BANCA D'ITALIA
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New Research at the Bank of Italy

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Seminars at the Bank of Italy

€-coin

The real time indicator of the euro-area economy

Highlights

Seminar on "Internationalization of Italian firms"

(Perugia, 3-4 May 2013).

Organized by the Bank of Italy, the Seminar brought together experts from ministries, international and governmental institutions, and universities to discuss the preliminary results of a research project covering a wide range of topics relating to the theme of the conference. The Seminar consisted of six sessions each focusing on a different topic: measurement of international activity; characteristics of multinational firms, learning by internationalizing; the impact of the crisis; the links between finance, trade and FDI; and the role of public policy in promoting exports and FDI. It was concluded by a round table. The final results of the research project will be presented and discussed in a public conference to be hosted by the Bank of Italy in February 2014.

Workshop "Look frictions in the face" (Hicks, 1935): Monetary policy in the presence of micro-founded market frictions

(Rome, 6-7 June 2013).

Organized by the Bank of Italy, the Workshop brought together experts from central banks and universities for an overview of the recent theoretical and empirical work related to the literature on "New Monetary Economics", in which incomplete markets, search frictions and limited commitment naturally give rise to an environment in which media of exchange are clearly defined. The Workshop focused on the interaction between credit markets and monetary policy actions, the effects of monetary policy operations that change both the composition and the size of central bank's balance sheet, and the role of market frictions in exchange processes to explain the impact of conventional and unconventional open market operations. The Workshop ended with a panel session on the relative pros and cons of the New Keynesian and New Monetary frameworks from a monetary policy perspective, posing the question whether a synthesis between the two approaches that combines their respective strengths is feasible and beneficial for monetary policy analysis.

Workshop on "Lending by multinational banks and implications for financial stability and integration"

(Rome, 10 June 2013).

Organized by the Bank of Italy, the Workshop brought together experts from central banks, international institutions and universities to provide an overview of the most recent empirical work on multinational banks and on the financial linkages among the countries where they operate, and to discuss current developments in their supervision and regulation. The Workshop featured two sessions of contributions and a panel session. The studies presented in first session focused on foreign banks' lending patterns during the global financial crisis, their possible determinants and their effects on the real economy and on trade. The second session examined the role played by multinational banks during the sovereign debt crisis. The participants in the panel session examined the prospects of multinational banks from different viewpoints, first presenting an overview of these banks' activity in Emerging Europe and then discussing the current and possible future developments in supervision and regulation, with a focus on the European Banking Union initiative and on the Federal Reserve's Intermediate Holding Company proposal.

Conference: "2nd Rome Junior Conference on Macroeconomics"

(Rome, 17-18 June 2013).

Organized and hosted by EIEF, the Conference brought together junior macro economists from around the world to discuss recent research in a friendly and highly interactive environment. The conference papers explored and analyzed macro-financial issues relating to the crisis as well as more theoretical topics.

The conference programme is available here.

Workshop: "Fourth Carlo Giannini Ph.D. Workshop in Econometrics"

(Rome, 20 June 2013).

Jointly organized with the "Associazione Carlo Giannini", this event was designed for doctoral students and post-doctoral researchers with a specialization in macroeconometrics and time series econometrics and aimed to introduce them to the Italian econometric profession.

The workshop programme and related material are available here.

Workshop: "13th Doctoral Workshop in Economic Theory and Econometrics (MOOD 2013)"

(Rome, 1-3 July 2013).

Jointly organized with the Bank of Italy and Collegio Carlo Alberto, with financial support from the Royal Economic Society and the Journal LABOUR, and hosted by EIEF, this annual event is designed to stimulate interaction between senior economists and doctoral students. The presenters, all Ph.D. students who are expected to be on the job market in 2014, received constructive feedback from the highly qualified audience, including professors visiting EIEF.

The workshop programme and related material are available here.

Among the latest Occasional papers there are several studies dealing with the role of women in the Italian economy. The Bank of Italy has conducted a research project on this issue, culminated with the Conference "Women and the Italian Economy", held at the Bank of Italy in March 2012 and bringing together policy makers and experts from universities and governmental institutions.

The results of this research project have been also summarised in the Bank of Italy's Annual Report for 2011.

Forthcoming events

On 20-21 September 2013, EIEF will host a Conference on "Household Finance", co-organized with the Center on Sustainable Architecture for Finance (SAFE) at Goethe University, Frankfurt, and the Swedish House of Finance (SHoF) .

Further information is available here.

On 23-24 September 2013, a Conference on "The Sovereign Debt Crisis and the Euro Area" will be held at the Bank of Italy in Rome. The Conference will discuss recent analyses of the relationship between the sovereign debt crisis in the euro area and the financial markets, banking systems and economies of the euro area.

Further information is available here.

Latest working papers

No. 926: **The procyclicality of foreign bank lending: evidence from the global financial crisis** (July 2013)

Ugo Albertazzi and Margherita Bottero

We exploit highly disaggregated bank-firm data to investigate the dynamics of foreign vs. domestic credit supply in Italy around the period of the Lehman collapse, which brought a sudden and unexpected deterioration of economic conditions and a sharp increase in credit risk. Taking advantage of the presence of multiple lending relationships to control for credit demand and risk at the individual-firm level, we show that foreign lenders restricted credit supply (to the same firm) more sharply than their domestic counterparts. Based on a number of exercises testing alternative explanations for such procyclicality, we find that it mainly reflects the (functional) distance between a foreign bank's headquarters and the Italian credit market.
Full text (pdf)

No. 925: **Down and out in Italian towns: measuring the impact of economic downturns on crime** (July 2013)

Guido de Blasio and Carlo Menon

The paper investigates the effect of local economic conditions on crime. The study focuses on Italy's local labor markets and analyzes the short-term response of crime to the severe slump of 2007-2009. It shows that the downturn led to a significant increase in economic-related offenses that do not require particular criminal skills or tools (namely, thefts); on the other hand, for offenses for which specific skills and criminal experience are essential (say, robberies) the impact of the crisis was negative. The results also suggest that: i) labor market institutions (i.e. wage supplementary schemes and pro-worker contractual arrangements) had a role in slowing down the effect of the economy on crime; ii) the link between the downturn and crime was weaker in areas where the presence of organized crime is relatively more intensive.
Full text (pdf)

