Finance*, 2002, vol. 26, 2023-54.
- 23 Tullio Jappelli and Luigi Pistaferri, Intertemporal Choice and Consumption Mobility, published in *Journal of the European Economic Association*, 2006, vol. 4, 75-115.
- 24 Davide Lombardo and Marco Pagano, Legal Determinants of the Return on Equity, published in *Corporate and Institutional Transparency for Economic Growth in Europe*, L. Oxelheim ed. Elsevier, 2006.
- 25 Davide Lombardo and Marco Pagano, Law and Equity Markets: A Simple Model, published *Corporate Governance Regimes: Convergence and Diversity*, J. McCahery, P. Moerland, T. Raaijmakers and L. Renneboog eds. Oxford University Press, 2002.
- 26 Maria Concetta Chiuri, Individual Decisions and Household Demand for Consumption and Leisure, published in *Research in Economics*, 2000, vol. 54, 277-324.
- 27 Tullio Jappelli and Luigi Pistaferri, The Dynamics of Household Wealth Accumulation in Italy, published in *Fiscal Studies*, 2000, vol. 21, 269-95.
- 28 Marco Pagano, Alisa A. Röell and Joseph Zechner, The Geography of Equity Listing: Why Do Companies List Abroad?, published in *Journal of Finance*, 2002, vol. 57.
- 29 Marco Pagano and Paolo Volpin, The Political Economy of Corporate Governance, published in *American Economic Review*, 2005, 1005-1030.
- 30 Mario Padula, Euler Equations and Durable Goods.
- 31 Berthold U. Wigger, Gifts, Bequests and Growth, published in *Journal of Macroeconomics*, 2001, vol. 23, 121-129.

## 2000

- 32 Heidrun C. Hoppe and Ulrich Lehmann-Grube, Spatial Competition in Credit Markets, published with the title "Price Competition in Markets with Customer Testing: the Captive Customer Effect" in *Economic Theory*, 2008, vol. 35, 497–521
- 33 Alexander Kemnitz and Berthold U. Wigger, Growth and Social Security: The Role of Human Capital, published in *European Journal of Political Economy*, 2000, vol. 16, 673-683.
- 34 Andreas Irmen and Berthold U. Wigger, Trade Union Objectives and Economic Growth, published in *FinanzArchiv*, 2002, vol. 59, 49-67.
- 35 Tullio Jappelli and Marco Pagano, Information Sharing in Credit Markets: The European Experience, published in *Preventing Default: Incentives and Institutions*, M. Pagano ed., Johns Hopkins University Press, 2001.
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- 37 Berthold U. Wigger, Pareto-Improving Intergenerational Transfers, published in *Oxford Economic Papers*, 2001, vol. 53, 260-80.
- 38 Mario Padula, Excess Smoothness and Durable Goods.
- 39 Bruno Biais, Denis Hilton, and Sébastien Pouget, Psychological Traits and Trading Strategies.
- 40 Charles Grant, Bankruptcy, Credit Constraints, and Insurance: Some Empirics.
- 41 Annamaria Menichini, Third Parties, Information Disclosure and Monitoring Incentives published in *Scottish Journal of Political Economy*, Vol. 55, Issue 1, pp. 31-50, February 2008.
- 42 Giuliana Palumbo, Decision Rules and Optimal Delegation of Information Acquisition.
- 43 Luigi Guiso and Tullio Jappelli, Household Portfolios in Italy, published in *Household Portfolios*, L. Guiso, M. Haliassos and T. Jappelli eds. Cambridge: MIT Press, 2002.
- 44 Maria Concetta Chiuri and Tullio Jappelli, Financial Markets Imperfections and Homeownership: An International Comparison, published in *European Economic Review*, 2003, vol. 47, 857-875.
- 45 Peghe Braila and Alessandro Turrini, Asset Market Structure and Growth, published in *RISEC: International-Review-of-Economics-and-Business*, 2002, vol. 49, 491-510.
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- 47 Marcello D'Amato and Riccardo Martina, Credibility and Commitment of Monetary Policy in Open Economies, published in *European Journal of Political Economy*, 2003, vol. 21, 872-902.
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- 50 Marco Pagano, Otto Randl, Alisa A. Röell, Josef Zechner, What Makes Stock Exchanges Succeed? Evidence from Cross-Listing Decisions, published in *European Economic Review*, 2001, vol. 45, 770-82

