

Giorgia Piacentino
Curriculum Vitae

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Education

- Since Sept. 2009* PhD Finance, London School of Economics
- June. 2009* M.Sc. Financial Markets and Intermediaries, *très bien* (first class honours) Toulouse School of Economics
Dissertation: *Strategic Liquidity Supply in an Asymmetric Information Environment with a Risk Averse Entrepreneur*
- Jan. 2006 - June 2008* M.Sc. Economics and Finance, 110/110 *cum laude* and special mention (in the School Annals), Rome Tor Vergata University
Dissertation: *The pricing of interest rate derivatives: a survey of the literature and an estimation of the reserved auction reopening in Italy, France and Belgium*
- Sept. 2002 - Dec. 2005* B.Sc. Economics and Management, 110/110 *cum laude*, Rome Third University

Job Market Paper

How Institutional Investors Relax the Funding Constraints of Equity-Dependent Firms

Working Papers

- The Wall Street Walk when Blockholders Compete for Flows, with Amil Dasgupta, June 2012
- Investment Mandates and the Downside of Precise Credit Ratings, with Jason R Donaldson, May 2012
- OVERRATING AGENCIES: Competition, Collusion, and Regulation, with Jason R Donaldson, June 2011

Teaching Experience at the LSE

- 2012 and 2013* Class teacher for FM212 Principles of Finance (undergraduate)
- 2011 to 2013* Course Support Manager for FM422 Corporate Finance (executive M.Sc.)
- Summer 2010 and 2011* Class teacher for AF250 Finance (summer school)

Awards, Scholarships and Fellowships

- June 2012* Granted the renewal of the Deutsche Bank Fellowships to finance my PhD studies
- June 2011* Awarded one of the two Deutsche Bank Fellowships to finance my PhD studies
- June 2010* Granted the renewal of the scholarships “Giovanna Crivelli” sponsored by the largest Italian bank, Unicredit Group won in 2009

<i>June 2009</i>	Awarded with “Tor Vergata - Sebastiano e Rita Raeli” prize for top performance
<i>Jan. 2009</i>	Awarded with one of the two scholarships “Giovanna Crivelli” sponsored by Unicredit Group. The scholarship provides a grant for being enrolled in a PhD in Finance or Economics in a foreign country
<i>April 2008</i>	Awarded with a prize by Unicredit - Banca di Roma, for being one of the top students of Tor Vergata University
<i>Dec. 2007</i>	Selected as one of the best 40 students of Tor Vergata University to take part in the Tutorship Program
<i>Sept. 2005</i>	Awarded with a prize equal to the university fees for completion of first university degree in due time and <i>cum laude</i>

References

Dr Ulf Axelson, Department of Finance, London School of Economics, u.axelson@lse.ac.uk

Dr Amil Dasgupta, Department of Finance, London School of Economics, a.dasgupta@lse.ac.uk

Paper Abstracts

“How Institutional Investors Relax the Funding Constraints of Equity-Dependent Firms” (Job Market Paper)

Delegated portfolio managers have replaced individual investors as the main financial speculators and capital providers. It is well understood that such managers respond to different incentives than individuals: they are motivated by career concerns rather than by portfolio returns alone. Does this matter for financing of equity-dependent firms? Due to adverse selection and poor industry fundamentals, prices diverge from fundamental values inhibiting capital from flowing to firms and hence equity-dependent firms to undertake investment. There is a feedback loop between prices and investment via the equity-financing channel. Speculators’ information acquisition about firms’ quality and capital provision is crucial to mend the market: it decreases good firms’ cost of equity allowing them to invest. But often only career-concerned speculators can help. Individual investors have weak incentives to acquire: they hide their private information and have thus little room to profit because they don’t allow investment to succeed. Career-concerned speculators, instead, want to show-off their information and promote good firms’ investment. Even though they behave as endogenous noise traders, they make prices informative when it counts for investment. Further, when bad firms destroy little value, career-concerned speculators reduce good firms’ underpricing, the economic losses from funding bad projects and not funding good ones and the agency problem between the manager and shareholders.

“The Wall Street Walk when Blockholders Compete for Flows” with Amil Dasgupta

An important recent theoretical literature argues that the threat of exit can be an effective form of governance when the blockholder is a principal. However, delegated portfolio managers hold a significant fraction of equity blocks. How do agency frictions arising from such delegation affect the ability of blockholders to govern via the threat of exit? Fund managers are often subject to short-term flow-performance relationships and differ in their relative flow-sensitivities. We show that when blockholders are sufficiently flow-sensitive, exit will fail as a disciplining device. Our result generates testable implications across different classes of funds: only those funds who have relatively high powered incentives will be effective in using exit as a governance mechanism. We also show that the threat of exit can complement shareholder voice, and thus provide a potential explanation for the empirically observed variation across different types of portfolio managers’ use of voice.

“Investment Mandates and the Downside of Precise Credit Ratings” with Jason R Donaldson

In a problem of delegated portfolio choice, competitive risk-averse agents offer a risk-averse investor contracts depending on portfolio weights and final wealth as well as a public signal—for example an asset’s credit rating. The optimal contract is affine in wealth and implements both efficient investment and optimal risk-sharing for each realization of the public signal, but agents’ competition drives them to write the public signal into their contracts and prevent risk-sharing over it, a result reminiscent of Hirshleifer (1971). We comment on applications to asset managers’ investment mandates and advocate regulation of credit rating agencies to prohibit their publishing information in forms conducive to inclusion in rigid contracts.

“Overrating Agencies: Competition, Collusion, and Regulation” with Jason R Donaldson

We model the rating agencies’ assessment of corporate securities issues with competitive, profit-maximizing agencies certifying issuers whose project choice depends on the value they can fetch for their issue in the market, namely on their anticipated rating. We begin our analysis with a static monopolistic setting and progressively expand it to end up studying repeated issues and endogenously colluding agencies. In the static environment where there is only one issue a monopolistic agency always overrates to maximize its profits. Since good firms anticipate that the credit rating agencies will make them unable to distinguish themselves by pooling them with bad ones, they pass over positive NPV investment opportunities. Competition ameliorates the situation: Rating agencies are not only honest but cheap, setting prices equal to marginal costs à la Bertrand competition. Firms undertake all good investment opportunities. However, when rating agencies interact repeatedly they are liable to collude. Our main result rests on the number of good investment opportunities in the market. When they are plentiful, like at the beginning of an economic upturn, rating agencies are honest and good firms innovate. Credit rating agencies set their fees so high, however, that some firms with positive NPV projects stay out of the market to avoid the cost of being rated. At the height of the boom, however, after new investments have dried up, ratings agencies start to overrate and firms thus stop investing. We show the amplifying effect rating agencies had in the last crisis: First investment opportunities waned in accordance with the business cycle, and then ratings agencies’ practices changed resulting in a further choking off of investment and fomenting economic collapse.