BANCA D'ITALIA
EUROSISTEMA

New Research at the Bank of Italy

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Highlights

Workshop: "Pigou or Hobbes? Budgetary Choices of Local Governments in Italy" (Rome, 14-15 November 2011).

A reflection on the role of political variables and institutional aspects in identifying the determinants of spending, taxation and borrowing by local governments is particularly urgent for Italy, in the light of decentralization. The empirical evidence for Italy is still sparse and fragmentary. The workshop was designed to help fill this gap. Several papers on the political economy of local public finances were discussed, with a focus on Italian institutional peculiarities. The results should be helpful in shaping the public debate and public policies on these issues in the years to come.

Conference: "The Economy of the North East of Italy" (Padua, 24 November 2011).

The conference, organised by the Bank of Italy and hosted by the University of Padua, focused on economic developments in the region and sought explanations for the poor performance in the recent past. The conference was preceded by a research seminar, held at Fondazione CUOA in Altavilla Vicentina on 23-24 November 2010. The seminar papers analysed the manufacturing system, firms' strategies and internationalization, industrial districts, the banking system, innovation incentives, local public finance and the education system.

The papers can be consulted here.

Workshop: "Methodological Insights on National and International Surveys on Student Assessment" (Rome, 25 November 2011).

Organised jointly with the National Institute for the Evaluation of the Education System (INVALSI), the workshop focused on the current trends in the performance of Italian students as measured both in OECD PISA surveys and in national anchored student assessments.

The workshop programme is available here (in Italian only).

Fifth BI-CEPR Conference on Money, Banking and Finance (Rome, 14-15 December 2011).

The 2011 conference focused on macroprudential policies, regulatory reform and macroeconomic modelling.

The conference programme is available here.

Tenth "Brucchi Luchino" Labour Economics Workshop (Rome, 15-16 December 2011).

The event, organised jointly with leading scholars in the field, featured twelve presentations and two poster sessions. Topics included the relationship between education, health and lifetime earnings, the impact of firms' ownership structure on their human resources management policies, the sorting of workers across firms, and the effects of liberalizing professional services. Ian Walker (Lancaster University), the keynote speaker, discussed "The Returns to

Majors", assessing the potential impact on enrolment and graduation of the recent reforms of higher education in the UK.

The workshop programme and presentations are available here.

Workshop: "Financial Determinants of Exchange Rates" (Rome, 21 December 2011).

The workshop, organised jointly with the European Central Bank, provided a forum for innovative research by central bank and academic economists. An informal round table was held after the presentations, providing an informed view on forthcoming work on exchange rates from different angles: academia, policy makers and the private sector.

Workshop: "The New Italian Balance of Payments and International Investment Position Statistics" (Rome, 24 January 2012).

In October 2011, the revised time series of balance of payments and international investment position for the periods prior to the end of 2007 were released on the Bank of Italy's Statistical database. This release completes a process which lasted more than two years and was originated by a major change in the data collection system. Almost all the items of the international investment position and balance of payments (except goods and travel) have been revised. The workshop was designed to explain to users and to the academic world the main methodological changes and to present the stylized economic facts that emerged from the revised data.

Workshop: "Value Added Measures for Schools" (Rome, 31 January 2012).

The workshop, organised jointly with the National Institute for the Evaluation of the Education System (INVALSI), focused on the construction and use of indicators measuring the contribution of individual schools to their students' learning and skills.

Conference: "The Transformation of Local Production Systems in Italy" (Bologna, 31 January-1 February 2012).

The conference, organised jointly with the Department of Economics of the University of Bologna, analysed the characteristics and evolution of local production systems in Italy in relation to the profound changes and the external shocks of the last fifteen years.

The conference programme is available here (in Italian only).

Forthcoming events

On 22 February 2012, the Bank of Italy will host the workshop "Banche e imprese in Italia: evidenze su governo societario, networks e accesso al credito".

The gathering will discuss recent research at the Bank of Italy on the effects of networks, interlocking directorates and political influence on the cost and availability of credit. Participation is by invitation only.

The preliminary programme is available here.

On 12-13 April 2012, the Associazione Carlo Giannini, the Italian Econometric Association (SIdE) and the Bank of Italy will host the "Third International Conference in memory of Carlo Giannini".

The focus of the conference will be on recent developments in macroeconomic modelling and the assessment of structural policies. The conference will comprise two one-day sessions, each consisting of an invited presentation and seven papers; all papers will be assigned to a discussant. A poster session is also planned.