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- 53 Luis Eeckhoudt, Christian Gollier, and Giovanni Immordino, How Diagnostic Tests Affect Prevention: a Cost-Benefit Analysis.
- 54 Stefan Ambec and Philippe Barla, A Theoretical Foundation of the Porter Hypothesis, published in *Economic Letters*, 2002, vol. 75, 355-360.
- 55 Klaus Adam, Competitive Prices in Markets with Search and Information Frictions.
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- 57 Daniela Fabbri, The Legal Enforcement of Credit Contracts and the Level of Investment.
- 58 Magda Bianco, Tullio Jappelli, Marco Pagano, Courts and Banks: Effects of Judicial Enforcement on Credit Markets, published in *Journal of Money, Credit, and Banking*, 2005, vol. 37, 223-244.
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- 60 Stefan Ambec and Michel Poitevin, Organizational Design of R&D Activities.
- 63 Nicolas Boccard and Riccardo Calcagno, Asymmetries of Information in Centralized Order-driven Markets.
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- 65 Daniela Fabbri and Mario Padula, Does Poor Legal Enforcement Make Households Credit-Constrained?, published in *Journal of Banking and Finance*, 2004 vol. 28, 2369-97.
- 66 Charles Grant and Mario Padula, Risk Sharing and the Tax System.
- 67 Mario Padula and Luigi Pistaferri, Education, Employment and Wage Risk.
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- 70 Javier Giner, Sandra Morini, Improving the Quality of the Input in the Term Structure Consistent Models.
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- 72 Daniela Fabbri, Legal Institutions, Corporate Governance and Aggregate Activity: Theory and Evidence.
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- 77 Giovanni Immordino, No Logo.
- 78 Klaus Adam and Mario Padula, Inflation Dynamics and Subjective Expectations in the United States.
- 79 Jan Bouckaert and Hans Degryse, Entry and Strategic Information Display in Credit Markets, published in *The Economic Journal*, 2006, vol. 116, 702-720.
- 80 Hans Degryse, Steven Ongena, Distance, Lending Relationships, and Competition, published *Journal of Finance*, 2005, vol. 60, 231-266.
- 81 Klaus Adam, Optimal Stabilization Policy When the Private Sector Has Information Processing Constraints.
- 82 Luigi Guiso and Tullio Jappelli, Stockholding in Italy, published in *Stockholding in Europe*, Luigi Guiso, Michalis Haliassos and Tullio Jappelli eds. New York: Palgrave Macmillan, 2003, 141-68.
- 83 Tullio Jappelli and Luigi Pistaferri, Tax Incentives for Household Saving and Borrowing, published in *Taxation of Financial Intermediaries*, Patrik Honohan ed. Oxford: Oxford University Press, 2003.
- 84 Tullio Jappelli, Mario Padula, The Quality of Health Care: Evidence from Italy, published in *Giornale degli Economisti e Annali di Economia*, 2003, 7-34.
- 85 Jan Bouckaert and Hans Degryse, Softening Competition by Enhancing Entry: An Example from the Banking Industry, published in *Journal of Industrial Economics*, 2003, vol. 54, 27-52.
- 86 Agar Brugiavini, Tullio Jappelli, and Guglielmo Weber, The Survey on Health, Ageing and Wealth.
- 87 Alberto Berrardo and P.A. Chiappori, Bertrand and Walras Equilibria under Moral Hazard, published *Journal of Political Economy*, 2003, vol. 104, 785-817.
- 88\* Luigi Guiso, Michael Haliassos, and Tullio Jappelli, Household Stockholding in Europe: Where Do We Stand and Where Do We Go?, published in *Economic Policy*, 2003, vol. 36, 123-170.
- 89 Paolo Coccorese, Competition in Markets with Dominant Firms: A Note on the Evidence from the Italian Banking Industry, published in *Journal of Banking and Finance*, 29, 2005, 1083-1093.
- 90 Tullio Jappelli and Luigi Pistaferri, Do People Respond to Tax Incentives? An Analysis of the Italian Reform of the Deductibility of Home Mortgage Interest, published in *European Economic Review*, 2007, vol. 51, 247-273

## 2003

- 91 Daniele Checchi and Tullio Jappelli, The Impact of Perceived Public School Quality on Private School Choice in Italy, published in *Schools and the Equal Opportunity Problem*, P. Peterson and L. Woessman eds. Cambridge: MIT Press, 2007.

