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Highlights

The Bank of Italy has recently launched a new system for the remote processing of business survey data. The system, named BIRD (Bank of Italy Remote access to micro Data), allows for the analysis of micro-level data for research purposes in compliance with confidentiality requirements. Registered users can submit Sas or Stata executable programs via e-mail; output listings will be subjected to control procedures and sent back.

For a couple of months the system will operate in testing mode, in order to evaluate its performance and verify organizational procedures. During this period, there may be limitations on the number of users. At the moment, the available data refers to all waves of the Survey of Industrial and Service Firms from 1984 to 2006, covering 8,500 firms and 1,315 variables. Interested researchers can download the application form (to be sent by fax) from [a section of the Bank of Italy's web site](#), where they can also find

user guides, sample programs and extensive documentation on the datasets (the documentation is currently available only in Italian; an English version will be available later in the year).

On April 30 the Bank of Italy organized a seminar on “How Italy is changing”. For at least a decade the Italian economy has been experiencing structural difficulties, which became evident through the loss of competitiveness and the protracted stagnation of productivity. Starting from recent signs of recovery in production and exports, the seminar — centered around the discussion of a book on related issues edited by R. Baldwin, G. Barba Navaretti and T. Boeri (*Come sta cambiando l'Italia*, Il Mulino, Bologna, 2007) — presented evidence suggesting that restructuring and market repositioning by Italian firms may be under way. In terms of policy implications, the seminar highlighted the need to ease restructuring by favouring resource reallocation and reducing adjustment costs, through an extensive reform of social protection including both unemployment subsidies and welfare assistance.

Latest working papers

No. 660: Real exchange rate volatility and disconnect: An empirical investigation

Riccardo Cristadoro, Andrea Gerali, Stefano Neri and Massimiliano Pisani

A two-country model that incorporates many features proposed in the New Open Economy Macroeconomics literature is developed in order to replicate the volatility

of the real exchange rate and its disconnect with macroeconomic variables. The model is estimated using data for the euro area and the U.S. and Bayesian methods. The analysis delivers the following results: (a) international price discrimination, home bias and shocks to the uncovered interest rate parity (UIRP) condition are key features to replicate the variance of the real exchange rate; (b) home bias, shocks to the UIRP condition and to production technologies help replicating the disconnect; (c) distribution services intensive in local nontradeables are an important source of international price discrimination. ([full pdf text](#))

No. 661: The effect of investment tax credit: Evidence from an atypical programme in Italy

Raffaello Bronzini, Guido de Blasio, Guido Pellegrini and Alessandro Scognamiglio

This paper examines how business investment responds to investment tax credit, as enacted by Italy's Law 388/2000. To assess whether the programme made possible investments that otherwise would not have been made, it exploits some features of the tax credit scheme, such as the fact that some Italian regions are not deemed eligible or that the amount of the bonus differs across eligible regions. Although the programme was fiscally unsustainable, and was therefore downsized well ahead of the expiry date, our findings suggest that it has been effective in stimulating investment. ([full pdf text](#))

No. 662: Accounting for sampling design in the SHIW

Ivan Faiella

This paper analyses how sampling design affects variance estimates and inference using the data collected by the Survey on Household Income and Wealth (SHIW).

The SHIW combines three basic features: stratification, clustering, and weighting to correct for unequal probabilities of selection among sampling units. A model to assess variance is presented and a Jackknife Repeated Replication method is employed to estimate variance. Empirical evidence shows that: i) simple random sampling formula for variance underestimates by a factor of between 3 and 2 the estimates that take into account all the design features; ii) the bias of unweighted estimates may be fairly substantial; iii) all these factors can seriously mislead inference based on SHIW data. ([full pdf text](#))

No. 663: Delayed privatization

Bernardo Bortolotti and Paolo Pinotti

This paper studies the timing of privatization in 21 major developed economies in the period 1977-2002. Duration analysis shows that political fragmentation plays a significant role in explaining a government's decision to privatize: privatization is delayed longer in democracies characterized by a larger number of parties and operating under proportional electoral rules, as predicted by war of attrition models of economic reform. Results are robust to various assumptions on the underlying statistical model and to controlling for other economic and political factors. ([full pdf text](#))