Further information is available here.

On 12-13 April 2012, EIEF will host the second edition of the "Workshop on Structural Approaches to Industry Dynamics, Trade and Productivity".

Co-funded with COST, the workshop will bring together researchers in industry dynamics and productivity to discuss recent developments in the field.

The call for papers is available here.

On 27-28 April 2012, EIEF will host the conference "Economics of Interactions and Culture".

Jointly organised with ERC, La Sapienza University of Rome and CEPR, the conference will discuss recent research on the role of cultural traits, beliefs and social norms in shaping the functioning of institutions and legal systems. Further information will be provided on the EIEF website.

The call for papers is available here.

On 10-11 September 2012, EIEF will host the Conference "New Developments in Econometrics and Time Series" organised by the Collaborative Research Center 823 "Statistical modelling of nonlinear dynamic processes" and ECARES.

More information is available here.

Latest working papers

No. 850: **Mapping local productivity advantages in Italy: industrial districts, cities or both?** (January 2012)

Valter Di Giacinto, Matteo Gomellini, Giacinto Micucci and Marcello Pagnini

We compare the magnitude of local productivity advantages associated with two different spatial concentration patterns in Italy – urban areas and industrial districts. The former have high population density and host a wide range of economic activities, while the latter are marked by a high concentration of small firms producing relatively homogenous goods. Using data from a large sample of Italian manufacturing firms observed over the 1995-2006 period, we detect local productivity advantages for both urban areas and industrial districts. However, firms located in urban areas reap a larger productivity premium than those operating within districts. The advantages of industrial districts have declined over time; those of urban areas have remained stable. Differences in the composition of firm employees between white- and blue-collars explain a small fraction of the urban productivity premium. The quantile regressions show how more productive firms gain larger benefits by locating in urban areas. Our analysis raises the question of whether Italian industrial districts are less fit than urban areas to prosper in a world characterized by advancing globalization and the growing use of ICT.
(full pdf text)

No. 849: **The role of financial investments in agricultural commodity derivatives markets** (January 2012)

Alessandro Borin and Virginia Di Nino

This paper investigates the relationship between futures prices and financial investments in derivatives of the main agricultural commodities. We first provide a broad picture of how these markets function and how they have evolved, showing that traders who deal mostly in commodity index investments (swap dealers) have gained

However, traditional financial market participants (money managers) still show the stronger (simultaneous) correlation with price movements. Our main empirical analysis aims to gauge the influence of financial investors' positions on both the level and the volatility of futures prices. The Granger-causality tests suggest that speculative investments usually follow – rather than precede – variations in futures returns. Employing a GARCH model, we find that the activity of money managers tends to be associated with lower volatility of futures returns, while that of swap dealers is sometimes followed by higher price variations.
(full pdf text)

No. 848: **Bank balance sheets and the transmission of financial shocks to borrowers: evidence from the 2007-2008 crisis** (January 2012)

Emilia Bonaccorsi di Patti and Enrico Sette

We use Italian data on bank lending to firms to study the transmission of shocks affecting bank balance sheets to the volume and cost of credit granted to business borrowers and to the probability of banks accepting loan applications from new borrowers during the 2007-2008 financial crisis. The identification of the credit-supply effect is based on a difference-in-difference approach because: a large number of firms in Italy borrow from more than one bank; the shocks to the wholesale funding market were exogenous to Italian banks; and Italian banks were affected to a varying extent by the crisis depending on their funding structure. Results indicate that supply conditions worsened most for the banks that were most exposed to the interbank market and for those that made the most use of securitization. While the initial capital position of banks did not significantly affect their lending, the deterioration of bank capitalization as proxied by charge-offs and profitability had a significant impact. Furthermore, our results suggest that bank capital influenced lending indirectly, with higher capital reducing the elasticity of lending to the shocks on the funding side.
(full pdf text)

No. 847: **Forecasting economic activity with higher frequency targeted predictors** (January 2012)

Guido Bulligan, Massimiliano Marcellino and Fabrizio Venditti

In this paper we explore the performance of bridge and factor models in forecasting quarterly aggregates in the very short-term subject to a pre-selection of monthly indicators. Starting from a large information set, we select a subset of targeted predictors using data reduction techniques as in Bai and Ng (2008). We then compare a Diffusion Index forecasting model as in Stock and Watson (2002), with a Bridge model specified with an automated General-To-Specific routine. We apply these techniques to forecasting Italian GDP growth and its main components from the demand side and find that Bridge models outperform naive forecasts and compare favorably against factor models. Results for France, Germany, Spain and the euro area confirm these findings.
(full pdf text)

