

## BIOGRAPHY

**Nicola Gennaioli** earned his PhD in Economics at Harvard University in 2004. He is Senior Researcher of the Center for Research in International Economics (CREI), Adjunct Professor at Universitat Pompeu Fabra and Research Professor at the Barcelona Graduate School of Economics. He is also a Research Affiliate at CEPR. From 2004-2007 he was Assistant Professor at IIES, Stockholm University. In 2009-2010 he was a Postdoctoral Fellow at Harvard University. In 2009 he obtained an ERC starting grant. His fields of expertise are psychology and economics, finance, political economy and economic development. He has published several articles in major international journals such as *The Quarterly Journal of Economics*, the *Journal of Political Economy*, *The American Economic Review*, the *Journal of Financial Economics*, *The Review of Financial Studies*, the *Journal of the European Economic Association* and the *Journal of Economic Growth*. He is associate editor of *The Review of Economic Studies*, *The Economic Journal*, the *Journal of the European Economic Association*, and the *Journal of Development Economics*.

Selected publications:

§ ["Salience Theory of Choice Under Risk"](#), (with A. Shleifer and P. Bordalo), *The Quarterly Journal of Economics*, forthcoming in 2012.

§ ["Neglected Risks, Financial Innovation, and Financial Fragility"](#), (with A. Shleifer and R. Vishny), *Journal of Financial Economics*, forthcoming in 2012.

§ ["What Comes to Mind"](#), (with A. Shleifer), *The Quarterly Journal of Economics*, 125(4), 1399-1433, 2010.

§ ["Judicial Discretion in Corporate Bankruptcy"](#), (with S. Rossi), *The Review of Financial Studies*, 23(11), 4078-4114, 2010.

§ ["Economics and Politics of Alternative Institutional Reforms"](#), (with F. Caselli), *The Quarterly Journal of Economics*, 123 (3), 1197-1250, August 2008

§ ["The Evolution of Common Law"](#), (with A. Shleifer), *Journal of Political Economy*, 115, 43-68, 2007.

## **PROJECT**

### **European Research Council Starting Grant**

Project acronym:

Project full title: Institutions and Globalization

### **Overview**

Economists have recently shown that developed economies rely on proper institutions for securing property rights, resolving disputes, etc. Scholars have studied the consequences of alternative legal and political institutions, but much remains to be done. One important and unexplored territory concerns the analysis of how national institutions interact in the international arena. This proposal seeks to study this problem from two perspectives. First, how does the quality of a country's national institutions affect its gains from international integration? Second, how does international integration affect a country's institutional reform path? We address the first question by studying, both theoretically and empirically, the impact of national institutions on sovereign risk, namely on the risk that a government unilaterally decides ex-post not to honour its financial obligations with foreigners. While the impact of national institutions on private capital flows has been studied, the role of these same institutions on supporting government debt has so far received scant attention.

As for the second question, we study the impact of political and financial integration on countries' institutional reform. We model two different motivations towards institutional change in an integrated world: a) direct confrontation in wars and b) competition through world financial markets. The general thrust of these analyses is that institutional reform becomes a strategic variable in international competition, creating cross-country externalities that may shed light on observed patterns of institutional convergence, divergence or stagnation. We also consider the role of institutional harmonization in supporting economic integration