No. 664: Portfolio selection with monotone mean-variance preferences

Fabio Maccheroni, Massimo Marinacci, Aldo Rustichini and Marco Taboga

We propose a portfolio selection model based on a class of monotone preferences that coincide with mean-variance preferences on their domain of monotonicity, but differ where mean-

variance preferences fail to be monotone and are therefore not economically meaningful. The functional associated to this new class of preferences is the best approximation of the mean-variance functional among those which are monotonic. We solve the portfolio selection problem and we derive a monotone version of the CAPM, which has two main features: (i) it is, unlike the standard CAPM model, arbitrage free, (ii) it has empirically testable CAPM-like relations. Therefore, the monotone CAPM has a sounder theoretical foundation than the standard CAPM and comparable empirical tractability. ([full pdf text](#))

No. 665: Directed matching with endogenous Markov probability: Clients or competitors?

Emanuela Ciapanna

We analyze the problem of strategic poaching of consultants by clients with particular reference to the business consulting industry. This article presents a market equilibrium in a mixed economy where three categories of agents, consulting groups, client firms and consultants strategically interact with each other. At each date the consulting group faces a new client firm that requires a task to be implemented. We show that under very general conditions, when a matching pair of clients and consultants meets, a dominant strategy will be played, where the consultant is captured by the client and the consulting group matches (whenever possible) the client's request. The novelty of this model is that the quality of the consulting services does not only depend on the consulting group's assignment strategy, but also on the capturing behavior of the clients. In this sense, the clients impose a consumption externality on each other, which is a source of inefficiency in this otherwise competitive market.

([full pdf text](#))

No. 666: What are borders made of? An analysis of barriers to European banking integration

Massimiliano Affinito and Matteo Piazza

Linguistic and cultural differences, different legal and supervisory frameworks, and relationship lending have been repeatedly mentioned as barriers to European retail banking integration. We investigate whether these barriers have affected integration within national boundaries, using an index of localism of regional banking systems as a measure of market integration. If local banks are established and flourish because asymmetric information makes entry difficult for non-incumbents (Dell'Araccia, 2001) or regulatory and governance rules prevent entry from outside (Berger et al., 1995), we should find a significant relationship between indicators of these barriers and measures of the localism of banking systems. Our results show that this is indeed the case for asymmetric information, while findings are more blurred for supervisory practices.

([full pdf text](#))

No. 667: Innovation driven sectoral shocks and aggregate city cycles

Andrea R. Lamorgese

This paper formalizes a mechanism through which diversification in the production of research and development across firms located in a city dampens volatility in the local labor market, improves the incentives to perform research and development and smooths the city's business cycle fluctuations. The paper adapts the standard multi-sector quality ladder model (Grossman and Helpman 1991) in order to allow for heterogeneity across firms. As a result,

according to the local degree of diversification in research and development, sectoral technological shocks have an influence on the current choice of research and development and the location of production, and in turn on local business cycles and the life cycle of the city. Firms located in the city perform enough research and development to beat outside competition in discovering and manufacturing new products, implying less volatile growth cycles at the aggregate city level. [\(full pdf text\)](#)

No. 668: On applying synthetic indices of multidimensional well-being: Health and income inequalities in selected EU countries

Andrea Brandolini

The multidimensional view of well-being is receiving growing attention, both in academic research and policy-oriented analysis. This paper examines empirical strategies to measure poverty and inequality in multiple domains, concentrating on two problems in the use of synthetic multidimensional indices: the weighting structure of different functionings and the functional form of the index. These problems are illustrated by comparing inequality and deprivation in income and health in the four largest countries of the EU: France, Germany, Italy and the United Kingdom. [\(full pdf text\)](#)