No. 846: **Welcome to the machine: firms' reaction to low-skilled immigration** (January 2012)

Antonio Accetturo, Matteo Bugamelli and Andrea Lamorgese

We assess the impact of low-skilled immigration on capital intensity. We first present a model characterized by frictions in the labor market and firms' asymmetric information on workers' skills and show that firms can react to the immigration-induced reduction of their workforce's skill level by increasing the capital-labor ratio. We test the predictions of the model on a sample of Italian manufacturing firms over the period 1996-2007, finding that increased immigration of low-skilled workers from developing countries, measured at the provincial level and instrumented with pre-existing enclaves of immigrants and network effects, raises capital intensity. In line with the predictions of the theoretical model, the impact of immigration, which is quite robust across empirical specifications, is stronger for larger firms and in skill-intensive sectors.
(full pdf text)

No. 845: **Do wealth fluctuations generate time-varying risk aversion? Italian micro-evidence on household asset allocation** (January 2012)

Giuseppe Cappelletti

Data from the Italian Survey of Households Income and Wealth (SHIW) are used to study portfolio allocations change in response to fluctuations in wealth. In particular I test for the prediction of models with habit formation that changes in liquid wealth will affect households' risk aversion and risky asset investment. After controlling for the decision to enter and leave the risky asset market, I find, in contrast with other studies (Brunnermeier and Nagel, 2008 and Chiappori and Paiella, 2008), that changes in wealth do help to explain changes in asset allocation. (full pdf text)

No. 844: **How sticky are local expenditures in Italy? Assessing the relevance of the "flypaper effect" through municipal data** (January 2012)

Elena Gennari and Giovanna Messina

An extensive literature analyses the impact of upper-tier transfers on the spending behaviour of lower level governments. According to the median voter framework, a transfer from the centre should act as a lump sum grant to residents and thus be spent by jurisdictions in the same proportion as residents are willing to spend their own money on public goods and services. But the actual local expenditure response to central government transfers is stronger than predicted by the theory, giving rise to the "flypaper effect". Using the database on municipal accounts, and various other information sources, this work aims at assessing the size of the effect for Italian municipalities and the symmetry in the local expenditure response to central government transfers. Our dataset enables us also to investigate the role of some political factors. We find a sizeable effect and a remarkable asymmetric response of municipal expenditures to central government transfers as well as a significant role for political variables.
(full pdf text)

No. 843: **Wealth effects in emerging economies** (January 2012)

Alessio Ciarlone

In this paper I estimate the impact of changes in real and financial wealth – proxied by house and stock market prices – on private consumption for a panel of sixteen emerging economies in Asia and Central and Eastern Europe. Using recent econometric techniques for heterogeneous panels, i.e. the pooled mean group estimator, inference is drawn about the long- and short-run relationship between the variables of interest. Both real and financial wealth are found to affect household consumption positively in the long-run, with the elasticity of housing wealth being greater than that of stock market wealth.When the model is run separately for the two groups of countries, the long-run impact of an increase (decrease) in house prices is generally greater in Central and Eastern European economies than in Asian ones, which make the former more vulnerable to further adverse developments in the housing market. (full pdf text)

No. 842: **Expected inflation and inflation risk premium in the euro area and in the United States** (January 2012)

Marcello Pericoli

This paper uses the celebrated no-arbitrage affine Gaussian term structure model applied to index-linked and standard government bonds to derive expected inflation rates and inflation risk premia, in the euro area and in the US. Maximum likelihood estimates show that the model describes the evolution of the nominal and real term structures by using three latent factors which can be interpreted as two real factors and one inflation factor. These provide important information on expected inflation and inflation risk premia. The results highlight some striking differences between the euro area and the US. In the US, forward inflation risk premia become sizable around the start of the late-2000s financial crisis and considerably increase just before the adoption of the first unconventional monetary policy measures in March 2009. By contrast, in the euro area forward inflation risk premia remain unchanged even after the adoption of the unconventional monetary policy measures following the most acute phases of the financial crisis, in October 2008 and in May 2010. However, long-term inflation expectations have been well anchored over the past years. (full pdf text)

No. 841: **Real term structure and inflation compensation in the euro area** (January 2012)

