

SALVATORE MIGLIETTA

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Education

MAY 2010	PhD in Business Administration, University of Southern California
JULY 2001	MSc in Quantitative Finance and Insurance, Bocconi University
JUNE 2000	BA in Business Management, Bocconi University

Employment

August 2010 -	Assistant Professor of Finance, BI Norwegian School of Management
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Working Papers and Work in Progress

Working Papers

“Incentive Contracts and Status Concerned agent”.

ABSTRACT: Traditionally in economics the actions of agents have been viewed as driven exclusively by individuals’ interest in their own wealth. Nonetheless experimental evidence shows that agents enjoy being richer than their peers or, in other words, agents are interested in their status within a group. In this work I derive the optimal linear contract in a moral hazard problem where agents are risk averse and are concerned about how much they are compensated relative to their colleagues. I show that in presence of such relative wealth concerns 1) it is optimal for the principal to offer a compensation schedule linked to the overall firm or team performance, even when each agent’s performance is observable, contractible and independent on the actions taken by his/her colleagues, 2) Relative Performance Evaluation is less desirable for the principal.

“Incentives and Relative Wealth Concerned Agents: Theory and Evidence”

ABSTRACT: In this paper I show that if agents are risk averse and they prefer not only to be richer in absolute terms but also to be richer than their peers (relative wealth concerns), then 1) they will prefer a payoff positively correlated with the payoffs of other agents, and 2) they will be averse to negative correlation between payoffs. First, I show theoretically that these two results hold true if an agent’s utility function is concave and additively separable in absolute and relative wealth. Subsequently, I test the theoretical results through a laboratory experiment. When subjects move from a stand alone status to a status where they are matched with another subject, I find that they choose more frequently a random and positively correlated payoff over a risk free payoff. In addition, in the experiment I allow for payoff observability between agents in order to detect whether a participant has relative wealth concerns. I find that if a subject observes other subjects’ payoffs, she will be less likely to choose a payoff negatively correlated with other agents’ payoffs. Finally, women appear to be concerned about other subjects’ payoffs more than men.

Work in Progress

“Is Ignorance Bliss?: The Impact of Status Concerns on the Optimality of Wage Secrecy and Disclosure Policies”.

Honors and Awards

Marshall School of Business Doctoral Fellowship, 2004-2009.

Bocconi University Fellowship for Study Abroad, 2004-2006.

Graduated as a top student (distinction awarded) in the Master in Quantitative Finance and Insurance, Bocconi University, 2001.

Teaching Experience

University of Southern California

Lecturer, undergraduate class:

- Business Finance, Summer 2007.

Teaching Assistant, PhD classes:

- Selected Issues in Economic Theory, Prof. Anthony Marino, Fall 2006.
- Empirical Research Methods in Finance, Prof. Christopher Jones, Spring 2007.
- Selected Issues in Economic Theory II, Prof. Heikki Rantakari, Spring 2009.

Bocconi University

Teaching Assistant, undergraduate classes:

- Financial Mathematics, Fall 2003 and Spring 2004.

Work Experience

07/01-08/03 ***Unicredit Banca Mobiliare (UBM)***, Milan, Italy.

Associate, Corporate Derivatives Desk: Structuring Derivatives for Corporate Risk Management.