No. 924: **Trade elasticity and vertical specialisation** (July 2013)

Ines Buono and Filippo Vergara caffarelli

This paper shows that vertical specialisation can increase the elasticity of trade to income, hence explaining dramatic events such as the great trade collapse. We argue that a change in the extent of vertical specialisation affects the elasticity of trade to income, while a mere change in global production levels for a given extent of vertical specialisation does not. In the model we show that only large demand shocks induce firms to vary the extent of vertical specialisation. Using panel data starting from the late 1990s that include the 2008-09 global crisis, we consistently find that the correlation between trade elasticity and vertical specialisation increases precisely in years of large demand shocks, such as the ICT euphoria and the great trade collapse. Full text (pdf)

No. 923: **Do euro area countries respond asymmetrically to the common monetary policy?** (July 2013)

Matteo Barigozzi, Antonio Maria Conti and Matteo Luciani

We investigate the possible existence of asymmetries among Euro Area countries' reactions to the European Central Bank monetary policy. Our analysis is based on a Structural Dynamic Factor model estimated on a large panel of Euro Area quarterly variables. Although the introduction of the euro has changed the monetary transmission mechanism in the individual countries towards a more homogeneous response, we nevertheless find that differences remain between Northern and Southern Europe in terms of prices and unemployment. These results are the consequence of country specific structures, not of European Central Bank policies. Full text (pdf)

No. 922: **Marshallian labor market pooling: evidence from Italy** (July 2013)

Monica Andini, Guido de Blasio, Gilles Duranton and William C. Strange

This paper employs a unique Italian data source to take a comprehensive approach to labor market pooling. It jointly considers many different aspects of the agglomeration - labor market relationship, including turnover, learning, matching, and hold up. It also considers labor market pooling from the perspective of both workers and firms and across a range of industries. Overall, the paper finds some support for theories of labor market pooling, but the support is weak. Specifically,there is a general positive relationship of turnover to local population density, which is consistent with theories of agglomeration and uncertainty. There is also evidence of on-the-job learning that is consistent with theories of labor pooling, labor poaching, and hold up. In addition, the paper provides evidence consistent with agglomeration improving job matches. However, the labor market pooling gains that we measure are small in magnitude and seem unlikely to account for a substantial share of the agglomeration benefits accruing to Italian workers and firms. Full text (pdf)

No. 921: **Should monetary policy lean against the wind? An analysis based on a DSGE model with banking** (July 2013)

Leonardo Gambacorta and Federico Maria Signoretti

The global financial crisis has reaffirmed the importance of financial factors for macroeconomic fluctuations. Recent work has shown how the conventional pre-crisis prescription that monetary policy should pay no attention to financial variables over and above their effects on inflation may no longer be valid in models that consider frictions in financial intermediation (Cúrdia and Woodford, 2009). This paper analyzes whether Taylor rules augmented with asset prices and credit can improve upon a standard rule in terms of macroeconomic stabilization in a DSGE with both a firms' balance-sheet channel and a bank-lending channel and in which the spread between lending and policy rates endogenously depends on banks' leverage. The main result is that, even in a model in which financial stability does not represent a distinctive policy objective, leaning-against-the-wind policies are desirable in the case of supply-side shocks whenever the central bank is concerned with output stabilization, while both strict inflation targeting and a standard rule are less effective. The gains are amplified if the economy is characterized by high private sector indebtedness. Full text (pdf)

No. 920: **Tracking world trade and GDP in real time** (July 2013)

Roberto Golinelli and Giuseppe Parigi

This paper proposes a simple procedure to obtain monthly assessments of short-run perspectives for quarterly world GDP and trade. It combines emerging and advanced countries' high frequency information to explain quarterly national accounts variables through bridge models. The union of all bridge equations leads to our world bridge model (WBM). The WBM econometric approach is new for two reasons: its equations combine traditional short-run bridging with theoretical level-relationships; it is the first time that forecasts of world GDP and trade are computed for advanced and emerging countries on the basis of a real-time database of 7,000 time series. Although the performance of the equations that are automatically searched for should be taken as a lower bound, results show a better WBM forecasting ability than the benchmark case and confirm the usefulness of combining WBM real-time forecasts with preliminary releases to improve the prediction of world trade. Finally, we show that the (unrealistic) use of revised data leads to a systematic overstatement of model forecasting performance. Full text (pdf)

No. 919: **Skill upgrading and exports** (July 2013)

Antonio Accetturo, Matteo Bugamelli and Andrea Lamorgese

This paper analyzes the effects of international trade on the relative demand for skilled workers in Italian local labor markets. We find that exports cause a sizable skill upgrading in the labor force by increasing the average level of education of the workforce and the share of white-collars workers. Full text (pdf)

No. 918: **Macroeconomic effects of precautionary demand for oil** (July 2013)

Alessio Anzuini, Patrizio Pagano and Massimiliano Pisani

We evaluate the macroeconomic effects of shocks specific to the oil market, which mainly reflect fluctuations in precautionary demand for oil driven by uncertainty about future supplies. A two-stage identification procedure is used. First, daily changes in the futures-spot spread proxy for precautionary demand shocks and the path of oil prices is estimated. This information is then exploited to restrict the oil price response in a VAR. Impulse responses suggest that such shocks reduce output and raise prices. Historical decomposition shows that they contributed significantly to the U.S. recessions in the 1990s and in the early 2000s, but not to the most recent slump. Full text (pdf)

No. 917: **Relationship and transaction lending in a crisis** (July 2013)

Patrick Bolton, Xavier Freixas, Leonardo Gambacorta and Paolo Emilio Mistrulli

We study how relationship lending and transaction lending vary over the business cycle. We develop a model in which relationship banks gather information on their borrowers, which allows them to provide loans for profitable firms during a crisis. Due to the services they provide, operating costs of relationship banks are higher than those of transaction banks. In our model, where relationship banks compete with transaction banks, a key result is that relationship banks charge a higher intermediation spread in normal times, offering continuation-lending at more favourable terms than transaction banks to profitable firms in a crisis. Using detailed credit register information for Italian banks before and after the Lehman Brothers' default, we are able to study how both types of bank responded to the crisis and we test existing theories of relationship banking. Our empirical analysis confirms the basic prediction of the model that relationship banks charged a higher spread before the crisis, offered more favourable continuation-lending terms in response to the crisis, and suffered fewer defaults, thus confirming the informational advantage of relationship banking.
Full text (pdf)

