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Contents

Highlights

Workshop on "Low inflation and its implications for monetary policy"

(Rome, 23 March 2015)

On 23 March the workshop on "Low inflation and its implications for monetary policy" was held at the Bank of Italy. It was divided into three sessions: the first examined the determinants of a protracted period of low inflation, focusing on the factors underlying the recent trends in the inflation rate in the euro area. The papers presented assessed the relationship between the inflation rate and the business cycle and documented the existence of potentially non-linear relationships between the two phenomena. The second session analyzed inflation expectations inferred from financial instruments and macroeconomic models when short-term interest rates are at the zero lower bound. A number of the papers used data from the financial markets to obtain measures of the expected rate of inflation and of its distribution; others examined the effects of a misalignment of inflation expectations with the target rate set by the ECB. The papers presented in the third session evaluated the macroeconomic impact of a low level of inflation and the implications for monetary policy, furthering the study of the consequences of a prolonged period of low inflation on macroeconomic and financial variables and on the credibility of monetary policy.

4nations cup

(Rome, 8 May 2015)

On 8 May 2015, the EIEF hosted the 2015 edition of the **4nations cup**. The event is a one-day contest involving the most promising young finance scholars from four countries (Denmark, Italy, Sweden and the United Kingdom). In the 2015 edition, after a fierce battle the Danish team came first.

The programme and photos of the event are available here.

Forthcoming events

Fourth Rome Junior Conference on Macroeconomics

(Rome, 22-23 June 2015)

On 22-23 June 2015, EIEF will host the fourth **Rome Junior Conference on Macroeconomics**. The conference will bring together junior "high-flier" economists from around the world with a strong interest in macroeconomics.

The preliminary programme is available here.

Conference on "Labour and Finance"

(Rome, 28-30 August 2015)

On 28-30 August 2015, EIEF will host a major conference on **"Labour and Finance"**, co-organized with CSEF and SITE. The conference will bring together researchers in financial economics and labour economics to discuss the topic from the point of view of both disciplines. The submission deadline is 15 April 2015.

Further information will be available here.

Conference on "Household Finance"

(Frankfurt, 11-12 September 2015)

The EIEF, the Center on Sustainable Architecture for Finance (SAFE) at Goethe University Frankfurt, HEC Paris and the Swedish House of Finance (SHoF) will organize the sixth edition of the **European Conference on Household Finance**, which will take place on 11-12 September at the Goethe University in Frankfurt.

Further information will be available here.

Workshop on "Low inflation and its implications for monetary policy"

(Rome, 5 October 2015)

On 5 October 2015 the Bank of Italy will host the workshop on "Low inflation and its implications for monetary policy". It will be open to researchers and economists from other central banks, international institutions and universities. The main topics for discussion will be the determinants of inflation, the disanchoring of inflation expectations, and their macroeconomic implications. It will be divided into three sessions: the first will examine the determinants of a protracted period of low inflation, focusing on potentially non-linear relationships between the inflation rate and the business cycle. The second will analyze inflation expectations inferred from financial instruments and macroeconomic models at the zero lower bound. The papers presented in the third session will evaluate the macroeconomic impact of a low level of inflation and the implications for monetary policy and its credibility.

SEMINARS AT THE BANK OF ITALY

SEMINARS AT EIEF

Latest working papers

No. 1016: **Short term inflation forecasting: the M.E.T.A. approach** (June 2015)

Giacomo Sbrana, Andrea Silvestrini and Fabrizio Venditti

Forecasting inflation is an important and challenging task. In this paper we assume that the core inflation components evolve as a multivariate local level process. This model, which is theoretically attractive for modelling inflation dynamics, has been used only to a limited extent to date owing to computational complications with the conventional multivariate maximum likelihood estimator, especially when the system is large. We propose the use of a method called "Moments Estimation Through Aggregation" (M.E.T.A.), which reduces computational costs significantly and delivers prompt and accurate parameter estimates, as we show in a Monte Carlo exercise. In an application to euro-area inflation we find that our forecasts compare well with those generated by alternative univariate constant and time-varying parameter models as well as with those of professional forecasters and vector autoregressions.
Full text (pdf)

