

Lorenzo Pandolfi

PH.D.

CSEF – University of Naples, Federico II – Department of Economics and Statistics – Via Cintia Monte S. Angelo – 80126, Napoli (Italy)

☎ (+39) 331 356 16 90 | ✉ lorepandolfi@gmail.com | 🏠 <https://www.lorenzopandolfi.net/> | 🐦 [lorepandolfi](#)

CITIZENSHIP: ITALIAN - DATE OF BIRTH: 02 FEB. 1987

Current Position

Postdoctoral Research Fellow

2017-present

UNIVERSITY OF NAPLES, FEDERICO II

Naples, Italy

CENTER FOR STUDIES IN ECONOMICS AND FINANCE (CSEF)

Education

Ph.D. in Economics, Finance and Management, *cum laude*

January 2018

UNIVERSITAT POMPEU FABRA

Barcelona, Spain

- Supervisor: Prof. Xavier Freixas
- Thesis: Essays in Financial Economics
- Defense committee: Marco Pagano, Jose Luis Peydro, Javier Suarez

Master of Research in Economics, Finance and Management

July 2013

UNIVERSITAT POMPEU FABRA

Barcelona, Spain

Master in Economics and Finance, *cum laude*

July 2012

UNIVERSITY OF NAPLES, FEDERICO II

Naples, Italy

Research Interests

INTERNATIONAL FINANCE, BANKING, BEHAVIORAL FINANCE, HOUSEHOLD FINANCE, ASSET PRICING, LABOR ECONOMICS, APPLIED MICRO

Publications

Cutting Through the Fog: Financial Literacy and Financial Investment Choices, with M. Nieddu

JOURNAL OF THE EUROPEAN ECONOMIC ASSOCIATION, forthcoming, DOI: 10.1093/jeea/jvz081

- Abstract: This paper examines the impact of financial literacy on the individual propensity to invest in financial assets. In a laboratory experiment with a two-by-two design, we study how the certainty equivalent of a risky lottery changes when varying the lottery framing and the participants' financial literacy level. We find that presenting the lottery as a financial asset – whose payoffs need to be computed from a given return rate – rather than as a simple coin toss reduces the average value participants assign to the lottery by approximately 20% and lowers their understanding of the lottery's structure. Enhancing financial literacy by explaining the basic financial concepts involved in the description of the financial-asset lottery, offsets the negative effects of the financial framing: it improves respondents' understanding of the lottery and increases the certainty equivalent. Our results – which can be rationalized by ambiguity aversion – shed new light on the linkages between financial literacy and financial investment behavior. Additionally, they highlight the importance of promoting financial education to stimulate households' financial market participation.

Real Effects of Sovereign Debt Inflow Shocks, with T. Williams

AEA PAPERS AND PROCEEDINGS, 2020, Volume 110, Pages: 511-515., DOI: 10.1257/pandp.20201010

- Abstract: This paper analyzes the real effects on firms of sovereign debt inflow shocks in emerging countries. We follow Broner, Martin, Pandolfi and Williams (2019), and exploit six episodes of country inclusions into two major local currency sovereign debt indexes. We complement their evidence by analyzing real variables, and find that government-related and financial firms experience larger growth in income, employment, and dividends, relative to tradable firms, in the three years following sovereign debt inflow shocks. Our findings suggest that capital inflows to sovereign debt markets can hamper exports and benefit financial and service-based firms, thus reshaping the domestic economy.

Capital Flows and Sovereign Debt Markets: Evidence from Index Rebalancings, with T. Williams

JOURNAL OF FINANCIAL ECONOMICS, 2019, Volume 132, Issue 2, Pages: 384-403. DOI: 10.1016/j.jfineco.2018.10.008

- Abstract: We analyze how capital flows into the sovereign debt market affect government bond prices, liquidity and exchange rates. To address endogeneity concerns, we construct a measure of informationless capital Flows Implied by (mechanical) Rebalancings (FIR) in the largest emerging markets local currency government debt index. FIR is associated with higher returns and greater depth in the sovereign debt market after the rebalancings. Also, larger inflows (outflows) are associated with greater currency appreciations (depreciations). Our results highlight the increasing importance of capital flows driven by demand shocks, due to the growing relevance of benchmark indexes as the preferred habitat for institutional investors.