No. 669: Values, inequality and happiness

Claudia Biancotti and Giovanni D'Alessio

This paper examines the relationship between inequality and happiness through the lens of heterogeneous values, beliefs and inclinations. We find that a wide array of personal values can be summarized by two orthogonal dimensions: moderation

and inclusiveness. Those who score higher than their representative compatriot on either axis prefer lower levels of inequality. With reference to moderation, inequality aversion can be read as a desire for stability: people who dislike strong stands are wary of tension, a frequent companion to disparities. As for inclusiveness, the main element at play is likely to be distress accruing to a perception of unfairness. [\(full pdf text\)](#)

Latest occasional papers

No. 12: Lending organizational structure and the use of credit scoring: Evidence from a survey on Italian banks

Giorgio Albareto, Michele Benvenuti, Sauro Mocetti, Marcello Pagnini and Paola Rossi

This paper examines the results of a survey carried out in 2007 by the Bank of Italy concerning different characteristics of the organization of lending activities. Between 2003 and 2006 the physical distance between the headquarters and the branches increased, the limits to the decision-making process of loan officers were eased, their mobility raised and the use of economic incentives to reward their activity expanded. The huge heterogeneity in organizational structures persists even within relatively homogenous size classes. The diffusion of statistical models to assess credit risk (scoring), accelerated recently particularly among large banks, boosted by the new Basel Capital Accord. Scoring is either very important or determinant in decisions on credit extension while it is rarely influential in setting interest rates, the duration of the credit and the amount and type of collateral required. The survey

shows that banks have been progressively adapting their organizational structure in order to incorporate the credit scoring tools into their lending processes.

([full pdf text](#); Italian only)

No. 13: The Italian mortgage market: Characteristics, evolution and regional differences: Evidence from a bank survey

Paola Rossi

The paper reviews the supply of different mortgage instruments to Italian households by means of data obtained from a survey conducted in 2007 by the Bank of Italy over more than 300 banks. The results document significant innovations in housing finance in the last five years: a greater variety of mortgage products is supplied, along with a widespread easing of borrowing constraints facing households. The supply of new products is already routinely provided by large and medium banks, while it is spreading among local cooperative banks. It is significantly higher among banks which have adopted credit scoring techniques to select clients.

([full pdf text](#); Italian only)

No. 14: Learning divides across the Italian regions: Some evidence from national and international surveys

Pasqualino Montanaro

This paper provides a comparative analysis of the differences in student performance between Italian regions, subject and ages or grades. All the surveys revealed significant regional gaps, the South lagging far behind the North in reading, mathematics and science. This disparity is especially great in technical and vocational schools. The South also displays more pronounced internal variability of scores. The

geographical divides increase with grade: the North-South gap is less severe in the earlier grades and is concentrated among students with poor family backgrounds. Student achievement is strongly correlated with the socio-cultural and economic conditions of the family, but this relationship is more significant in the earlier grades and vanishes at the upper secondary school level, when track and type of school have much larger effects. Finally, we find that school marks do not reflect the real levels of proficiency and so do not distinguish good students from bad ones.

([full pdf text](#))

Forthcoming working papers

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Accetturo A., *Agglomeration and growth: The effects of commuting costs*

Arciero L., C. Biancotti, L. D'Aurizio and C. Impenna, *An agent-based model for crisis simulation in payment systems*

Balassone F., M. Francese and S. Zotteri, *Cyclical asymmetry in fiscal variables*

Barbieri G., P. Cipollone and P. Sestito, *Labour market for teachers: Demographic characteristics and allocative mechanisms*

Barone G. and F. Cingano, *Service regulation and growth: Evidence from OECD countries*

Bianchi M., P. Buonanno and P. Pinotti, *On immigrants and crime: An empirical investigation*

Bonci R. and F. Columba, *Monetary policy effects: New evidence from the Italian flow of funds*