No. 1015: **Inflation, financial conditions and non-standard monetary policy in a monetary union. A model-based evaluation** (June 2015)

Lorenzo Burlon, Andrea Gerali, Alessandro Notarpietro and Massimiliano Pisani

This paper evaluates the macroeconomic effects of purchases of long-term sovereign bonds by a central bank in a monetary union when (1) the private sector faces tight financial conditions and (2) the zero lower bound (ZLB) on the policy rate holds. To this end, we calibrate a dynamic general equilibrium model to the euro area (EA). We assume that households in one member country have a large initial debt position and are subject to a borrowing constraint. We simulate the effects of a negative EA-wide demand shock that induces a decline in inflation. The main results are as follows. First, the reduction in inflation amplifies the domestic and cross-country spillovers of the negative demand shock because of the country-specific borrowing constraint and the ZLB. Second, sovereign bond purchases boost economic activity and, hence, indirectly allow households to reduce their debt and relax the borrowing constraint. Third, the new, lower value of debt allows households to smooth consumption, fostering macroeconomic resilience not only in the member country concerned but also in the rest of the monetary union.
Full text (pdf)

No. 1014: **Women as 'gold dust': gender diversity in top boards and the performance of Italian banks** (June 2015)

Silvia Del Prete and Maria Lucia Stefani

European comparisons for the 2000s show that Italy was among the EU countries where women were least represented in bank boardrooms. Using a unique dataset on Italian banks over the period 1995-2010, this paper investigates the effects of gender diversity in boards on bank riskiness and economic performance. Taking account of omitted variables and reverse causality problems, as a source of endogeneity, our main econometric findings suggest that gender diversity may have a positive impact on the quality of credit and, to a lesser extent, on profitability. Both results may be driven by women's higher risk aversion and their attitude to monitoring activities. Our study therefore suggests that women are 'gold dust' for Italian banks and that increasing their presence may be beneficial to economic performance.
Full text (pdf)

No. 1013: **Bankruptcy law and bank financing** (June 2015)

Giacomo Rodano, Nicolas Serrano-Velarde and Emanuele Tarantino

Exploiting the timing of the 2005-06 Italian bankruptcy law reforms, we disentangle the effects of reorganization and liquidation in bankruptcy on bank financing and firms' investment. A 2005 reform introduces procedures facilitating loan renegotiation. The 2006 reform subsequently strengthens creditor rights in liquidation. The first reform increases interest rates and reduces investment. The second reform reduces interest rates and spurs investment. Our results highlight the importance of identifying the distinct effects of liquidation and reorganization, as these procedures address differently the

Latest working papers

tension in bankruptcy law between the continuation of viable businesses and the preservation of repayment incentives.
Full text (pdf)

No. 1012: **Sovereign debt and reserves with liquidity and productivity crises** (June 2015)

Flavia Corneli and Emanuele Tarantino

During the recent financial crisis developing countries have continued to accumulate both sovereign reserves and debt. To account for this empirical fact, we model the optimal portfolio choice of a country that is subject to liquidity and productivity shocks. We determine the equilibrium level of debt and its cost through a contracting game between a country and international lenders. Although raising debt increases the sovereign exposure to liquidity and productivity crises, the simultaneous accumulation of reserves can mitigate the negative effects of such crises. This mechanism rationalizes the complementarity between debt and reserves.
Full text (pdf)

No. 1011: **Foreign direct investment and firm performance: an empirical analysis of Italian firms** (June 2015)