No. 916: **The effect of organized crime on public funds** (June 2013)

Guglielmo Barone and Gaia Narciso

Organized crime is widely regarded as damaging to the economy, to say nothing of people's lives. Yet little is known about the mechanism at work. This paper helps fill the gap by analyzing the impact of organized crime on the allocation of public subsidies to businesses. We assemble an innovative data set on Italian mafia crimes at municipal level and test whether organized crime diverts public funding. We exploit exogenous variations at the level of municipalities to instrument current mafia-style activity by using exogenous shifters of land productivity in the 19th century. Our results show that the presence of organized crime positively affects both the extensive margin (probability of funding) and the intensive margin (amount of public funding to enterprises). The impact is economically relevant and equal to at least one standard deviation of the dependent variable. Organized crime is also found to cause episodes of corruption in the public administration. A series of robustness checks confirm the findings. Our results suggest that geographically targeted aid policies should be careful to take local crime conditions into account.
Full text (pdf)

No. 915: **Local development that money can't buy: Italy's Contratti di Programma** (June 2013)

Monica Andini and Guido de Blasio

The paper evaluates the effectiveness of a major Italian place-based policy (Contratti di Programma), by means of which the state approves and finances industrial projects proposed by private firms. Using the areas to be exposed to the same policy at a later date as counterfactuals, the study finds little evidence of it having had a positive effect. It estimates a limited impact on plant and employment growth rates, which is confined to a small area (a single municipality) and crowds out the economic growth of the surrounding areas.
Full text (pdf)

No. 914: **When the baby cries at night. Inelastic buyers in non-competitive markets** (June 2013)

Giacomo Calzolari, Andrea Ichino, Francesco Manaresi and Viki Nellas

We study an inflow of buyers who are less elastic because they lack both time and information. Theory predicts that sellers increase prices to expand surplus appropriation, even if marginal costs are non-

increasing, but this effect weakens as market competition intensifies. Data from Italian pharmacies confirm these predictions. Monthly fluctuations in the number of newborns at the city level generate exogenous changes in the number of less elastic buyers (the parents) who consume hygiene products demanded by more experienced and elastic consumers as well. We estimate that the number of newborns has a positive effect on equilibrium prices even with non-increasing marginal costs. We exploit legislation that fixes the number of pharmacies that should serve a city as a function of the existing population. Using RDD meglio scriverlo per esteso, we find that an increase in competition has a significant and negative effect on the capacity of sellers to extract surplus from less elastic buyers.
Full text (pdf)

No. 913: **Forward-looking robust portfolio selection** (June 2013)

Sara Cecchetti and Laura Sigalotti

In this paper we develop a portfolio optimization strategy based on the extraction of option-implied distributions and the application of robust asset allocation. We compute the option-implied probability density functions of the constituents of the Euro Stoxx 50 Index. To obtain the corresponding risk-adjusted densities, we estimate the risk aversion coefficient through a Berkowitz likelihood test. The correlation structure among the stocks is computed via an ad hoc technique, which provides a correction term for the historical correlations. We implement a robust portfolio construction, in order to incorporate the uncertainty about the estimation error for the expected returns in the optimization procedure.
Full text (pdf)

No. 912: **Tempered stable Ornstein-Uhlenbeck processes: a practical view** (June 2013)

Michele Leonardo Bianchi, Svetlozar T. Rachev and Frank J. Fabozzi

We study the one-dimensional Ornstein-Uhlenbeck (OU) processes with marginal law given by the tempered stable and tempered infinitely divisible distributions proposed by Rosinski (2007) and Bianchi et al. (2010b), respectively. In general, the use of non-Gaussian OU processes is impeded by difficulty in calibration and simulation. Accordingly, we investigate the law of transition between consecutive observations of OU processes and - with a view to practical applications - evaluate the characteristic function of integrated tempered OU processes in three cases: classical tempered stable, variance gamma, and rapidly decreasing tempered stable. Then we analyze how one can draw a random sample from this class of processes using both the classical inverse transform algorithm and an acceptance-rejection method based on the simulation of a stable random sample. Finally, with a maximum likelihood estimation method based on the fast Fourier transform, we assess the performance of the simulation algorithm empirically.
Full text (pdf)

Other recent working papers

April 2013

No. 911: Trust and preferences: evidence from survey data
Giuseppe Albanese, Guido de Blasio and Paolo Sestito

No. 910: Geography, productivity and trade: does selection explain why some locations are more productive than others?
Antonio Accetturo, Valter Di Giacinto, Giacinto Micucci and Marcello Pagnini

No. 909: Credit supply during a sovereign debt crisis
Marcello Bofondi, Luisa Carpinelli and Enrico Sette

No. 908: Asking income and consumption questions in the same survey: what are the risks?
Giulia Cifaldi and Andrea Neri

No. 907: Public-private wage differentials in euro area countries: evidence from quantile decomposition analysis
Domenico Depalo, Raffaela Giordano and Evangelia Papapetrou

No. 906: Price discovery in the Italian sovereign bonds market: the role of order flow
Alessandro Girardi and Claudio Impenna

No. 905: Family firms and the Great Recession: out of sight, out of mind?
Leandro D'Aurizio and Livio Romano

No. 904: Pure or wake-up-call contagion? Another look at the EMU sovereign debt crisis
Raffaela Giordano, Marcello Pericoli and Pietro Tommasino

February 2013

No. 903: Limited credit records and market outcomes
Margherita Bottero and Giancarlo Spagnolo

No. 902: Evaluating the efficacy of European regional funds for R&D
Davide Fantino and Giusy Cannone

No. 901: Banking consolidation and bank-firm credit relationships: the role of geographical features and relationship characteristics
Enrico Beretta and Silvia Del Prete

No. 900: The causal effect of credit guarantees for SMEs: evidence from Italy
Alessio D'Ignazio and Carlo Menon

Latest occasional papers

No. 194: **Industry in the South of Italy and the Crisis** (July 2013)