- 92** Tullio Jappelli, Mario Padula, and Renata Bottazzi, Retirement Expectations and Pension Reforms, published in *Journal of Public Economics*, 2006, vol. 90, 2167-2213.
- 93** Giacinta Cestone and Chiara Fumagalli, The Strategic Impact of Resource Flexibility in Business Groups, published in *RAND Journal of Economics*, 2005, vol. 36, 193-214.
- 94** Giovanni Cespa, A Comparison of Stock Market Mechanisms, published in *Rand Journal of Economics*, 2004, vol. 35, 803-824.
- 95** Sergio Destefanis, Measuring Macroeconomic Performance through a Non-parametric Taylor curve.
- 96** Keith Blackburn, Niloy Bose, and Salvatore Capasso, Financial Development, Financing Choice and Economic Growth, published in *Review of Development Economics*, 2005, vol. 9, 135-149.
- 97** Giovanni Cespa, Giffen Goods and Market Making, published in *Economic Theory*, 2005, vol. 25, 983-997.
- 98** Giovanni Immordino and Marco Pagano, Legal Standards, Enforcement and Corruption.
- 99** Andrew Ellul and Marco Pagano, IPO Underpricing and After-market Liquidity, published in *Review of Financial Studies*, 2006, vol. 19, 381-421.
- 100** Charles Grant, Christos Koulovatianos, Alexander Michaelides, and Mario Padula, Evidence on the Insurance Effect of Redistributive Taxation.
- 101** Giovanni Immordino, Fairness, NGO Activism and the Welfare of Less Developed Countries.
- 102** Stefan Ambec, A Theory of Authority in Bilateral Contracting.
- 103** Stefan Ambec and Nicholas Treich, Roscas as Financial Agreements to Cope with Social Pressure, published in *Journal of Development Economics* 2007, vol. 82, 120-137.
- 104** Thomas Steinberger, Imperfect Financial Contracting and Macroeconomic Stability, published in *Journal of Financial Stability*, 2005, vol. 1, 451-465.
- 105** Raquel Fonseca, On the Interaction between Unemployment and Inter-regional Mobility in Spain.
- 106** Raquel Fonseca, Spanish Unemployment Persistence and the Ladder Effect.
- 107** David Martimort and Salvatore Piccolo, Resale Price Maintenance under Asymmetric Information, published in *International Journal of Industrial Organization*, 2007, vol. 25, 315-339.
- 108** Marco Pagnozzi, Sorry Winners, published in *Review of Industrial Organization*, 2007.
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- 188** Dimitris Christelis and Dimitris Georgarakos, *Investing at Home and Abroad: Different Costs, Different People?*

- 189** Decio Coviello and Mario Mariniello, *Does Publicity Affect Competition? Evidence from Discontinuities in Public Procurement Auctions*
- 190** Alberto Bennardo, *Information Gathering, Disclosure and Contracting in Competitive Markets*
- 191** Giovanni Cespa AND Xavier Vives, *Dynamic Trading and Asset Prices: Keynes vs. Hayek*
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- 193** Francesca Stroffolini, *Access Price Cap Mechanisms and Industry Structure with Information Acquisition*
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## 2009

### 212 Luigi Guiso and Tullio Jappelli, *Financial Literacy and Portfolio Diversification*

In this paper we focus on poor financial literacy as one potential factor explaining lack of portfolio diversification. We use the 2007 Unicredit Customers' Survey, which has indicators of portfolio choice, financial literacy and many demographic characteristics of investors. We first propose test-based indicators of financial literacy and document the extent of portfolio under-diversification. We find that measures of financial literacy are strongly correlated with the degree of portfolio diversification. We also compare the test-based degree of financial literacy with investors' self-assessment of their financial knowledge, and find only a weak relation between the two measures, an issue that has gained importance after the EU Markets in Financial Instruments Directive (MIFID) has required financial institutions to rate investors' financial sophistication through questionnaires.

### 213 Dimitris Christelis and Dimitris Georgarakos, *Household Economic Decisions under the Shadow of Terrorism*

We investigate, using the 2002 US Health and Retirement Study, the factors influencing individuals' insecurity and expectations about terrorism, and study the effects these last have on households' portfolio choices and spending patterns. We find that females, the religiously devout, those equipped with a better memory, the less educated, and those living close to where the events of September 2001 took place worry a lot about their safety. In addition, fear of terrorism discourages households from investing in stocks, mostly through the high levels of insecurity felt by females. Insecurity due to terrorism also makes single men less likely to own a business. Finally, we find evidence of expenditure shifting away from recreational activities that can potentially leave one exposed to a terrorist attack and towards goods that might help one cope with the consequences of terrorism materially (increased use of car and spending on the house) or psychologically (spending on personal care products by females in couples).