Alessandro Borin and Michele Mancini

Both empirical and theoretical literature show that multinational firms exhibit a competitive advantage before investing abroad. However, there are no clear empirical results regarding the ex-post effects of foreign direct investment (FDI) on firm performance, partially due to the inadequacy of available firm-level data. We build a brand new firm-level dataset able both to represent the extent of Italian firms' foreign activity and to provide reliable measures of key performance indicators, especially total factor productivity (TFP) and employment. We then use a propensity score matching procedure to analyze the causal relationship between FDI and firm performance. Firms investing abroad for the very first time, especially in advanced economies, show higher productivity and employment dynamics in the years following the investment: the average positive effect on TFP is driven by new multinationals operating in specialized and high-tech sectors, while the positive employment gains are explained by an increase of the white collar component. On average there are no negative effects on the parent firm's blue collar component.
Full text (pdf)

No. 1010: **Every cloud has a silver lining. The sovereign crisis and Italian potential output** (June 2015)

Andrea Gerali, Alberto Locarno, Alessandro Notarpietro and Massimiliano Pisani

This paper evaluates the direct and indirect effects of the sovereign debt crisis on Italy's potential output. The direct effects are captured by the increase in the interest rate paid by Italian borrowers in the second half of 2011, the indirect effects by the policy responses to the crisis (fiscal consolidation and structural reforms). Using a New Keynesian dynamic general equilibrium model, we compute potential output as the "natural" level of output in the absence of nominal price and wage rigidities. The evaluation posits a no-crisis scenario in line with the pre-2011 potential output projections and government budget rules. We find first that the fiscal and financial shocks that caused the 2011-2013 recession subtracted 1.6 percentage points from potential output growth, while the structural reforms in 2013 have limited the reduction in output capacity to about 1.4 points; second, that the structural reforms have a long-run growth-enhancing impact on potential output of around 3 points from now to 2030; and third, that once budget balance is achieved in the medium term (2019), reductions in either labor or capital income taxes would boost potential output growth by about 0.2 points per year.
Full text (pdf)

No. 1009: **Social capital and the cost of credit: evidence from a crisis** (April 2015)

Paolo Emilio Mistrulli and Valerio Vacca

Social capital is a key factor affecting the functioning of financial markets (Guiso, Sapienza and Zingales, 2004). However, the estimation of the effect of social capital on credit markets is notoriously difficult. In this paper we exploit the recent Lehman Brothers crisis and a rich dataset to investigate whether social capital shields firms from the tightening of credit conditions. We

Latest working papers

mainly focus on lending to small Italian firms that rely almost exclusively on banks' credit and we compare the level of loan interest rates before (June 2008) and after (June 2010) Lehman's default for a balanced sample of bank-firm relationships. We find that for firms headquartered in provinces where social capital is higher, the rise in the loan spreads following Lehman's default was milder compared to firms located in low-social capital communities. The benefits were larger for small firms borrowing from more than one bank and for uncollateralised credit but did not extend to larger firms. Moreover, different measures of social capital provide slightly different results, suggesting a more ambiguous role for particularistic networking (e.g. having a wide network of friends) than for altruistic behaviour rooted in universalistic ethics. Finally, the propensity of a community to cooperate in the credit market, a kind of credit-specific measure of networking, did not always have an impact comparable to that for more general measures of social capital.
Full text (pdf)

No. 1008: **Rethinking the crime reducing effect of education? Mechanisms and evidence from regional divides** (April 2015)

Ylenia Brilli and Marco Tonello

We estimate the contemporaneous effect of education on adolescent crime by exploiting the variation in crime rates between different cohorts and at different ages that followed a reform that raised the school-leaving age in Italy. A 1 percentage-point increase of the enrollment rate reduces adolescent crime by 1.3 per cent in the North of Italy but increases it by 3.9 per cent in the South. The crime-reducing effect depends mainly on incapacitation (i.e. adolescents stay in school instead of on the street); the crime-increasing effect is consistent with a channel of criminal capital accumulation, operating through social interactions and organized-crime networks.
Full text (pdf)

Other recent working papers

March 2015

No. 1007: The macroeconomic effects of the sovereign debt crisis in the euro area
Andrea Gerali, Alessandro Notarpietro and Stefano Neri and Tiziano Ropele