Raffaello Bronzini, Luigi Cannari, Alessandra Staderini (coordinators), Laura Conti, Leandro D'Aurizio, Alessandro Fabbrini, Andrea Filippone, Giuseppe Ilardi, Giovanni Iuzzolino, Pasqualino Montanaro, Marco Paccagnella, Valeria Pellegrini and Raffaele Santioni

In the last decade, and especially in the course of the recent global economic slowdown, the gap between southern and northern industry has widened. Industrial investment and employment decreased more sharply in the South than in the rest of Italy, and the contribution of the southern regions to the total industrial value added diminished. In this report we analyse southern industry micro- and macro-economically, showing that the area suffers from the same structural problems that affect the Italian economy overall, but more severely: small firm size, specialization in relatively low-tech sectors, and scant innovation and internationalization. Although the weaknesses prevail over the strengths, there are signs of vitality for some local productive systems and types of firms, mainly large enterprises.
Full text (pdf), in Italian only

No. 193: **The Italian Industrial System between Globalization and Crisis** (July 2013)

Antonio Accetturo, Antonio Bassanetti, Matteo Bugamelli, Ivan Faiella, Paolo Finaldi Russo, Daniele Franco, Silvia Giacomelli and Massimo Omiccioli

This paper describes recent developments in the Italian industrial system and investigates the main factors affecting its competitiveness. Our analysis provides a picture of widespread weaknesses. Production levels in all industries are lower than those before the crisis; with the exception of the pharmaceutical and the food industries, the magnitude of production losses is alarming. These trends are indicative of a long-term decline that is shaping both the "traditional" industries (textile, clothing and leather products) as well as those that take advantage of complex technologies and achieve significant economies of scale (electronic products and motor vehicles). Our study links unsatisfactory productivity gains and the loss of international competitiveness to the difficulties of our industries to adapt to changes in the international economy during the last two decades; This has been due to factors that are both internal and external to firms' activities and which are affecting the technological and organizational progress of the whole economic system. Full text (pdf), in Italian only

No. 192: **Female entrepreneurship and government policy: evaluating the impact of subsidies on firms' survival** (June 2013)

Elena Gennari and Francesca Lotti

This paper assesses the effectiveness of Law 215/1992, an incentive scheme intended to boost female entrepreneurship in Italy. Under the law, which was only implemented in 1997 and remained in force for a decade, the allocation of subsidies among the regions was inversely proportional to their female labour market participation rates. Focussing on the subsidies for start-ups, we analyze survival patterns of subsidized versus non-subsidized firms. We find that subsidized firms show higher survival rates than non-subsidized firms for a period of up to five years after incorporation. After five years the survival patterns are very similar, leading us to conclude that the incentive scheme had no permanent effect on the subsidized firms but only produced a "honeymoon effect".
Full text (pdf)

No. 191: **Taxation and labor force participation: the case of Italy** (June 2013)

Fabrizio Colonna and Stefania Marcassa

Women's labor force participation is lowest in Italy among the OECD countries. Moreover, the participation rate of married women is positively correlated with their husbands' income. We show that high tax rates together with tax credits and transfers raise the burden for two-earner households, generating disincentives to work. We estimate a structural labor supply model for women and use the estimated parameters to simulate the effects of alternative revenue-neutral tax systems. We find that joint taxation implies a drop in the participation rate. Conversely, provisions for a working tax credit and gender-based taxation boost it; the effects of the former are concentrated among women with little schooling. Full text (pdf)

No. 190: **A gender equality index for the Italian regions** (June 2013)

Monica Amici and Maria Lucia Stefani

A gender gap indicator is constructed for the Italian regions, with the aim of highlighting the geographical differences underlying Italy's backwardness at European and international level. The indicator, which adapts the Gender Equality Index developed by Plantenga et al. (2009) for 25 European countries, considers four dimensions: work (counting both employment and unemployment), income, political and economic representation and use of time. The indicator can be interpreted as a gauge of the progress made towards gender equality. A limited number of regions, led by Piedmont and Emilia Romagna, are approximately half-way down the path, while a larger group is positioned around the Italian average, i.e. one-third down the path. By contrast, all the southern regions (except Sardinia) lag far behind. Overall, the value of the indicator in 2010 does not differ significantly compared with 2005. Full text (pdf)

No. 189: **Regional laws and policies for the participation of women in the labour market** (June 2013)

Maria Lucia Stefani (editor)

The constitutional reforms of 2001 and 2003 empowered the Italian regions to enact legislation aimed at removing barriers to effective gender equality. The laws they have adopted in this field are often fragmented – only in a few cases do they form a consistent, comprehensive framework – and the general lack of monitoring and absence of an effective sanctioning system make enforcement deficient. Policies for employment, for entrepreneurship and for work-life balance also differ widely among the regions. With the crisis, policies for female employment have generally been subsumed under the more general framework of support for disadvantaged workers, particularly with participation in the PARI and Welfare to Work programmes. Women have benefited extensively from these programmes, albeit with differences from region to region. Policies for entrepreneurship remain more female-oriented. Despite coordination between the central government and the regions, Italy remains far from the European targets for childcare provision and the North-South gap has not narrowed. Full text (pdf), in Italian only

No. 188: **The evolution of gender legislation in Italy and Europe** (June 2013)

Monica Marcucci and Maria Iride Vangelisti

The work describes the evolution of the Italian legislation on equal opportunities and compares the current legal framework with those in other European jurisdictions and the gender policies of the European Community. The aim is to identify the regulatory initiatives taken elsewhere that could help improve the condition of women in Italy. The study suggests that the existing gaps in gender equality among countries are mainly related to rule enforcement, which in turn reflects the extent to which gender issues are lent importance in the society's dominant value system. This highlights the need for appropriate mechanisms to ensure the effective implementation of the "gender mainstreaming" principle (statistics, gender budgeting, ombudspeople, media and education programs). As to more specific gender policies, ad hoc measures are needed to promote a cultural shift in the division of tasks among men and women (e.g. reforms of parental leave), including measures that affect existing equilibria, so as to remedy the traditional exclusion of women from decision-making processes (e.g. gender quotas). Full text (pdf), in Italian only

