Lorenzo **Pandolfi**

Ph.D.

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

lorenzo.pandolfi@unina.it

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Current Position

Senior Assistant Professor of Economics (RTDb) *2020-present*
Department of Economics and Statistics
University of Naples, Federico II *Naples, Italy*

Research Fellow *2017-present*
Center for Studies in Economics and Finance (CSEF) *Naples, Italy*

Previous Positions

Postdoctoral Research Fellow *2017-2020*
University of Naples, Federico II
Center for Studies in Economics and Finance (CSEF) *Naples, Italy*

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

Bail-in and Bailout: Friends or Foes?
Management Science, forthcoming, DOI: 10.1287/mnsc.2020.3883

- Abstract: This paper analyzes the effects of bail-in and bailout 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 a failing bank. Unlike a bailout, it allows the government to recapitalize the bank without resorting to distortionary taxes. 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 in which productive projects are not financed, unless the government pre-commits to an alternative resolution policy. The optimal policy is either a combination of bail-in and bailout – in which the government uses a minimal amount of public transfers to lower banks' cost of debt – or liquidation, depending on the severity of moral hazard and the shadow cost of the partial bailout.

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

JOURNAL OF INTERNATIONAL ECONOMICS, 2021, Volume 130, 103446, DOI: 10.1016/j.jinteco.2021.103446

(Revised version of NBER WP 27772)

- Abstract: We study the effects of sovereign debt inflows on domestic firms. To do so, we exploit episodes of large sovereign debt inflows, which follow the announcements of the inclusion of six emerging countries into major sovereign debt indexes. We find that these events reduce government bond yields, appreciate the domestic currency, and have heterogeneous stock-market effects on domestic firms. Firms operating in tradable industries experience lower returns than firms in non-tradable industries. In addition, financial firms, government-related firms, and firms that rely more on external financing experience higher 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 that display stronger appreciations. 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 countries.

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

JOURNAL OF THE EUROPEAN ECONOMIC ASSOCIATION, 2021, Volume 19, Issue 1, Pages: 237-274, 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

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.

- **R&R** at *Economic Policy*

- Abstract: We investigate how promotion incentives affect the productivity of a large sample of high-skilled public employees: academics. In a fuzzy regression-discontinuity design, we exploit the three bibliometric thresholds of the 2012 National Scientific Qualification (NSQ), the centralized evaluation procedure regulating career advancements in Italian universities. We compare the 2013-2016 research productivity of assistant professors barely qualified for associate professor – whose next goal becomes meeting the higher thresholds for the full professor qualification – with the productivity of candidates who barely miss the qualification – whose goal remains meeting the associate professor thresholds. We find that barely qualified scholars publish significantly more papers than their non-qualified colleagues, in journals of comparable quality. Our results emphasize the importance of promotion incentives as an effective incentivizing tool in the hands of public management.

Work In Progress

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

Implicit Guarantees and Political Connections

Books

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

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

Conference & Seminar Presentations

2021	**Seminar (online)**, University of Rome “Tor Vergata” (Italy)
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

2020-22	**Marco Fanno Fellowship**, Unicredit Foundation
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€)
2018-20	**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)
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

2021	**Asset Pricing**, (graduate)
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

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