No. 1006: Inward foreign direct investment and innovation: evidence from Italian provinces
Roberto Antonietti, Raffaello Bronzini and Giulio Cainelli

No. 1005: Strategy and tactics in public debt manamgement
Davide Dottori and Michele Manna

No. 1004: Ownership networks and aggregate volatility
Lorenzo Burlon

No. 1003: You've come a long way, baby. Effects of commuting times on couples' labour supply
Francesca Carta and Marta De Philippis

January 2015

No. 1002: Structural reforms and zero lower bound in a monetary union
Andrea Gerali, Alessandro Notarpietro and Massimiliano Pisani

No. 1001: How does foreign demand activate domestic value added? A comparison among the largest euro-area economies
Rita Cappariello and Alberto Felettigh

No. 1000: Sectoral differences in managers' compensation: insights from a matching model
Emanuela Ciapanna, Marco Taboga and Eliana Viviano

No. 999: Looking behind mortgage delinquencies
Sauro Mocetti and Eliana Viviano

No. 998: Changing labour market opportunities for young people in Italy and the role of the family of origin
Gabriella Berloffa, Francesca Modena and Paola Villa

Latest occasional papers

No. 279: **The impact of lower oil prices on energy expenditure and economic activity** (June 2015)

Ivan Faiella and Alessandro Mistretta

The recent drop in oil prices will lower Italy's energy bill. Due to the progressive marginalization of oil, both as an energy source and as a benchmark for energy prices, households and firms will reap the benefits of this reduction largely through the lower cost of petroleum products; for electricity and gas, the effects will be negligible. Using simulation techniques and survey microdata it can be estimated that the effects will differ for households and firms, with the former expected to benefit from liquid fuel savings amounting to €2.1 billion per year (€80 per family), €1.8 billion of which will be used to increase consumer spending. These additional resources will not reach the one third of households that do not purchase gasoline or diesel. Using some recent estimates of manufacturing firms' energy costs we also estimate that the decline in the prices of oil products will increase turnover by €650 million and investment expenditure by about €27 million.
Full text (pdf) in Italian only

No. 278: **A note on the implementation of the countercyclical capital buffer in Italy** (June 2015)

Piergiorgio Alessandri, Pierluigi Bologna, Roberta Fiori and Enrico Sette

This paper analyzes the challenges posed by the implementation of the countercyclical capital buffer framework in Italy and proposes ways of meeting them. In the first part of the analysis we review the limitations of the standardized Basel III credit-to-GDP gap; we then propose possible solutions, which, while remaining in the spirit of Basel, can better capture the state of the credit cycle in real time. In the second part of the paper we propose a step by step approach for reducing the uncertainty that may arise when looking at the indicators which, in addition to the credit-to-GDP gap, are designed to help authorities take decisions about the buffer rate; we also analyze the relationship between the selected indicators and a continuous variable of banking system riskiness. While the analysis is conducted with reference to Italian data, the proposed analytical framework is applicable to any country.
Full text (pdf)

No. 277: **Gold as a safe haven asset? Empirical evidence from a comparison of different financial assets** (June 2015)

Franco Panfili, Francesco Daini, Francesco Potente and Giuseppe Reale

This work verifies the safe haven property of gold during market turmoil. Gold is also compared with other potential safe haven assets (Bunds and US Treasuries). The empirical analysis confirms the role of gold as a safe haven, especially ahead of shocks related to euro-government-bond markets with higher credit risk premiums. These results prove the essential role of gold in the balance sheet of Eurosystem central banks.
Full text (pdf) in Italian only

No. 276: **Main drivers of the recent decline in Italy's non-construction investment** (June 2015)