### 214 Francesca Stroffolini, *Access Profit-Sharing Regulation with Information Transmission and Acquisition*

The paper analyses how information acquisition and transmission issues affect the determination of the optimal access profit-sharing plan in regulated network industries. It considers a regulated upstream monopoly with cost uncertainty and a downstream unregulated duopoly. It will be shown that, under an access price cap regulatory mechanism, the transfer of a sufficiently high share of access profits to consumers induces an integrated upstream monopolist to transmit to his downstream rival the information privately acquired on the upstream cost and this, in turn, may negatively affect welfare. On account of these effects the optimal access profit-sharing plan will depend on the variance and shape of cost distribution, on information acquisition costs as well as on the regulator's redistributive concerns.

### 215 Maria Grazia Romano, *Institutional Trades and Herd Behaviour in Financial Markets*

The article studies the impact of transaction costs on the trading strategy of informed institutional investors in a sequential trading market where traders can choose to transact a large or a small amount of the stock. The analysis shows that high transaction costs may induce informed investors to herd. Moreover, for low levels of transaction costs, informed investors trade both the large and the small quantity of the asset. Finally, if transaction costs are very low and the market width is large enough, informed traders prefer to separate from small liquidity traders.

### 216 Marcello D'Amato and Vincenzo Galasso, *Political Intergenerational Risk Sharing*

In a stochastic two-period OLG model, featuring an aggregate shock to the economy, ex-ante optimality requires intergenerational risk sharing. We compare the level of time-consistent intergenerational risk sharing chosen by a benevolent government and by an office-seeking politician. In our political system, the transfer of resources across generations is determined as a Markov equilibrium of a probabilistic voting game. Low realized returns on the risky asset induce politicians to compensate the old through a PAYG system. This political system typically generates an intergenerational risk sharing scheme that is (i) larger, (ii) more persistent, and (iii) less responsive to the realization of the shock than the (time consistent) social optimum. This is because the current politician anticipates her transfers to the elderly to be compensated by future politicians through offsetting transfers, and hence overspends. Aging increases the optimal transfer, but surprisingly makes office-seeking politicians more conservative, by increasing the cost for future politicians to compensate the current young.

- 217 Xavier Boutin, Giacinta Cestone, Chiara Fumagalli, Giovanni Pica and Nicolas Serrano-Velarde, *The Deep-Pocket Effect of Internal Capital Markets*

We provide evidence suggesting that incumbents' access to group deep pockets has a negative impact on entry in product markets. Relying on a unique French data set on business groups, our paper presents three major findings. First, the amount of cash holdings owned by incumbent-affiliated groups is negatively related to entry in a market. Second, the impact on entry of group deep pockets is more important in markets where access to external funding is likely to be more difficult. Third, the 'entry deterring effect' of group deep pockets is more pronounced when groups have more active internal capital markets. Our findings suggest that internal capital markets operate within corporate groups and that they have a potential anti-competitive effect.

- 218 Jakub Kastl, David Martimort and Salvatore Piccolo, *"When Should Manufacturers Want Fair Trade?": New Insights from Asymmetric Information*

We study a specific model of competing manufacturer-retailer pairs where adverse selection and moral hazard are coupled with non-market externalities at the downstream level. In this simple framework we show that a "laissez-faire" approach towards vertical price control might harm consumers as long as privately informed retailers impose non-market externalities on each other. Giving manufacturers freedom to control retail prices harms consumers when retailers impose positive non-market externalities on each other, and the converse is true otherwise. Moreover, in contrast to previous work, we show that, in these instances, consumers' and suppliers' preferences over contractual choices are not necessarily aligned.

- 219 Andreas Hackethal, Michael Haliassos and Tullio Jappelli, *Financial Advisors: A Case of Babysitters?*

We merge administrative information from a large German discount brokerage firm with regional data to examine if financial advisors improve portfolio performance. Our data track accounts of 32,751 randomly selected individual customers over 66 months and allow direct comparison of performance across self-managed accounts and accounts run by, or in consultation with, independent financial advisors. In contrast to the picture painted by simple descriptive statistics, econometric analysis that corrects for the endogeneity of the choice of having a financial advisor suggests that advisors are associated with lower total and excess account returns, higher portfolio risk and probabilities of losses, and higher trading frequency and portfolio turnover relative to what account owners of given characteristics tend to achieve on their own. Regression analysis of who uses an IFA suggests that IFAs are matched with richer, older investors rather than with poorer, younger ones.