Marcello Pericoli

Estimates of the real term structure for the euro area implied by French index-linked bonds are obtained by means of a smoothing spline methodology. The real term structure allows computation of the constant-maturity inflation compensation, which is compared with the surveyed inflation expectations in order to obtain a rough measure of the inflation risk premium. The comparison between the inflation compensation and the inflation swap shows that the two variables are closely interlinked but differently affected by illiquidity during periods of stress. The methodology used in this paper is quite effective at capturing the general shape of the real term structure while smoothing through idiosyncratic variations in the yields of index-linked bonds. Real interest rates tend to be quite stable at longer horizons and the average 10-year real rate from 2002 to 2009 is close to 2 per cent. Furthermore, evidence is found that inflation compensation was held down in the period 2008-09 by an increase in the liquidity premium of index-linked bonds. (full pdf text)

No. 840: **Ranking, risk-taking and effort: an analysis of the ECB's foreign reserves management** (January 2012)

Antonio Scalia and Benjamin Sahel

The investment of the ECB reserves in US dollars and yen involves an annual performance assessment of portfolio managers, located in the Eurosystem's national central banks. Employing new data on individual portfolios during 2002-2009, we study this peculiar tournament and show the existence of risk-shifting behaviour by reserve managers related to their year-to-date ranking: interim losers increase relative risk in the second half of the year, in the same way as mutual fund managers. In the dollar case the adjustment to ranking is reduced or offset if reserve managers have achieved a positive interim performance against the benchmark. Yen reserve managers that rank low show a tendency to increase effort, as proxied by portfolio turnover. Those who ranked low in the previous year tend to reduce risk significantly. Since reserve managers should have a comparative advantage over the benchmark within a monthly horizon, possible enhancements to the design of the tournament might involve an increased reward for effort and performance by means of a convex scoring system linked to monthly, rather than annual, performance. (full pdf text)

No. 839: **The effects of fiscal shocks with debt-stabilizing budgetary policies in Italy** (November 2011)

Francesco Caprioli and Sandro Momigliano

We study the effects of fiscal policy on macroeconomic developments in Italy over the period 1982-2010 with a Structural Vector Autoregression (SVAR) model. We include public debt and impose the government budget constraint in the estimation. In contrast with previous research we also include foreign demand, significantly improving estimation accuracy. We find that movements in debt induce stabilizing reactions in fiscal policy. In this context, expenditure and revenue shocks have significant effects on economic activity; these are stronger, as well as more precisely estimated and robust, for expenditure. Expenditure multipliers are higher when we exclude from our sample the initial years and, in particular, when we focus on the post-Maastricht period. (full pdf text)

No. 838: **Households' saving in China** (November 2011)

Riccardo Cristadoro and Daniela Marconi

This paper studies the determinants of Chinese households' saving. Domestic saving in China is the highest in the world in terms of GDP and it is mirrored in a large and persistent current account surplus. First, we show that notwithstanding the rising contribution of government and firms to national savings, they stand out because of households' behaviour. Our econometric analysis proceeds from the work of Modigliani and Cao (2004) that explained rising personal saving in China within the life-cycle hypothesis. We prove that their explanation is insufficient. Then, using panel data and exploiting differences among provinces and between urban and rural households, we show that there is a significant dissimilarity in savings decisions in urban and rural areas and that motives other than those envisaged in the life-cycle model might play a major role, above all precautionary savings and liquidity constraints. Our results suggest that to reduce the propensity to save of Chinese households it is necessary to improve the provision of social services and to facilitate access to credit. (full pdf text)

No. 837: **The effects of financial and real wealth on consumption: new evidence from OECD countries** (November 2011)

Riccardo De Bonis and Andrea Silvestrini

In this paper we present new estimates of the effect of households' financial and real wealth on consumption. The analysis makes reference to eleven OECD countries and takes into account quarterly data from 1997 to 2008. Unlike most of the previous literature on European countries, we measure financial wealth using quarterly harmonized data on households' financial assets and liabilities, which have been gleaned from the flow of funds. For comparison, we also employ national share price indices as a proxy for financial wealth. We rely on 1) standard static panel and 2) single-country level autoregressive distributed lag estimations. Furthermore, we implement a recent econometric approach that allows for more flexible assumptions in the non-stationary panel framework under consideration. Our results show that both net financial wealth and real wealth have a positive effect on consumption. Overall, the influence of net financial assets is stronger than that of real assets. (full pdf text)