Fabio Busetti, Claire Giordano and Giordano Zevi

This paper examines the causes of the exceptionally marked fall in non-construction investment in Italy since 2007. Non-financial private services were the main driver of the decline in the aggregate investment rate, but all sectors weighed in negatively; the reallocation of value added away from industry was a further drag on investment. In concordance with survey findings, an aggregate model of investment indicates that even during the recent double recession the most important driver of capital accumulation was demand conditions. The user cost of capital had a substantial negative impact in the acute phases of the sovereign debt crisis, but since 2013 its contribution has been positive, thanks to the ECB's expansionary monetary policy. The constraints on capital accumulation imposed by tight credit supply conditions were particularly severe in 2009 and 2012. Finally, uncertainty provided a sizeable drag on investment growth not only during the global financial crisis but also in the last two years. The significance of these determinants of investment is confirmed also by a

Latest occasional papers

disaggregated model for the thirteen manufacturing branches.
Full text (pdf)

No. 275: **Changing prices .... changing times: evidence for Italy** (June 2015)

Silvia Fabiani and Mario Porqueddu

This paper examines the process of adjustment of prices in Italy to determine whether nominal flexibility, measured by the frequency of price changes, has increased in the recent years of protracted stagnation and double-dip recession. The analysis is based on a large micro-level dataset of individual prices collected monthly by Istat from 2006 to 2013 for the Consumer Price Index. We find that both the percentage of prices adjusted monthly and the average size of the adjustment have risen significantly since the 1996-2001 period, in particular for downward changes. This greater flexibility is related in part to the spread of modern distribution structures. Our estimates further indicate that the recession has affected the price adjustment mechanism: for manufactures, price cuts have become larger and more frequent, while increases are more moderate; for services, both the frequency and the size of price increases have diminished.
Full text (pdf)

No. 274: **Deflation expectations and Japan's lost decade** (June 2015)

Roberto Piazza

From the early 1990s on, GDP in Japan stagnated for about a decade while inflation remained persistently low, at times even negative. This paper provides new stylized facts about the Japanese deflationary process and puts them into the context of the literature addressing the origins of Japan's lost decade. In order to properly understand the evolution of inflation in Japan and the role of monetary and fiscal policy, a crucial question is whether the deflationary process, a phenomenon specific only to Japan during the period under consideration, was anticipated by agents. The paper suggests that the answer is positive. I show that once a 'global' inflation forecasting error, common across advanced countries, is removed from Japanese inflation expectations, the remaining 'idiosyncratic' inflation forecasting error is close to zero at various forecasting horizons. This indicates that the Japan-specific deflationary process was fully anticipated by agents, with medium-term (and 'idiosyncratic') inflation expectations disanchoring very early along the deflationary path.
Full text (pdf)

No. 273: **How the time of interviews affects estimates of income and wealth** (June 2015)

Giovanni D'Alessio and Stefano Iezzi

In the Survey of Household Income and Wealth (SHIW) conducted by the Bank of Italy, the flow variables (income and consumption) refer to the year preceding the interview while the stock variables (household composition and net wealth) refer to the end of the year. However, there are some exceptions that may produce effects on the estimates but that are not usually taken into account. What is more, the time of year of the interviews may affect the composition of the sample (wealthier families may be less available in summer or during holiday periods). We quantify the possible effects of these factors on the estimates of household income and wealth and propose an adjustment method.
Full text (pdf)

No. 272: **Income and wealth sample estimates consistent with macro aggregates: some experiments** (June 2015)

Giovanni D'Alessio and Andrea Neri

The Bank of Italy's Survey of Household Income and Wealth (SHIW) is widely used to study the economic behavior of Italian households. Like most similar surveys, the SHIW is biased downward in its estimates by the lesser propensity of wealthy families to participate and by the tendency to underreport income and wealth. This work assesses the various techniques for correcting the bias, applying them to the period 1995-2012. Calibration techniques, which produce estimates consistent with the macro-economic information available from other sources, are also employed.
Full text (pdf)

Latest occasional papers

No. 271: **Macroprudential policies: a discussion of the main issues** (June 2015)