- 220 Giovanni Immordino, Marco Pagano and Michele Polo, *Incentives to Innovate and Social Harm: Laissez-Faire, Authorization or Penalties?*

We analyze optimal policy design when firms' research activity may lead to socially harmful innovations. Public intervention, affecting the expected profitability of innovation, may both thwart the incentives to undertake research (average deterrence) and guide the use to which innovation is put (marginal deterrence). We show that public intervention should become increasingly stringent as the probability of social harm increases, switching first from laissez-faire to a penalty regime, then to a lenient authorization regime, and finally to a strict one. In contrast, absent innovative activity, regulation should rely only on authorizations, and laissez-faire is never optimal. Therefore, in innovative industries regulation should be softer.

221 *Ciro Avitabile, The Health Insurance Puzzle in Europe: The Role of Information*

I use microdata from the Survey of Health, Ageing and Retirement in Europe to study whether the cost of acquiring health information is an important determinant of the decision to buy private hospital health insurance for individuals aged 50+, in eight European countries. I first test whether, conditional on health insurance companies' risk assessments, individuals have residual private information on insurance determinants other than their risk type. My results show that there are individual characteristics, not observed by the insurers, that are positively correlated with hospital insurance coverage and negatively correlated with the ex post probability of requiring hospital treatment. However, this opposite association is significantly different from zero only in countries with low quality healthcare systems. I then provide evidence that education and cognitive ability act as substitutes for quality of health promotion in determining the propensity to take out a voluntary private hospital insurance.

222 *Ciro Avitabile, Does Conditionality Matter for Adults' Health? Evidence from a Randomized Experiment*

We present evidence on how the requirement to attend health and nutrition sessions affects the health behaviour of adults living in households targeted by a nutritional programme in rural Mexico. The evaluation sample of the Programa de Apoyo Alimentario (PAL) is unique in having four different treatment types, which are randomly assigned to four different groups of localities, with one group designated to receive transfers but without any requirement to attend health and nutrition courses. We find that attendance at educational sessions does not affect drinking and smoking behaviour, but significantly reduces the probability of having a large waist circumference among women. We provide evidence that attending health and nutrition related courses determines a large drop in the probability that adult women have excessive calorie intake. The results suggest that lack of information can explain, at least in part, the impressive rise in female obesity in developing countries.

223 *Luigi Guiso, Tullio Jappelli and Mario Padula, Pension Risk, Retirement Saving and Insurance*

Using a representative sample of Italian investors, we estimate the risk associated with pension benefits by eliciting for each individual the subjective distribution of the replacement rate as a summary indicator of social security wealth. We find substantial heterogeneity of pension risk and show that it is consistently related to observable features in the pension system that have different effects on individuals with different characteristics. We then relate subjective pension risk to individuals' financial decisions. We find that people try to attenuate the adverse consequences of pension wealth uncertainty by increasing demand for targeted retirement saving and for insurance. Individuals facing more pension wealth risk tend to enroll more often in private pension funds, invest more in life insurance and buy more private health insurance. These effects are consistent with people becoming more risk-averse when pension wealth becomes less predictable, leading them to search for greater financial security.

224 *Salvatore Piccolo, Colluding through Suppliers*



In a dynamic game between  $N$  retailers and a large number of suppliers, I show that inefficient contracting emerges as a mechanism to implement collusion among retailers, building on the natural 'complementarity' between retail and wholesale prices. When efficient collusion is not sustainable, this complementarity allows retailers to rely on inefficient input supply, entailing double marginalization and negative franchise fees, to squeeze the wedge between collusive and deviation profits. I also study the role of communication on the equilibrium outcomes of games where retailers have the initiative. It turns out that communication is indeed fundamental to strengthen cartels' sustainability, although generating efficiency losses.

- 225 Chiara Fumagalli, Massimo Motta and Thomas Rønde, *Exclusive Dealing: the Interaction Between Foreclosure and Investment Promotion*

This paper studies a model where exclusive dealing (ED) can both promote investment and foreclose a more efficient supplier. While investment promotion is usually regarded as a pro-competitive effect of ED, our paper shows that it may be the very reason why a contract that forecloses a more efficient supplier is signed. Absent the effect on investment, the contract would not be signed and foreclosure would not be a concern. For this reason, considering potential foreclosure and investment promotion in isolation and then summing them up may not be a suitable approach to assess the net effect of ED. The paper therefore invites a more cautious attitude towards accepting possible investment promotion arguments as a defence for ED.