No. 836: **Bayesian analysis of coefficient instability in dynamic regressions** (November 2011)

Emanuela Ciapanna and Marco Taboga

This paper proposes a Bayesian regression model with time-varying coefficients (TVC) that makes it possible to estimate jointly the degree of instability and the time-path of regression coefficients. Thanks to its computational tractability, the model proves suitable to perform the first (to our knowledge) Monte Carlo study of the finite-sample properties of a TVC model. Under several specifications of the data generating process, the proposed model's estimation precision and forecasting accuracy compare favourably with those of other methods commonly used to deal with parameter instability. Furthermore, the TVC model leads to small losses of efficiency under the null of stability and it is robust to mis-specification, providing a satisfactory performance also when regression coefficients experience discrete structural breaks. As a demonstrative application, we use our TVC model to estimate the exposures of S&P 500 stocks to market-wide risk factors: we find that a vast majority of stocks have time-varying risk exposures and that the TVC model helps to forecast these exposures more accurately. (full pdf text)

No. 835: **Why are the 2000s so different from the 1970s? A structural interpretation of changes in the macroeconomic effects of oil prices in the US** (November 2011)

Olivier Blanchard and Marianna Riggi

In the 1970s, large increases in the price of oil were associated with sharp decreases in output and large increases in inflation. In the 2000s, even larger increases in the price of oil were associated with much milder movements in output and inflation. Using a structural VAR approach, Blanchard and Gali (2009) argued that this reflected a change in the causal relation from the price of oil to output and inflation. They then argued that this change could be due to a combination of three factors, namely, a smaller share of oil in production and consumption, lower real wage rigidity and better monetary policy. Their argument, based on simulations of a simple new-Keynesian model, was informal. Our purpose in this paper is to take the next step, and to estimate the explanatory power and contribution of each of these factors. To do so, we use a minimum distance estimator that minimizes, over the set of structural parameters and for each of two samples (pre- and post-1984), the distance between the empirical SVAR-based impulse response functions and those implied by a new-Keynesian model. Our empirical results point to an important role for all three factors. (full pdf text)

No. 834: **A method to estimate power parameter in Exponential Power Distribution via polynomial regression** (November 2011)

Daniele Coin

The Exponential Power Distribution (EPD), also known as Generalized Error Distribution (GED), is a flexible symmetrical unimodal family belonging to the exponential family. The EPD becomes the density function of a range of symmetric distributions with different values of its power parameter B. A closed-form estimator for B does not exist, so the power parameter is usually estimated numerically. Unfortunately the optimization algorithms do not always converge, especially when the true value of B is close to its parametric space frontier. In this paper we present an alternative method for estimating B, based on the Normal Standardized Q-Q Plot and exploiting the relationship between B and the kurtosis. It is a direct method that does not require computational efforts or the use of optimization algorithms. (full pdf text)

No. 833: **Electoral rules and voter turnout** (November 2011)

Guglielmo Barone and Guido de Blasio

The paper investigates the effect of electoral rules on voter turnout. It focuses on Italian municipalities, where voting schemes are differentiated by the size of the city: a single ballot system applies to municipalities with less than 15,000 inhabitants, while a dual ballot system is in place above that threshold. By exploiting this discontinuity, the paper finds that the dual ballot increases participation at the local polls, with an estimated effect of about 1 percentage point. The increase in voter turnout is associated with wider political representation, politicians of higher quality, greater fiscal discipline, and more robust local development. Finally, we document that the higher political participation triggered by local electoral rules extends to nationwide voting contexts. (full pdf text)

No. 832: **Investment forecasting with business survey data** (November 2011)

Leandro D'Aurizio and Stefano Iezzi

Business investment is a very important variable for short- and medium-term economic analysis, but it is volatile and difficult to predict. Qualitative business survey data are widely used to provide indicators of economic activity ahead of the publication of official data. Traditional indicators exploit only aggregate survey information, namely the proportions of respondents who report "up" and "down". As a consequence, neither the heterogeneity of individual responses nor the panel dimension of microdata is used. We illustrate the use of a disaggregate panel-based indicator that exploits all information coming from two yearly industrial surveys carried out on the same sample of Italian manufacturing firms. Using the same sample allows us to match exactly investment plans and investment realisations for each firm and so estimate a panel data model linking individual investment realisations to investment intentions. The model generates a one-year-ahead forecast of investment variation that follows the aggregate dynamics with a limited bias. (full pdf text)

Other recent working papers

October 2011

No. 831: Antonio Di Cesare, Philip A. Stork and Casper G. de Vries
Risk measures for autocorrelated hedge fund returns

No. 830: Sandra Gomes, Pascal Jacquinot, Matthias Mohr and Massimiliano Pisani
Structural reforms and macroeconomic performance in the euro area countries: a model-based assessment

No. 829: Leonardo Gambacorta and Paolo Emilio Mistrulli
Bank heterogeneity and interest rate setting: what lessons have we learned since Lehman Brothers?