Paolo Angelini

Systemic risk, which macroprudential policies aim to minimize, is very difficult to identify ex ante. The search for indicators that may allow to activate macroprudential policies in time to prevent or contain crises has given disappointing results so far, with the important exception of the class of indicators based on credit growth. A set of macroprudential tools is emerging through practice and legislation, but its outlines are not yet well defined. Also, the effects, effectiveness, and mutual interactions of the tools are not quite clear yet. Moreover, little is known about the interactions between macroprudential policy and other policies – e.g. monetary and microprudential. A reliable theoretical-analytical system to understand its functioning, and to calibrate and measure the effectiveness of macroprudential policies, is not available yet. In Europe, additional challenges arise from the complex architecture of the system of financial supervision and the changes introduced recently - the establishment of National Macroprudential Authorities and the start of the Single Supervisory Mechanism. On the economic front, while the macroeconomic developments in the Euro Area would suggest that expansionary macroprudential policies should be implemented, the measures adopted so far in many countries were almost exclusively of a restrictive nature. Overall, the analysis highlights several areas of uncertainty but also the strong potential of the new macroprudential policies, which can contribute, together with monetary policy, to a more stable macrofinancial system.
Full text (pdf) in Italian only

No. 270: **The Eurosystem's asset purchase programmes for monetary policy purposes** (April 2015)

Pietro Cova and Giuseppe Ferrero

This paper analyzes the operation of the Eurosystem's public and private assets purchases programmes for monetary policy purposes, quantifying the potential effect on the Italian economy. First we give an exhaustive account of the main transmission channels by which the purchases can be expected to affect economic activity and inflation. Then we assess the effects on the main channels of transmission to the economy and measure the impact on the main macroeconomic variables, applying the Bank of Italy's quarterly model. For 2015-16 the purchase programme can be expected to make a significant contribution to the growth of output and of prices, of more than 1 percentage point in both cases. Among the channels examined, the largest contribution is judged to come through the depreciation of the euro and the reduction in the interest rates on government securities and bank loans. These effects are comparable in magnitude to those found by studies on the securities purchase programmes conducted in the United States and the United Kingdom.
Full text (pdf)

No. 269: **First-time corporate bond issuers in Italy** (April 2015)

Matteo Accornero, Paolo Finaldi Russo, Giovanni Guazzarotti and Valentina Nigro

The paper looks at the characteristics of Italian non-financial firms that accessed the bond market for the first time between 2002 and 2013. The results of logit estimations indicate that first-time bond issuers are significantly larger and more frequently listed on the stock exchange than firms not issuing bonds. We also find that their decision to enter the bond market stems from a need to finance growth, especially where internal resources are limited, and to rebalance maturity mismatches between assets and liabilities. Our estimates also suggest that the sharp drop in the number of small issuers during the economic crisis is partly due to increased risk aversion on the part of market investors. Based on the econometric results, we estimate that the non-issuers include some 450-650 firms whose characteristics are very similar to those of companies that have begun to issue bonds in the last decade. These estimates are surrounded by considerable uncertainty due to the evolution of the macroeconomic context as well as the effects of new rules on minibonds.
Full text (pdf)

Latest occasional papers

No. 268: **Is deflation good or bad? Just mind the inflation gap** (April 2015)

Marco Casiraghi and Giuseppe Ferrero

We explain why the macroeconomic effects of shocks to inflation of the same size but opposite sign are not necessarily symmetric. All in all, the costs of deflation and disinflation tend to exceed those of inflation owing to the presence of constraints in the economy, namely the zero lower bound on nominal interest rates, borrowing limits, and downward nominal wage rigidity. When these constraints are binding, they can prevent monetary policy from closing the inflation gap, agents from deleveraging, and the labor market from clearing. The impact of a disinflationary shock on the tightness of these constraints depends on the cyclical and structural conditions of the economy. We also argue that it would be a mistake to assume that perverse effects can arise only when prices decrease, and that the classification of deflationary episodes into good (supply driven) and bad (demand driven) is not only incorrect, it is also misleading in terms of policy implications.
Full text (pdf)