- 226 Fabrizio Castellucci, Mario Padula and Giovanni Pica, *The Age-Productivity Gradient: Evidence from a Sample of F1 Drivers*

Aging is a global phenomenon. If older individuals are less productive, an aging working population can lower aggregate productivity, economic growth and fiscal sustainability. Therefore, understanding the age-productivity gradient is key in a aging society. However, estimating the effect of aging on productivity is a daunting task. First, it requires clean measures of productivity. Wages are not such measures to the extent that they reward other workers attributes than their productivity. Second, unobserved heterogeneity at workers, firms and workers/firms level challenges the identification of the age-productivity gradient in cross-sectional data. Longitudinal data attenuate some identification issues, but give rise to the problem of partialling out the effect of aging from the pure effect of time. Third, the study of the age-productivity link requires investigating the role of experience and of seniority. We tackle these issues by focussing on a sample of Gran Prix Formula One drivers and show that the age-productivity link has an inverted U-shape profile, with a peak at around the age of 30-32.

- 227 Federico Cingano, Marco Leonardi, Julian Messina and Giovanni Pica, *The Effect of Employment Protection Legislation and Financial Market Imperfections on Investment: Evidence from a Firm-Level Panel of EU countries*

This paper analyzes the joint effect of EPL and financial market imperfections on investment, capital-labour substitution, labour productivity and job reallocation in a cross-country framework. In the spirit of Rajan and Zingales (1998) and Ciccone and Papaioannou (2006), we exploit variation in the need for reallocation at the sectoral and aggregate level to assess the average effect of EPL on firms' policies. Then, exploiting firm-level information we study if the effect of EPL is stronger in firms with lower levels of internal resources. We find that, on average, EPL reduces investment per worker, capital per worker and value added per worker in high reallocation sectors relative to low reallocation sectors. The reduction in the capital-labour ratio is less pronounced in firms with higher internal resources, suggesting that financial constraints exacerbate the negative effects of EPL on capital deepening.

- 228 Lisa Crosato, Sergio Destefanis and Piero Ganugi, *Firm Size Distribution and Returns to Scale. Non-Parametric Frontier Estimates from Italian Manufacturing*

This paper explores the relationship between firm size distribution and technology. We analyse firm technology across selected manufacturing industries by means of a non-parametric production analysis, the Free Disposal Hull approach (Deprins et al., 1984; Kerstens and Vanden Eeckaut, 1999) and appraise the links between size and scale elasticity, finding a clear inverse relationship. Building on this result, we inquire whether the shape of the firm size distribution is related to a particular pattern of scale elasticities. We rely on the Zipf Plot (Stanley et al., 1995) of the Pareto IV distribution, which is concave up to a given threshold, and then approximately linear. Firms in the concave part of the plot are overwhelmingly found to experience increasing returns to scale. On the contrary, firms in the linear part are mainly characterised by constant returns to scale.

- 229 Tullio Jappelli and Luigi Pistaferri, *Does Consumption Inequality Track Income Inequality in Italy?*

This paper presents stylized facts on labor supply, income, consumption, wealth, and several measures of consumption and income inequality drawn from the 1980-2006 Survey of Household Income and Wealth (SHIW) conducted by the Bank of Italy. The SHIW provides information on consumption, income and wealth, and a sizable panel component that allows econometricians to estimate sophisticated income, consumption, and wealth processes and to analyze labor market and portfolio transitions. Given the population changes associated with the demographic transition and Italian policy reforms since the mid 1980s, the survey information provide a level playing field from which to analyze macroeconomic policy shifts and structural reforms based on microeconomic data. We find that over the sample period income inequality is higher and has grown faster than consumption inequality. The labor market reforms of the 1990s are the most plausible explanation for the rise in income inequality.

- 230 Dimitris Christelis, Dimitris Georgarakos and Michael Haliassos, *Stockholding: From Participation to Location and to Participation Spillovers*

This paper provides a joint analysis of household stockholding participation, stock location among stockholding modes, and participation spillovers, using data from the US Survey of Consumer Finances. Our multivariate choice model matches observed participation rates, conditional and unconditional, and asset location patterns. Financial education and sophistication strongly affect direct stockholding and mutual fund participation, while social interactions affect stockholding through retirement accounts only. Household characteristics influence stockholding through retirement accounts conditional on owning retirement accounts, unlike what happens with stockholding through mutual funds. Although stockholding is more common among retirement account owners, this fact is mainly due to their characteristics that led them to buy retirement accounts in the first place rather than of any informational advantages gained through retirement account ownership itself. Finally, our results suggest that, taking stockholding as given, stock location is not arbitrary but crucially depends on investor characteristics.