No. 828: Maura Francese and Marzia Romanelli
Healthcare in Italy: expenditure determinants and regional differentials

No. 827: Valter Di Giacinto
Foreign trade, home linkages and the spatial transmission of economic fluctuations in Italy

No. 826: Massimiliano Affinito
Do interbank customer relationships exist? And how did they function in the crisis? Learning from Italy

No. 825: Michela Braga, Marco Paccagnella and Michele Pellizzari
Evaluating students' evaluations of professors

September 2011

No. 824: Domenico Depalo and Raffaela Giordano
The public-private pay gap: a robust quantile approach

No. 823: Guglielmo Barone
On the optimal size of local jurisdictions: new evidence from Italian provinces

No. 822: Ivan Faiella
The demand for energy of Italian households

No. 821: Alessandro Carboni
The sovereign credit default swap market: price discovery, volumes and links with banks' risk premia

No. 820: Valentina Aprigliano
The relationship between the PMI and the Italian index of industrial production and the impact of the latest economic crisis

No. 819: Antonio De Socio
The interbank market after the financial turmoil: squeezing liquidity in a "lemons market" or asking liquidity "on tap"

No. 818: Francesca Modena and Concetta Rondinelli
Leaving home and housing prices. The experience of Italian youth emancipation

No. 817: Alessio Anzuini and Fabio Fornari
Macroeconomic determinants of carry trade activity

Latest occasional papers

No. 111: **Access to credit in times of crisis: measures to support firms and households** (January 2012)

Laura Bartiloro, Luisa Carpinelli, Paolo Finaldi Russo and Sabrina Pastorelli

The financial crisis that started in August 2007 has led to a worsening in the conditions of credit supply to customers. Since the second half of 2008, several measures have been adopted in order to sustain access to credit for both firms and households, such as debt moratoria, provisions of guarantees on specific types of loans, and various forms of incentives to increase the supply of lending. The initiatives aimed at firms have been sizeable, involving financial resources up to as much as 5 per cent of total bank loans granted between the beginning of 2009 and September 2011. The corresponding value for households has been more modest, slightly above 1 per cent; this is mainly because of the strict qualification requirements applied to some of the initiatives and to their limited financial endowment. (full pdf text - in Italian only)

No. 110: **Starting a business in Italy: recent reforms to cut time and costs** (November 2011)

Roberta Occhilupo

Regulatory complexity and bureaucracy inefficiencies increase the time needed and the cost of starting a business and therefore reduce the competitiveness of a country. Since the early 1990s Italy, in the same way as other developed countries, has been trying to introduce some reforms to boost the efficiency of general government and reduce bureaucracy. This has only been partially successful results. In 2010 two new reforms were introduced. The first allows an entrepreneur to start a business by electronically filing a form (named SCIA, Segnalazione Certificata di Inizio Attività) declaring that the firm complies with all the legal requirements. The SCIA replaces ex ante with ex post public administration controls. The second reform improves the local one-stop-shops regulation (the SUAP, Sportello Unico per le Attività Produttive). This paper evaluates the effectiveness of the two reforms. The time required and the cost of starting a business can be effectively reduced only if the administrative simplification tools are coupled with other reforms that eliminate unnecessary regulatory barriers, rationalize regulation, and reorganize the public administration. (full pdf text - in Italian only)

No. 109: **The protection of industrial inventions: analysis of the regulation and policy evaluation** (November 2011)

Daniele Sabbatini

The Italian and European regulatory framework for patents would benefit from further improvements in order to foster dynamic competition between Italian firms. At the national level the exclusive allocation of the right to patent inventions to universities, rather than to researchers, would promote better commercial exploitation. At the European level a more integrated system of protection (provision of a single patent that is valid in all Member States, the abolition of translation requirements, a unitary system of fees, and the integration of the litigation system) is essential to lower costs and expand the geographic scope of the protection, thus fostering dynamic competition. Further improvements in the language requirements are needed. The objective of reducing the cost of patenting inventions without raising costs for competitors would be better achieved were English

the sole official language of the system (instead of the present choice between English, French and German), to make it easier for competitors to know which is the valid version of the patent.
(full pdf text - in Italian only)