No. 267: **Italian students' performance in the PISA digital tests** (April 2015)

Pasqualino Montanaro and Paolo Sestito

PISA 2012 included an optional computer-based assessment (CBA) focusing on mathematics, reading skills and problem solving. Italian students performed better in the CBA than in the paper-based assessment (PBA). This was not due to any specific features of the student samples in Italy and in the other countries included in the comparison. One of the reasons seems to be that Italian students are less determined in their approach to paper-based tests, during which they often fail to read all the questions and have trouble in finishing in the allotted time. Furthermore, this study finds that students' competencies as revealed by the CBA are, other things being equal, strongly correlated with those in the paper-based tests, especially in mathematics, and that the pattern of results is almost the same for both kinds of test. Competencies in problem solving are in turn positively associated with a greater familiarity with digital tests. Nevertheless, being excellent in the PBA is not strictly necessary to obtain an excellent result in the CBA as well, since the latter test probably shows talents which are not revealed in paper-based tests, more similar to traditional school exams.
Full text (pdf) in Italian only

No. 266: **Estimating the effects of a credit supply restriction: is there a bias in the Bank Lending Survey?** (April 2015)

Andrea Nobili and Andrea Orame

In this paper we test for the potential bias in the estimated contribution of a supply restriction on lending to enterprises, as captured by the assessment of credit standards provided by the banks participating in the Eurosystem Bank Lending Survey (BLS banks). For Italy, we combine the information provided by the relatively small panel of large banking groups participating in the Eurosystem survey with the replies obtained from the non-overlapping and wider group of banks participating in the Regional Bank Lending Survey (non-BLS banks) carried out by the Bank of Italy. We find evidence of a limited upward bias in the estimated contribution of a tightening in credit standards from using the information for the BLS-only banks. This outcome mainly reflects a lower estimated sensitivity of lending growth to the considered indicators of a supply restriction for the non-BLS banks. The Eurosystem Bank Lending Survey, therefore, continues to be a timely and important source of information over the credit cycle for policymakers.
Full text (pdf)

Other recent occasional papers

March 2015

No. 265: Inflation surprises and inflation expectations in the euro area
Marcello Miccoli and Stefano Neri

No. 264: Local banking and the financial crisis
Cristina Demma

No. 263: The real estate market, the supply chain and credit: the effects of the great recession
Cristina Fabrizi, Raffaella Pico (coordinators), Luca Casolaro, Mariano Graziano, Elisabetta Manzoli, Sonia Soncin, Luciano Esposito, Giuseppe Saporito and Tiziana Sodano

No. 262: The market for corporate debt private placements
Nicola Branzoli and Giovanni Guazzarotti

No. 261: The Italian firms' international activity
Riccardo Cristadoro and Leandro D'Aurizio

January 2015

No. 260: The internationalization of the Italian productive system
Riccardo Cristadoro and Stefano Federico

No. 259: Tracking banks' systemic importance before and after the crisis
Piergiorgio Alessandri, Sergio Masciantonio and Andrea Zaghini

No. 258: Easier said than done: the divergence between soft and hard data
Antonio M. Conti and Concetta Rondinelli

No. 257: Medium-term forecasting of euro-area macroeconomic variables with DSGE and BVARX models
Lorenzo Burlon, Simone Emiliozzi, Alessandro Notarpietro and Massimiliano Pisani

No. 256: Assessing potential growth in emerging countries after the global financial crisis
Enrica Di Stefano and Daniela Marconi

No. 255: Financial shocks and the real economy in a nonlinear world: a survey of the theoretical and empirical literature
Andrea Silvestrini and Andrea Zaghini

Economic history working paper

No. 34: **Brain gain in the age of mass migration** (June 2015)