- 231 Carlo Altavilla and Matteo Ciccarelli, *The Effects of Monetary Policy on Unemployment Dynamics Under Model Uncertainty. Evidence from the US and the Euro Area*

This paper explores the role that the imperfect knowledge of the structure of the economy plays in the uncertainty surrounding the effects of rule-based monetary policy on unemployment dynamics in the euro area and the US. We employ a Bayesian model averaging procedure on a wide range of models which differ in several dimensions to account for the uncertainty that the policymaker faces when setting the monetary policy and evaluating its effect on real economy. We find evidence of a high degree of dispersion across models in both policy rule parameters and impulse response functions. Moreover, monetary policy shocks have very similar recessionary effects on the two economies with a different role played by the participation rate in the transmission mechanism. Finally, we show that a policy maker who does not take model

uncertainty into account and selects the results on the basis of a single model may come to misleading conclusions not only about the transmission mechanism, but also about the differences between the euro area and the US, which are on average essentially small.

- 232 Antonio Acconcia, Giovanni Immordino, Salvatore Piccolo and Patrick Rey, *Accomplice-Witnesses and Organized Crime: Theory and Evidence from Italy*

Since 1991 the Italian Legislator grants amnesties, protection and even economic benefits to former mobsters cooperating with the justice. These incentives were introduced to break down omertà. What is the economic logic behind this policy? Did the program succeed? To address these issues we develop a model accounting for the main trade-offs involved in the introduction of accomplice-witnesses regulations. We argue that rewarding informants is sometimes necessary to fight organized crime and show how the optimal amnesty varies with the effectiveness of the protection program, the reliability of the informants' testimonies, the strength of external complicities, and the internal cohesion between criminal partners. The optimal policy stifles crime, spurs prosecution and induce a negative relationship between the number of talkers and the conviction rate. The available evidence supports the model's predictions.

- 233 Haroon Mumtaz, Saverio Simonelli and Paolo Surico, *International Comovements, Business Cycle and Inflation: a Historical Perspective*

Using a dynamic factor model, we uncover four main empirical regularities on international comovements in a long-run panel of real and nominal variables. First, the contribution of world comovements to domestic output growth has decreased over the post-WWII period. The contribution of regional comovements, however, has increased significantly. Second, the share of inflation variation due to a global factor has become larger since 1985. Third, over most of the post-WWII period, international comovements within regions have accounted for the bulk of fluctuations in business cycle and inflation. Fourth, prices have become significantly less countercyclical during the post-1984 sample, with the largest contribution due to external developments.

- 234 Renata Bottazzi, Tullio Jappelli and Mario Padula, *The Portfolio Effect of Pension Reforms*

We estimate the portfolio effect of changes in social security wealth exploiting a decade of Italian pension reforms as a source of exogenous variation. The Italian Survey of Household Income and Wealth records detailed portfolio data and elicits expectations of retirement outcomes, thus allowing us to measure the expected social security wealth and to assess to what extent Italian households perceive the innovations brought about by the reforms. We find that households have responded to the cut in pension benefits mostly by increasing real estate wealth, and that the response is stronger among households that are able to estimate more accurately future social security benefits. We also compute that for the average household consumable wealth increases by 40 percent of the reduction in social security wealth.

- 235 Giuseppe De Marco and Jacqueline Morgan, *Kalai-Smorodinsky Bargaining Solution Equilibria*

Multicriteria games describe strategic interactions in which players, having more than one criterion to take into account, don't have an a-priori opinion on the relative importance of all these criteria. Roemer (2005) introduces an organizational interpretation of the concept of equilibrium: each player can be viewed as running a bargaining game among criteria. In this paper, we analyze the bargaining problem within each player by considering the Kalai-Smorodinsky bargaining solution. We provide existence results for the so called Kalai-Smorodinsky bargaining solution equilibria for a general class of disagreement points which properly includes the one considered in Roemer (2005). Moreover we look at the refinement power of this equilibrium concept and show that it is an effective selection device even when combined with classical refinement concepts based on stability with respect to perturbations such

as the the extension to multicriteria games of the Selten's (1975) trembling hand perfect equilibrium concept.