- Bratti M., D. Checchi and G. de Blasio, *Does the expansion of higher education increase the equality of educational opportunities? Evidence from Italy*
- Breda F., R. Cappariello and R. Zizza, *Vertical specialization in Europe: Evidence from the import content of exports*
- Bugamelli M. and F. Paternò, *Output growth volatility and remittances*
- Casadio P., M. Lo Conte and A. Neri, *Balancing work and family in Italy: The new mothers' employment decisions around childbearing*
- Cristadoro R., F. Venditti and G. Saporito, *Forecasting inflation and tracking monetary policy in the euro area: Does national information help?*
- Cucculelli M. and G. Micucci, *Family succession and firm performance: Evidence from Italian family firms*
- Di Giacinto V. and M. Pagnini, *Agglomeration within and between regions: Two econometric based indicators*
- Ferrero G. and A. Nobili, *Futures contracts rates as monetary policy forecasts*
- Gaiotti E., *Has globalisation changed the Phillips curve? Firm-level evidence on the effect of activity on prices*
- Lippi F. and A. Secchi, *On financial development and the demand for currency: An analysis with household data*
- Mercatanti A., *A likelihood-based analysis for relaxing the exclusion restriction in randomized experiments with imperfect compliance*
- Marcucci J. and M. Quagliariello, *Credit risk and business cycle over different regimes*
- Nobili S. and G. Palazzo, *A Beta-based framework for (lower) bond risk premia*
- Pinotti P., *Financial development and the demand for Pay-As-You-Go social security*
- Sette E., *Competing influence*
- Sette E., *Competition and opportunistic advice of financial analysts: Theory and evidence*
- Silvestrini A. and D. Veredas, *Temporal aggregation of univariate and multivariate time series models: A survey*

Recently published working papers

- No. 659 Matteo Iacoviello and Stefano Neri, *Housing market spillovers: Evidence from an estimated DSGE model* (January 2008)
- No. 658 Davide Fantino, *R&D and market structure in a horizontal differentiation framework* (January 2008)
- No. 657 Barbara Roffia and Andrea Zaghini, *Excess money growth and inflation dynamics* (January 2008)
- No. 656 Raffaella Giordano, Sandro Momigliano, Stefano Neri and Roberto Perotti, *The effects of fiscal policy in Italy: Evidence from a VAR model* (January 2008)
- No. 655 Paolo Del Giovane, Silvia Fabiani and Roberto Sabbatini, *What's behind "inflation perceptions"? A survey-based analysis of Italian consumers* (January 2008)
- No. 654 Roberto Golinelli and Sandro Momigliano, *The cyclical response of fiscal policies in the euro area. Why do results of empirical research differ so strongly?* (January 2008)

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

(full list since 1990)

Angelini P., P. Del Giovane, S. Siviero and **D. Terlizzese**, *Monetary policy in a monetary union: What role for regional information?*, Forthcoming, International Journal of Central Banking (WP No. 457)

Angelini P. and **A. Generale**, *Firm size distribution: Do financial constraints explain it all? Evidence from survey data*, Forthcoming, American Economic Review (WP No. 549)

Busetti F., L. Forni, A. Harvey and **F. Venditti**, *Inflation convergence and divergence within the European monetary union*, Forthcoming, International Journal of Central Banking

Paiella, M., *The forgone gains of incomplete portfolios*, Forthcoming, Review of Financial Studies (WP No. 625)

Pericoli M. and **M. Taboga**, *Canonical term-structure models with observable factors and the dynamics of bond risk premia*, Forthcoming, Journal of Money, Credit and Banking (WP No. 580)

Casolaro L., D. Focarelli and **A. Pozzolo**, *The pricing effect of certification on syndicated loans*, Journal of Monetary Economics, 55, 2, 335-349 (2008)

De Bonis R., *La Banca*, Carocci, Roma (2008)

Del Giovane P. and **R. Sabbatini** (eds.), *The euro, inflation and consumers' perceptions. Lessons from Italy*, Springer, Berlin-Heidelberg (2008)

2007

Angelini P. and **F. Lippi**, *Did prices really soar after the euro cash changeover? Evidence from ATM withdrawals*, International Journal of Central Banking, 3, 4, 1-22 (WP No. 581)

Ascari G. and **T. Ropele**, *Optimal monetary policy under low trend inflation*, Journal of Monetary Economics, 54, 8, 2568-2583 (WP No. 647)

Bonaccorsi di Patti E. and **G. Gobbi**, *Winners or losers? The effects of banking consolidation on corporate borrowers*, Journal of Finance, 62, 669-695 (WP No. 479)