Working Papers

Winners and Losers from Sovereign Debt Inflows, with F. Broner, A. Martin, and T. Williams

NBER WORKING PAPER No. 27772, 2020, National Bureau of Economic Research (NBER), Cambridge, MA.

- Abstract: We study the transmission of sovereign debt inflow shocks on domestic firms. We exploit episodes of large sovereign debt inflows in six emerging countries that are due to the announcements of these countries' inclusion in two major local-currency sovereign debt indexes. We show that these episodes significantly reduce government bond yields and appreciate the domestic currency, and have heterogeneous stock market effects on domestic firms. Firms operating in tradable industries experience lower abnormal returns than firms in non-tradable industries. In addition, financial, government-related, and firms that rely more on external financing experience relatively higher abnormal returns. The effect on financial and government-related firms is stronger in countries that display larger reductions in government bond yields. The effect on tradable firms is stronger in countries where the domestic currency appreciates more. We provide a stylized model that rationalizes these results. Our findings shed novel light on the channels through which sovereign debt inflows affect firms in emerging economies.

Bail-in vs. Bailout: Friends or Foes?

CSEF WORKING PAPERS 499, 2018, Centre for Studies in Economics and Finance (CSEF), University of Naples, Italy.

- **R&R** (2nd round) at *Management Science*
- Abstract: This paper analyzes the effects of bail-in policies on banks' funding cost, incentives for loan monitoring, and financing capacity. In a model with moral hazard and two investment stages, a full bail-in turns out to be, *ex post*, the optimal policy to deal with failing banks. As a consequence, however, investors expect bail-ins rather than bailouts. *Ex ante*, this raises banks' cost of debt and depresses bankers' incentives to monitor. When moral hazard is severe, this time inconsistency leads to a credit market collapse unless the government pre-commits to an alternative resolution policy. The optimal policy is either a combination of bail-in and bailout or liquidation, depending on the severity of moral hazard and the shadow cost of the partial bailout.

The Effectiveness of Promotion Incentives for Public Employees: Evidence from Italian Academia, with M. Nieddu

CSEF WORKING PAPERS 507, 2018, Centre for Studies in Economics and Finance (CSEF), University of Naples, Italy.

- Abstract: This paper investigates how promotion incentives affect the productivity of high-skilled public employees. In a fuzzy regression discontinuity design, we exploit the three bibliometric thresholds of the first round of the 2012 National Scientific Qualification (NSQ), the centralized evaluation procedure awarding the eligibility for career advancements in Italian universities. Specifically, we compare the 2013-2016 research productivity of assistant professors who barely achieve the qualification for associate professor with the productivity of candidates who barely miss it. The former have the incentive to enrich their publication records in order to meet the higher requirements for the full professor qualification by the following round of the NSQ. Conversely, the latter first need to re-apply for the associate professor qualification, thus facing lower promotion thresholds. We find that barely qualified scholars publish significantly more papers – and in journals of comparable quality – than their unsuccessful colleagues. The relationship between the increase in publications and the distance from the expected thresholds for the full professor qualification is inverted-U shaped: promotion incentives are mostly effective when the promotion threshold is neither too difficult nor too easy to meet. Our results emphasize the importance of promotion incentives as an effective tool for public management to enhance the productivity of state personnel. They also provide novel evidence on the responsiveness of scholars to publication-based hiring and promotion schemes.