- 236 Dimitris Christelis and Ana Sanz De Galdeano, *Smoking Persistence Across Countries: An Analysis Using Semi-Parametric Dynamic Panel Data Models with Selectivity*

We provide new cross-country evidence on smoking persistence in Europe, which can be due to both true state dependence and individual unobserved heterogeneity. We distinguish between the two by using semi-parametric panel data selection methods, applied to both the smoking participation and the cigarette consumption decision. We find that for both smoking decisions true state dependence is generally much smaller, but still important, when unobserved individual heterogeneity is taken into account. We also uncover large differences in true state dependence across countries and relate these differences to discrepancies in smoking regulations, social norms on and tolerance towards smoking behaviour, and awareness of the health risks associated with smoking.

- 237 Tullio Jappelli and Luigi Pistaferri, *The Consumption Response to Income Changes*

We review different empirical approaches that researchers have taken to estimate how consumption responds to income changes. We critically evaluate the empirical evidence on the sensitivity of consumption to predicted income changes, distinguishing between the traditional excess sensitivity tests, and the effect of predicted income increases and income declines. We also review studies that attempt to estimate the marginal propensity to consume out of income shocks, distinguishing between three different approaches: identifying episodes in which income changes unexpectedly, relying on the covariance restrictions that the theory imposes on the joint behavior of consumption and income growth, and combining realizations and expectations of income or consumption in surveys where data on subjective expectations are available.

- 238 Tullio Jappelli, *Economic Literacy: An International Comparison*

Many studies show that most people are not financially literate and are unfamiliar with even the most basic economic concepts. However, the evidence on the determinants of economic literacy is scant. This paper uses international panel data on 55 countries, merging indicators of economic literacy with a large set of macroeconomic and institutional variables. Results show that there is substantial heterogeneity of financial and economic competence across countries, and that human capital indicators (PISA test scores and college attendance) are positively correlated with economic literacy. Furthermore, inhabitants of countries with more generous social security systems are generally less literate, lending support to the hypothesis that the incentives to acquire economic literacy are related to the amount of resources available for private accumulation.

- 239 Marco Pagano and Paolo Volpin, *Credit Ratings Failures and Policy Options*

This paper examines the role of credit rating agencies in the subprime crisis, which was at the outset of the 2007-08 financial turmoil. The focus of the paper is on two aspects of ratings that contributed to the boom and bust of the market for asset-backed securities: rating inflation and coarse information disclosure. The paper discusses how regulation can be designed to mitigate these problems in the future. The suggestion is that regulators should require rating agencies to be paid by investors rather than by issuers (or at least constrain the way they are paid by issuers) and force greater disclosure of information about the underlying pool of securities.

- 240 Domenico Giannone, Lucrezia Reichlin and Saverio Simonelli, *Nowcasting Euro Area Economic Activity in Real-Time: The Role of Confidence Indicators*

This paper assesses the role of surveys for the early estimates of GDP in the euro area in a model-based automated procedures which exploits the timeliness of their release. The analysis is conducted using both an historical evaluation and a real time case study on the current conjuncture.

- 241 Alessandro Beber and Marco Pagano, *Short-Selling Bans around the World: Evidence from the 2007-09 Crisis*

Most stock exchange regulators around the world reacted to the financial crisis of 2007-2009 by imposing bans or regulatory constraints on short-selling by market participants. We use the large amount of evidence generated by these regime changes to investigate their effects on liquidity, price discovery and stock returns. Since bans were enacted and lifted at different dates in different countries, and in some countries applied to financial stocks only, we identify their effects with panel data techniques, and find that bans (i) were detrimental for liquidity, especially for stocks with small market capitalization and high volatility; (ii) slowed down price discovery, especially in bear market phases, and (iii) failed to support stock prices.

- 242 Giuseppe De Marco and Jacqueline Morgan, *On Multicriteria Games with Uncountable Sets of Equilibria*

The famous Harsanyi's (1973) Theorem states that generically a finite game has an odd number of Nash equilibria in mixed strategies. In this paper, we show that for finite multicriteria games (games with vector-valued payoffs) this kind of result does not hold. In particular, we show, by examples, that it is possible to find balls in the space of games such that every game in this set has uncountably many equilibria so that uncountable sets of equilibria are not nongeneric in multicriteria games. Moreover, we point out that, surprisingly, all the equilibria of the games corresponding to the center of these balls are essential, that is, they are stable with respect to every possible perturbation on the data of the game. However, if we consider the scalarization stable equilibrium concept (introduced in De Marco and Morgan (2007) and which is based on the scalarization technique for multicriteria games), then we show that it provides an effective selection device for the equilibria of the games corresponding to the centers of the balls. This means that the scalarization stable equilibrium concept can provide a sharper selection device with respect to the other classical refinement concepts in multicriteria games.