Cesarano F., *Monetary theory in retrospect: The selected essays of Filippo Cesarano*, Routledge, Abington

Devicienti F., A. Maida and **P. Sestito**, *Downward wage rigidity in Italy: Micro based measures and implications*, Economic Journal, 117, 524, F530-F552

Fabiani S., C. Loupias, F. Martins and **R. Sabbatini** (eds.), *Pricing decisions in the euro area: How firms set prices and why*, Oxford University Press, New York

Lippi F. and **S. Neri**, *Information variables for monetary policy in a small structural model of the euro area*, Journal of Monetary Economics, 54, 4, 1256-1270 (WP No. 511)

Locarno A., *Imperfect knowledge, adaptive learning, and the bias against activist monetary policies*, International Journal of Central Banking, 3, 3, 47-85 (WP No. 590)

Magnoli Bocchi A. and **M. Piazza**, *La Banca mondiale*, Il Mulino Editore, Bologna

Marchetti D.J. and **F. Nucci**, *Pricing behavior and the response of hours to productivity shocks*, Journal of Money, Credit and Banking, 39, 7, 1587-1611 (WP No. 524)

2006

- Álvarez, L. J., E. Dhyne, M. Hoeberichts, C. Kwapil, H. Le Bihan, P. Lünemann, F. Martins, **R. Sabbatini**, H. Stahl, P. Vermeulen, J. Vilmunen, *Sticky prices in the euro area: A summary of new micro evidence*, Journal of the European Economic Association, 4, 575-584
- Bianco M.** and G. Nicodano, *Pyramidal groups and debt*, European Economic Review, 50, 937-961
- Brandolini A., P. Cipollone** and **E. Viviano**, *Does the ILO definition capture all unemployment?*, Journal of the European Economic Association, 4, 153-179 (WP No. 529)
- Buseti, F.**, *Tests of seasonal integration and cointegration in multivariate unobserved component models*, Journal of Applied Econometrics, 21, 419-438
- Cipollone P.** and **A. Rosolia**, *Social interactions in high school: Lessons from an earthquake*, American Economic Review, 97, 3, 948-965 (WP No. 596)
- Dhyne, E., E. Vilmunen, L.J. Álvarez, H. Le Bihan, **G. Veronese**, D. Dias, J. Hoffmann, N. Jonker, P. Lannemann and F. Rumler, *Price changes in the euro area and the United States: Some facts from individual consumer price data*, Journal of Economic Perspectives, 20, 171-192
- Dedola L. and **S. Neri**, *What does a technology shock do? A VAR analysis with model-based sign restrictions*, Journal of Monetary Economics, 54, 2, 512-549 (WP No. 607)
- Druant, M., **S. Fabiani**, I. Hernando, C. Kwapil, B. Landau, C. Loupias, F. Martins, T. Mathä, **R. Sabbatini**, H. Stahl and A. Stokman, *What firms' surveys tell us about price-setting behaviour in the euro area*, International Journal of Central Banking, 2, 3-47
- Engle R.F. and **J. Marcucci**, *A long-run pure variance common features model for the common volatilities of the Dow Jones*, Journal of Econometrics, 132, 7-42
- Fuchs W. and **F. Lippi**, *Monetary union with voluntary participation*, Review of Economic Studies, 73, 437-457 (WP No. 512)
- Gaiotti E.** and **A. Secchi**, *Is there a cost channel of monetary transmission? An investigation into the pricing behaviour of 2000 firms*, Journal of Money, Credit and Banking, 38, 8, 2013-2038 (WP No. 525)

Useful links

Working papers of the other euro-area central banks:

[Banque Nationale de Belgique](#)

[Deutsche Bundesbank](#)

[Bank of Greece](#)

[Banco de España](#)

[Banque de France](#)

[Central Bank of Ireland](#)

[Banque Centrale du Luxembourg](#)

[De Nederlandsche Bank](#)

[Oesterreichische Nationalbank](#)

[Banco de Portugal](#)

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[European Central Bank](#)

Other

[BIS Central Bank Research Hub](#)

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