No. 187: **Parental time and child outcomes. Does gender matter?** (June 2013)

Daniela Del Boca and Anna Laura Mancini

Using different econometric specifications this paper analyzes the relationship between the time parents spend with their children, child-related expenditure and the results obtained by them, with particular attention to gender differences. The authors use PSID-CDS data from 1997 to 2007 and consider separately boys' and girls' test scores in reading and writing and math and logical reasoning. The amount of time mothers spend with children is always greater than fathers but changes over the life cycle of the children. In fact, the time mothers spend with children decreases as the child grows up and is greater with daughters, while the reverse is true of fathers. The estimates show that the impact of mothers' and fathers' time with children varies considerably with respect to the two cognitive tests, and is considerably greater in the case of highly-educated parents. Full text (pdf)

No. 186: **Are female entrepreneurs better payers than men?** (June 2013)

Daniele Coin

In this article we test whether Italian female entrepreneurs are more reliable payers than men, by carrying out a survival analysis of micro enterprises that utilize a credit for the first time in the period January 2005 to December 2008, and monitoring the quality of their exposure until December 2010. The data were drawn from the Bank of Italy's Central Credit Register, which provides information on the entire Italian population that has loans with the Italian banking system. We observed that female entrepreneurs are better payers than their male counterparts only because women tend to undertake activities in less risky sectors. Our analysis could also be considered as an indirect measure of whether female entrepreneurs experience discrimination when accessing the Italian credit market.
Full text (pdf)

No. 185: **Female entrepreneurs in trouble: do their bad loans last longer?** (June 2013)

Juri Marcucci and Paolo Emilio Mistrulli

We investigate the duration of bad loans for a unique data set of sole proprietorships in Italy, finding that bad loans for female firms last longer. However, this result is mainly due to the fact that loans granted to female firms are less frequently written off than those to male ones, suggesting that for banks female firms might be more creditworthy than male firms. These findings are robust to censoring, alternative specifications of the distribution of bad loan duration and other bank-specific control variables. Full text (pdf)

No. 184: **Firms and gender: performance differentials between male and female firms** (June 2013)

Domenico Depalo and Francesca Lotti

Many empirical analyses find that the performance of firms headed by women (female firms) varies with respect to those headed by men and that the greatest part of this gap is due to observable characteristics (i.e. gender) related to firms' characteristics. In this paper we evaluate whether this finding also holds for Italy in terms of productivity and returns. The classification of firms by gender follows that prescribed in Law 215/92; for the purposes of this paper only partnerships and private and public corporations were considered, the sole legal forms for which balance sheets are available. Whilst male firms operate in almost all sectors, female firms tend to cluster in those areas where interpersonal relations are most important, namely the retail sector, restaurants, hotels etc. In terms of performance, measured by profitability and productivity (and even when controlling by sector and company size), there do not appear to be any significant differences between male and female enterprises. Full text (pdf), in Italian only

No. 183: **Gender complementarities in the labor market** (June 2013)

Giacomo De Giorgi, Marco Paccagnella and Michele Pellizzari

In this paper we estimate the short-run elasticity of substitution between male and female workers, using data on employment and wages from Italian provinces from 1993-2006. We adopt a production function approach similar to that of Card and Lemieux (2001a) and Acemoglu, Autor and Lyle (2004). Our identification strategy relies on a natural experiment. In 2000 the Italian parliament passed a law to abolish compulsory military service; the reform was implemented through a gradual reduction in the number of draftees, and compulsory drafting was definitively terminated in 2004. We use data on the (planned) maximum number of draftees at the national level (as stated in the annual budgetary law), interacted with sex-ratios at birth at the provincial level, as instruments for (relative) female labor supply. Our results suggest that young males and females are imperfect substitutes, with an elasticity of substitution ranging between 1.1 and 1.6. Our results have implications for the evaluation of policies aimed at increasing female labor market participation, suggesting that they do not necessarily displace male employment. Full text (pdf)

No. 182: **The glass drop ceiling: composition effects or implicit discrimination?** (June 2013)

Claudia Biancotti, Giuseppe Ilardi and Clair Lavinia Moscatelli

We analyze data from the Bank of Italy's most recent recruitment rounds, in an effort to explain why men consistently score better than women. We focus on the pre-screening stage of the hiring process, a multiple-choice test, where men acquire a preliminary advantage. After observing a higher incidence of questions left blank for women, and a negative correlation between the share of unanswered questions and the final score, we run an experiment on scoring formulas to check for implicit discrimination linked to risk aversion; no evidence of such discrimination is found. Based on a follow-up questionnaire, we also study the role of composition effects. Nearly 40 per cent of the gap in test scores depends on the quality of the candidates: male graduates appear to self-select into the applicant pool more frequently than females do. A further 34 per cent is explained by the fact that the same characteristics tend to produce different effects based on gender. The remaining 26 per cent remains unexplained. Full text (pdf)

No. 181: **Home or away? Gender differences in the effects of an expansion of tertiary education supply** (June 2013)

Lucia Rizzica

The aim of this paper is to estimate the effects of the expansion of tertiary education supply on the educational choices of young Italian high school graduates. A quasi-experimental setting given by the reform of the tertiary education system implemented in 2001 is exploited. The reform was embraced at different points in time and to different degrees: it created significant changes in local educational supply in certain provinces while being only marginally relevant in others. This geographical variation is exploited through a diff-in-diff strategy to estimate the impact of the increase in tertiary education supply on enrolment and the mobility decisions of high school graduates. Major gender differences emerge: the increase of local tertiary education supply generated a significant increase in female enrolment rates leaving unchanged those of males; men, on the other hand, switched from studying outside their province of residence to studying at the local university. These results would suggest the existence of a relationship of substitutability between studying away from home and studying at the local university for boys, but not for girls. Full text (pdf)

No. 180: **Investing in the youngest: the optimal child care policy** (June 2013)