No. 108: **Structural change and human capital in Italy's productive economy** (November 2011)

Roberto Torrini and Fabiano Schivardi

We study the role of human capital in the restructuring of the Italian economy. The share of university graduates in the population has long been far lower in Italy (12 per cent in 2007) than in the rest of Europe (24 per cent). The 3+2 reform of Italian degree programmes has significantly increased the supply of graduates, mostly absorbed by the private sector. Firm-level evidence shows that the growth in graduate employment is due almost entirely to a "within" firm component rather than to a shift of the productive structure from low to high human capital activities. We also find that a higher share of university graduates at local level is positively associated with restructuring activities and with productivity growth. This suggests that increasing the workforce's level of educational attainment is crucial to overcome the stagnation in productivity that has characterized the Italian economy since the mid-nineties. (full pdf text - in Italian only)

Other recent occasional papers

October 2011

No. 107: Emanuela Ciapanna and Concetta Rondinelli
Retail sector concentration and price dynamics in the euro area: a regional analysis

No. 106: Fabrizio Borselli
Organised VAT fraud: features, magnitude, policy perspectives

No. 105: Paolo Emilio Mistrulli, Valerio Vacca (coordinators), Gennaro Corbisiero, Silvia Del Prete, Luciano Esposito, Marco Gallo, Mariano Graziano, Maurizio Lozzi, Vincenzo Maffione, Daniele Marangoni, Andrea Migliardi and Alessandro Tosoni
Mutual guarantee institutions and small business credit during the crisis

No. 104: Laura Bartiloro
Is your money safe? What Italians know about deposit insurance

No. 103: Pierluigi Bologna
Is there a role for funding in explaining recent US bank failures?

September 2011

No. 102: Martina Cecioni, Giuseppe Ferrero and Alessandro Secchi
Unconventional monetary policy in theory and in practice

July 2011

No. 101: Paolo Pinotti and Riccardo Settimo
Does aid buy votes?

Historical series of the Bank of Italy: latest volume

Italian Foreign Trade, 1862-1950

Giovanni Federico, Sandra Natoli, Giuseppe Tattara and Michelangelo Vasta

This volume reconstructs the data on Italy's foreign trade from the country's unification until 1950. Foreign trade has always been at the very heart of the debate on economic policy, especially due to its interconnections with growth. From the outset, the new state aimed at registering its trade interchange as accurately as possible. The official sources offer a massive volume of data, although they are difficult to access and use. The present research maximizes the sources' potentialities: homogeneous series have been reconstructed by means of the Standard International Trade Classification (SITC), which has led to the new classification of over 6,000 categories of products surveyed by the Italian Customs Authorities between 1862 and 1950. The volume also contains the long-run series of total trade and those comparing the ten main commercial partners, as well as the import and export series for the most important categories of products. Finely disaggregated data will be downloadable from the Bank of Italy's website. The introduction of the volume analyses the first eighty years of Italy's foreign trade. (full pdf text - in Italian only)

Selection of recent journal articles and books by Bank of Italy staff

Authors in boldface: Bank of Italy

(full list since 1990)

Forthcoming

Affinito M., "Do interbank customer relationships exist? And how did they function in the crisis? Learning from Italy", *Journal of Banking and Finance.* (WP No. 826)

Bonci R., "The effects of monetary policy in the euro area: first results from the flow of funds", in R. De Bonis and A.F. Pozzolo (eds.), *The Financial Systems of Industrial Countries,* Springer-Verlg Berlin Heidelberg.

Buono I. and G. Lalanne, "The effect of the Uruguay Round on the intensive and extensive margins of trade", *Journal of International Economics.* (WP No. 743)

Blanchard O. J. and **M. Riggi**, "Why are the 2000s so different from the 1970s? A structural interpretation of changes in the macroeconomic effects of oil prices", *Journal of the European Economic Association.* (WP No. 835)

Cocozza E. and **P. Piselli**, "Testing for East-West contagion in the European banking sector during the financial crisis", in R. Matoušek; D. Stavárek (eds.), *Financial Integration in the European Union,* Taylor & Francis. (WP No. 790)

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