Work In Progress

Choking Under Pressure and Risk Aversion: Evidence from Football Penalties, with M. Nieddu

Implicit Guarantees and Political Connections

Books & Book Chapters

Economia dei Mercati Finanziari with M. Pagano, and G. W. Puopolo

IL MULINO, 2020. <https://www.mulino.it/isbn/9788815287977>

Conference & Seminar Presentations

- 2020 **XXI Workshop on Quantitative Finance**, Naples (Italy)
- 2019 **Seminar**, LUISS University, Rome (Italy)
- 2019 **Seminar**, Bank of Italy, Rome (Italy)
- 2019 **15th CSEF-IGIER Symposium on Economics and Institutions**, Capri (Italy)
- 2019 **Padova Applied Economics Workshop**, Padova (Italy)
- 2018 **European Winter Meeting of the Econometric Society**, Naples (Italy)
- 2018 **COVIP Workshop on Financial Literacy**, Roma (Italy)
- 2018 **14th CSEF-IGIER Symposium on Economics and Institutions**, Capri (Italy)
- 2018 **MoFIR Workshop on Banking***, Ancona (Italy)
- 2017 **European Winter Meeting of the Econometric Society**, Barcelona (Spain)
- 2017 **CSEF Seminar**, Naples (Italy)
- 2016 **GSE Jamboree***, Barcelona (Spain)
- 2015 **GSE Jamboree**, Barcelona (Spain)
- 2014 **Behavioral Seminar**, UPF, Barcelona (Spain)
- 2014 **Finance Seminar**, UPF, Barcelona (Spain)

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Grants, Awards & Scholarships

- 2018-19 **EIEF Research Grant**, Principal Investigator for the project “The Real Effects of Capital Inflows to Sovereign Debt Markets”, with T. Williams (10.000€)
- STAR Grant**, Member of the research team for the project “Household asset allocation and financial intermediation: the Role of Financial Advice”, funded by University of Naples Federico II and Compagnia di San Paolo (Principal Investigator: Giovanni Walter Puopolo)
- 2018-20
- 2012-13 **Severo Ochoa PhD Track Fellowship**, Awarded by the Barcelona Graduate School of Economics
- 2007-08 **Erasmus Grant**, University of Naples, Federico II

Teaching

UNIVERSITY OF NAPLES

- 2020 **Econometrics I**, (PhD)
- 2020 **Finance Theory, Asset Pricing**, (undergraduate & graduate), Teaching Assistant
- 2019 **Econometrics I**, (PhD)
- 2019 **Finance Theory, Asset Pricing**, (undergraduate & graduate), Teaching Assistant
- 2018 **Finance Theory, Asset Pricing**, (undergraduate & graduate), Teaching Assistant
- 2012 **Finance Theory**, (undergraduate), Teaching Assistant

UNIVERSITAT POMPEU FABRA

- 2016 **Financial Economics, Introduction to Microeconomics, Human Resources**, (undergraduate), Teaching Assistant
- 2015 **Financial Economics, Human Resources**, (undergraduate), Teaching Assistant
- 2014 **Markets and Derivatives, Consumer Behavior**, (undergraduate), Teaching Assistant
- 2013 **Markets and Derivatives**, (undergraduate), Teaching Assistant

Other Activities

ORGANIZATION OF CONFERENCES AND SEMINARS

- 2020 **Co-organizer of the XVI CSEF-IGIER Symposium On Economics and Institutions**, Capri
- 2020-2021 **Co-organizer of the CSEF seminar series**, University of Naples
- 2019-2020 **Co-organizer of the CSEF seminar series**, University of Naples
- 2018-2019 **Co-organizer of the CSEF seminar series**, University of Naples

REFEREEING

Journal of International Economics, Education Sciences

Languages & Computer Skills

Italian (mother tongue) **English** (fluent) **Spanish** (fluent) **Catalan** (basic)

Stata, Office, LaTeX, Matlab, Python

References

PROF. XAVIER FREIXAS
Department of Economics and Business
Universitat Pompeu Fabra
08005, Barcelona - Spain
✉ xavier.freixas@upf.edu

PROF. MARCO PAGANO
Department of Economics and Statistics
University of Naples, Federico II
80126, Naples - Italy
✉ marco.pagano@unina.it

PROF. JOSE LUIS PEYDRO
Department of Economics and Business
Universitat Pompeu Fabra
08005, Barcelona - Spain
✉ jose.peydro@upf.edu