Francesca Carta

The aim of the paper is to characterize the optimal child care policies (subsidies and state provision), assuming that child care provision affects the child's future abilities. Public intervention is needed since two sources of economic inefficiency are contemporaneously influential: parents do not properly account for the impact of child care on future generations (human capital externalities) and income tax is distortive, hence labour supply is suboptimal. In an optimal income tax model, altruistic parents provide child care either by providing care at home or by paying for it on the market. If the government is able to observe the amount of domestic care provided by parents, it is optimal to subsidize provision of paid child care if only to correct the human capital externality. If, conversely, it is not possible to observe the amount of domestic care, market-provided child care is subsidized, including for redistributive reasons. In fact, an efficiency case for higher child care subsidies to lower income earners arises. State provision of child care may be desirable when market care purchases cannot be observed at the household level. Full text (pdf)

No. 179: **Time use in couples: differences between employed and self-employed workers** (June 2013)

Francesco Franceschi

We study how employed and self-employed workers living as a couple differ in terms of allocation of their time. In particular, we focus on the division of domestic work between men and women. It emerges that the type of job strongly affects the allocation of time of men, whereas it is much less relevant for women. Unobservable characteristics, like preferences for work, rather than the type of job (employed vs. self-employed) seem to matter for the allocation of time of women. In general, Italian data confirm that self-employed workers work longer hours, in particular at nights and during the weekends. When we analyse together the allocation of time of both partners, we find that market and domestic work are more equally distributed within couples where the woman is self-employed. Conversely, when the man is self-employed and the woman is employed the allocation of time is distributed very unevenly. This suggests that the choice of the type of job is a channel through which the allocation of time spent on domestic work within couples is determined.
Full text (pdf), in Italian only

No. 178: **Female labour market participation and cultural variables** (June 2013)

Silvia A. M. Camussi

This article offers a descriptive analysis of the relationship between cultural factors and female participation in the labour market. Using attitudinal variables from the World Value Survey, the correlation between female labour market participation and two aspects of culture (religion and attitudes towards working women) is analysed. The results indicate that where attitudes towards working women are less favourable, women engage less in paid working activities; when the frequency of attendance of religious services is higher there is less participation by women in the labour market. Full text (pdf)

No. 177: **Female firms and banks' lending behaviour: what happened during the great recession?** (June 2013)

Francesca Maria Cesaroni, Francesca Lotti and Paolo Emilio Mistrulli

During the financial crisis banks faced liquidity shocks, and lending slowed down. The reduction in

credit availability was due to demand- and supply-side factors. The decrease in turnover and investment led to a contraction of financial needs; on the other hand, the tightening of credit supply was the result of banks' greater risk-aversion, difficulties in raising funds, and a worsening in the creditworthiness of borrowers. However, banks do not pass on liquidity shocks to borrowers according to a homogenous pattern: by following a pecking order, they first reduce lending to the marginal segment of borrowers to protect their core customers. Previous studies have shown that banks are less prone to lend to female firms than to others: lending to female firms may have suffered more during the crisis than other segments of the credit market. By using data from the Credit Register at the Bank of Italy for the period 2007-2009, we find that women-owned firms faced a more pronounced credit contraction with respect to other firms.
Full text (pdf)

No. 176: **Credit access for female firms: evidence from a survey on European SMEs** (June 2013)

Maria Lucia Stefani and Valerio Vacca

This paper uses ECB survey data to assess whether gender matters in the small firms' financial structure and access to credit. Firms owned or managed by women (female firms) use smaller amounts and less heterogeneous sources of external finance than their male counterparts. According to statistical evidence, female firms have difficulty in accessing bank finance: on the demand side, they apply for bank loans less frequently, as they more often anticipate a rejection; on the supply side, they experience a higher rejection rate. Econometric analysis shows that these different patterns are largely explained by the characteristics (such as business size, age and sector of activity) that make female firms structurally different from those led by men, without leaving room for a significant gender effect. An additional contribution of this paper is to compare the major euro-area countries within a homogeneous framework: weak evidence of gender discrimination appears in the supply of bank loans in Germany, Italy and Spain, while some demand obstacles arise in France.
Full text (pdf)

No. 175: **Women on Italian bank boards: are they "gold dust"?** (June 2013)

Silvia Del Prete and Maria Lucia Stefani

Italy ranks among EU countries with the fewest women on bank boards. Using a rich dataset on Italian banks that combines individual data on bank governance with different measures of performance and risk, this paper analyses the determinants of the gender gap in top positions. Econometric results suggest that there is a "second glass ceiling" as they confirm a significantly lower probability of women holding top decision-making positions (Chairman, CEO, General Manager), other individual characteristics and bank features being equal. Moreover, results show that the number of women at the top is greater a) in banks belonging to the major banking groups, with larger and younger boards; and b) in banks that are more cost efficient or in those with a larger share of risky loans in the past (in need of restructuring). Preliminary evidence from performance equations suggests that the presence of women is negatively correlated with indicators of ex post riskiness, implying that credit policies are more stringent when women are on the board, possibly due to their higher risk aversion.
Full text (pdf)

No. 174: **Women on corporate boards in Italy** (June 2013)

Magda Bianco, Angela Ciavarella and Rossella Signoretti

We examine the presence of women in Italian corporate boards before the introduction of Law 120/2012. We consider all directors of publicly-traded firms in 2008-10 and investigate the potential determinants of having boards with gender-diverse representation and the correlation between female directorship and selected governance measures. Two different models emerge. In the majority of diverse boards at least one of the women has a family connection with the controlling shareholder: family-affiliated women are more frequently found in smaller companies, firms with a concentrated ownership, businesses that operate in the consumer sector and those with larger boards. By contrast, unaffiliated women are more common in widely held companies, companies with younger and more highly educated boards, those with a higher proportion of independent directors and those with fewer "connected" directors. With reference to governance-related outcomes, the number of board meetings is positively correlated with the presence of women on boards, while no difference is found between female and male directors in board meeting attendance. Full text (pdf)

No. 173: **Labour market transitions in Italy: a gender perspective** (June 2013)

Nicola Curci and Vincenzo Mariani

The paper evaluates gender differences in labour market transitions in Italy. Women have a lower employment rate than men, owing to their shorter periods of employment and lower probability of entering into employment. The shorter duration of periods of employment for women is related to a higher incidence of non-permanent jobs compared with men. Italian women remain inactive longer than men, especially when inactivity is for family care reasons. Unemployed women are more likely than unemployed men to drop out of the labour force, owing both to a stronger discouragement effect and to more stringent family care necessities. After the recession began in 2008, gender disparities in employment and inactivity declined, thanks mainly to the reduction in women transitioning from employment to inactivity.
Full text (pdf), in Italian only