Francesco Giffoni and Matteo Gomellini

The relationship between emigration and human capital is a hotly debated issue. Nowadays discussions focus mainly on the so called brain drain, i.e. the reduction in the human capital endowment of a country due to the emigration of more skilled people. Differently, this paper investigates whether and how the Italian emigration of the early twentieth century induced a domestic increase in school attendance rates. Many historical clues suggest that this actually happened in Italy at the turn of the nineteenth century. At least three rationales lie at the heart of such a relationship: first, emigration or its prospects increase the expected return to schooling thus making education more attractive; second, return migration could fuel a rise in school attendance via monetary and non-monetary channels; third, remittances could help in relaxing the budget constraint that prevented people to invest in education. Using a new dataset at the city level and different econometric techniques, we find quantitative support that primary school attendance rates have been positively correlated with (and, arguably, partially caused by) emigration and return migration. We also find that remittances had a positive effect on schooling.

Full text (pdf) in Italian only

Workshops and conferences

No. 19: **Public finances today: lessons learned and challenges ahead** (April 2015)

The volume collects the essays presented at the 16th Workshop on Public Finance organised by Banca d'Italia in Perugia from 3 to 5 April 2014.

The workshop had two main objectives: (i) examining the changes that public policies should undertake in the coming years to adapt to the challenging new environment; (ii) assessing policy responses to the crisis. In many countries the recent crisis accelerated pre-existing trends and made even more urgent a rethinking of the tax and welfare systems. The workshop contributed to this reassessment offering insights on the consequences of specific reforms carried out in Europe and elsewhere.

The reaction to the euro-area sovereign debt crisis included fiscal adjustments as well as institutional reforms. In the workshop, theoretical and empirical works examined timing, effectiveness and composition of the fiscal consolidations carried out, as well as the recent reform of EU governance.

The first session focused on the effects of both tax and expenditure policies on tax rates, work‐related tax expenditures, labor markets, the overall economy and pension reforms.

Budgetary adjustments were at the core of the second session. Factors conducive to a successful exit from IMF official assistance, impact of government's payment delays, propagation of government spending shocks, debt dynamics, the effects on public opinion of fiscal policy and fiscal multipliers were all given space and attention.

The third session concentrated on recent changes in fiscal rules, fiscal councils and the possible establishment of an euro-area fiscal union. The panel discussion focused on the progress made and the characteristics of existing fiscal rules.
Full text (pdf)

Selection of Journal articles and books by Bank of Italy staff

Authors' names in boldface: Bank of Italy

Full list since 1990

Forthcoming

Andini M. and **G. de Blasio**, "Local Development that Money cannot Buy: Italy's Contratti di Programma", *Journal of Economic Geography* (WP No. 915)

Bugamelli M., **S. Fabiani** and **E. Sette**, "The Age of the Dragon: The Effect of Imports from China on Firm-level Prices", *Journal of Money, Credit and Banking*. (WP No. 737)

de Blasio F., **D. Fantino** and **G. Pellegrini**, "Evaluating the Impact of Innovation Incentives: Evidence from an Unexpected Shortage of Funds", *Industrial and Corporate Change.* (WP No. 792)

Gobbi, G. and **E. Sette**, "Relationship Lending During a Financial Crisis", *Journal of the European Economic Association.*

Guiso L. and **E. Viviano**, "How Much Can Financial Literacy Help?", *Review of Finance*

Junye L. and **G. Zinna**, "On Bank Credit Risk: Sytemic or Bank-specific? Evidence from the US and UK", *Journal of Financial and Quantitative Analysis* (WP No. 951)

Marcellino M., **M. Porqueddu** and **F. Venditti**, "Short-Term GDP Forecasting with a Mixed Frequency Dynamic Factor Model with Stochastic Volatility", *Journal of Business & Economic Statistics.* (WP No. 896)

Stacchini M. and P. Degasperi, "Trust, Family Business and Financial Intermediation", *Journal of Corporate Finance.*

2015

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Central Bank of the Republic of Lithuania
Croatian National Bank
De Nederlandsche Bank
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Národná banka Slovenska
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