No. 172: **The gender wage gap in Italy** (June 2013)

Roberta Zizza

The paper estimates the gender wage gap in Italy, taking into account two salient features of the economy: the low rate of women's labour market participation and the high share of self-employment. It exploits the Bank of Italy's survey on household income and wealth, which contains information making it possible to control for several socio-economic characteristics and provides valid exclusion restrictions for the choice of working versus not working and for the choice of salaried employment versus self-employment. The wage gap is found to be increasing over time; in 2008 it was equal to 13 per cent. The paper also exploits newly available data from the Eurostat Structure of Earnings Survey to investigate to what extent the performance-pay component of the wage (i.e. bonuses) explains the total gap. Both the overall gap and that in bonuses are found to be significant, even for workers with the same occupation in the same firm. However, the contribution of the gap in bonuses to the overall gap is negligible, given the small share of bonuses in total earnings.
Full text (pdf)

No. 171: **Women and the Italian economy** (June 2013)

Magda Bianco, Francesca Lotti and Roberta Zizza

Gender gaps in the labour market, in boardrooms and in wages are still significant in Italy. This paper, which summarizes the main results of a research project aimed at identifying the economic consequences of these gaps and their main causes, presents some evidence regarding wage differentials, differences in the gender composition of boards and differentials in access to credit. The causes of these persistent gaps are found both in labour supply and demand factors. Among the former we count the dearth of policies and programmes to reconcile work and family commitments and the lack of flexibility in the workplace; education is also relevant in some respects. Among the latter, we include cultural factors and "implicit" discrimination, i.e. when the labour market rewards traits more commonly found in men even when they have no bearing on specific job requirements. Some policies to narrow gender gaps are discussed: national and regional legislation; subsidies for female entrepreneurship; a tax system that does not discourage female labour supply.
Full text (pdf), in Italian only

No. 170: **The impact of the sovereign debt crisis on bank lending rates in the euro area** (June 2013)

Stefano Neri

Since the early part of 2010 tensions in the sovereign debt markets of some euro-area countries have progressively distorted monetary and credit conditions, hindering the ECB monetary policy transmission mechanism and raising the cost of loans to non-financial corporations and households. This paper makes an empirical assessment of the impact of the tensions on bank lending rates in the main euro-area countries, concluding that they have had a significant impact on the cost of credit in the peripheral countries. A counterfactual exercise indicates that if the spreads had remained constant at the average levels recorded in April 2010, the interest rates on new loans to non-financial corporations and on residential mortgage loans to households in the peripheral countries would have been, on average, lower by 130 and 60 basis points, respectively, at the end of 2011. These results are robust to alternative measures of the cost of credit and econometric techniques. Full text (pdf)

No. 169: **Innovation and government payments in the Italian digital agenda** (June 2013)

Carlo Maria Arpaia, Raffaele Doronzo and Pasquale Ferro

We examine the main items on the European and the Italian Digital Agenda and the rules of the Digital Administration Code, in particular online payments. We then highlight the part played by the Bank of Italy in overall administrative modernization through its role as provider of the State Treasury service. We analyse the latest international studies on e-government, comment on the data from the Bank's survey on local government computerization in order to see how innovation can affect local authorities' online services, and offer some considerations on the outlook for the government payments system. Full text (pdf)

No. 168: **Metrics of innovation: measuring the Italian gap** (June 2013)

Michele Benvenuti, Luca Casolaro and Elena Gennari

The paper surveys the literature on the measurement of innovation activity and evaluates the position of Italy with respect to the other major European countries. Innovation has been measured from different perspectives: the environment in which firms operate, firms' commitment, its outcome. Both traditional and new measures of innovation are considered, using national accounts and survey data. Italy shows the largest gap for measures related to regulatory frameworks, ICT infrastructure and financial support for innovation expenditure. Italian firms stand out for the low level of inputs, especially R&D expenditure and the presence of graduates. The analysis of expenditure by size shows that, in particular, large Italian firms lag behind in the international comparison. Despite these premises, a relatively large share of Italian firms claim to innovate, even if their R&D expenditure is low. In defending intellectual property rights, firms rely more on industrial designs and trademarks than on patents. Overall, the survey confirms that innovation in Italy is more incremental than based on technology and R&D, therefore less able to increase firms' productivity and overall growth. Full text (pdf)

No. 167: **The new framework for the taxation of venture capital in Italy** (June 2013)

Antonella Magliocco and Giacomo Ricotti

This paper examines the current tax policy on venture capital (VC) in Italy, and compares it with the tax incentives adopted by France, Germany, Spain and the UK. The authors analyze ongoing European initiatives to remove tax obstacles to VC in Europe. Focusing on the taxation of VC funds, they also assess whether the requirements for the new Italian tax incentives are consistent with the uniform regulatory standards designated by the 2011 proposal for an EU Regulation on European VC Funds. Finally, in a quantitative analysis, the tax burden on VC investments in Italy is compared with that in other European countries. The results show that the most favourable schemes are in the UK and in France; the effects of the new Italian VC tax incentives are in line with the British and the French schemes. As regards the design of tax incentives, the authors found that as the duration of investment increases, upfront incentives become less effective than capital gains exemptions.
Full text (pdf)

No. 166: **Matching of PATSTAT applications to AIDA firms: discussion of the methodology and results** (June 2013)

Francesca Lotti and Giovanni Marin

This paper is a brief methodological note on the matching of Italian firms in the AIDA database with applicants at the European Patent Office from the PATSTAT database. The need to match data on patent applications with balance-sheet information stems from the importance of patent statistics as a source of information on the innovative performance of firms. Starting from recent efforts to match applicants in PATSTAT with firms in the Bureau van Dijk databases (ORBIS, AMADEUS, FAME), we added an improved cleaning routine to maximize exact matches, followed by an approximate matching based on multiple combination of similarity scores. Starting with 272,475 firms, we matched 49,369 EPO applications in the period 1977-2009. The matching covers 68 percent of EPO applications by Italian firms for the entire period and 89 percent for 2000-2009. Finally, we describe the time, sector, size, geographical location and technology distribution of the matched applications. Full text (pdf)

No. 165: **Insurance corporations and pension funds in OECD countries** (June 2013)

Massimo Coletta and Belen Zinni

Insurance companies and pension funds are part of complex systems of private insurance and public social protection created to reduce the cost of economic hazards. In the current phase of the business cycle, with many OECD countries struggling with low economic growth, high public deficits and debts, ageing populations and expensive welfare systems, private insurance is bound to play an increasing role. The aim of this paper is to provide an overview of the evolution of insurance companies and pension funds in OECD countries over the period 1995-2009. Secondly, it examines the impact of this evolution on households' financial wealth. The paper finds that both insurance companies and private pensions still account for a small share of the financial sector as a whole and that the recent financial crisis has significantly reduced their asset value. These institutions nonetheless account for an increasing share of households' financial assets. The paper also calls for further improvements in the consistency between supervisory and national accounting standards and in overall data quality to enhance cross-country data comparability and support the policy-making process. Full text (pdf)

No. 164: **The rise and fall of universal banking: ups and downs of a sample of large and complex financial institutions since the late '90s** (June 2013)

Sergio Masciantonio and Andrea Tiseno

We document the development of the major international banks since the late 1990s, analysing balance-sheet data for 27 large and complex financial institutions. We argue that balance-sheet expansion and business line diversification paved the way for the rise of the universal banking model. This model, apparently sound and efficient in the run-up to the crisis, revealed all its shortcomings when the crisis erupted. European banks displayed greater fragilities in their business models. The changed financial and regulatory landscape that followed has challenged this model further. Many proposed remedies to the global financial crisis appear to push for a return to a narrower model for banking activity.
Full text (pdf)

No. 163: **Households' indebtedness and financial vulnerability in the Italian regions** (June 2013)

Valerio Vacca (coordinator), Daniele Coin, Antonio Maria Conti, Luigi Leva, Danilo Liberati, Elisabetta Manzoli, Daniele Marangoni, Sauro Mocetti, Giuseppe Saporito, Lucia Sironi

This paper describes various aspects of the degree of indebtedness and potential financial vulnerabilities of households in the Italian regions. Micro-data from several sources suggest that the financial situation of households in Italy varies greatly from region to region; some of these differences have faded somewhat in recent years, whereas in other respects no substantial convergence can be detected. Recent trends also vary across the socio-demographic classes (income quartiles, citizenship, age of the household head, etc.), presumably owing to both factors of demand on the part of households and supply policies on the part of banks; the latter changed above all after the onset of the economic and financial crisis.
Full text (pdf), in Italian only

Other recent occasional papers

April 2013

No. 162: Micro-enterprises in Italy: a first analysis of economic and financial conditions
Stefania De Mitri, Antonio De Socio, Paolo Finaldi Russo and Valentina Nigro

No. 161: Main results of the household finance and consumption survey: Italy in the international context
Romina Gambacorta, Giuseppe Ilardi, Andrea Locatelli, Raffaella Pico and Cristiana Rampazzi

No. 160: Household aggregate wealth in the main OECD countries from 1980 to 2011: what do the data tell us?
Riccardo De Bonis, Daniele Fano and Teresa Sbano

No. 159: Basel 2.5: potential benefits and unintended consequences
Giovanni Pepe

No. 158: Italian mutual banks and the challenge of Basel III
Francesco Cannata, Giorgio d'Acunto (coordinators), Alessandro Allegri, Marco Bevilacqua, Gaetano Chionsini, Tiziana Lentini, Francesco Marino and Gianluca Trevisan

No. 157: Looking ahead to Basel 3: Italian banks on the move
Francesco Cannata, Marco Bevilacqua, Simone Casellina, Luca Serafini e Gianluca Trevisan

No. 156: The portfolio allocation strategies of sovereign wealth funds and the financial
Alessio Ciarlone and Valeria Miceli

No. 155: Does financial education at school work? Evidence from Italy
Angela Romagnoli and Maurizio Trifilidis

No. 154: Getting organized to lend in a period of crisis: findings from a survey of Italian banks
Silvia Del Prete, Marcello Pagnini, Paola Rossi and Valerio Vacca

February 2013

No. 153: Exports from the European regions during the crisis and in the long run
Chiara Bentivogli, Paolo Chiades, Cristina Fabrizi, Elena Mattevi and Andrea Petrella

No. 152: The network contract
Chiara Bentivogli, Fabio Quintiliani and Daniele Sabbatini

No. 151: Connect them where it hurts. The missing piece of the puzzle
Lorenzo Esposito

No. 150: Traditional industrial districts in the face of globalization: the case of the Marche footwear district
Eleonora Cutrini, Giacinto Micucci and Pasqualino Montanaro

No. 149: Household over-indebtedness: definition and measurement with Italian data
Giovanni D'Alessio and Stefano Iezzi

No. 148: Italian households' saving and wealth during the crisis
Laura Bartiloro, Cristiana Rampazzi

No. 147: Italian households' opinions on the difficulty of saving
Antonio Bassanetti and Concetta Rondinelli

Workshops and conferences

No. 13: **The sovereign debt crisis and the Euro Area**
(*Forthcoming*)

The volume brings together a series of analyses conducted within the Economic research and international relations area of the Bank of Italy on the impact of the euro-area sovereign debt crisis on government bond markets, banks' activity and the real economy, with a particular focus on the Italian economy. The papers were presented at the workshop on "*The Sovereign Debt Crisis and the Euro Area*", which was held in Rome on 15 February 2013. The first section discussed the results of econometric analyses aiming at quantifying the impact of the sovereign tensions on the yields, focusing on the role of risk and liquidity premia, contagion and macroeconomic and financial factors. The second section concentrated on the impact of the sovereign tensions on the cost and availability of credit in Italy and in the other main euro-area countries. The last section was dedicated to understanding the impact of the tensions on a wide range of macroeconomic variables on the euro-area as a whole and on individual countries and to assessing the effectiveness of fiscal policy measures.

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

Authors' names in boldface: Bank of Italy

Full list since 1990

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Accetturo A., A. Dalmazzo and **G. de Blasio**, "Skill Polarization in Local Labor Markets under Share-Altering Technical Change", *Journal of Regional Science.*

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