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# New Research at the Bank of Italy

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## Highlights

**On 30 September and 1 October, the Einaudi Institute for Economics and Finance hosted a conference on "The Future of Monetary Policy", organized in conjunction with the Bank of Italy and the Banque de France.** The conference discussed the consequences of the financial crisis for future monetary policy conduct. It was introduced by Fabrizio Saccomanni, Director General of the Bank of Italy.

The first session dealt with the euro-area interbank market. In her paper "*The Euro Area Interbank Market and the Liquidity Management of the Eurosystem in the Financial Crisis*", Ulrike Neyer (Heinrich-Heine-Universität Düsseldorf) recalled the main stylized facts characterizing the recent financial crisis from the perspective of money markets and the policy interventions of the European Central Bank. She then proposed a theoretical model for rationalizing these facts. The paper "Bank Liquidity, Interbank Markets and Monetary Policy", presented by David Skeie (Federal Reserve Bank of New York), showed that when banks are hit by liquidity shocks the central bank must lower the interbank rate and manage the aggregate volume of liquidity. (see the article on page 2 of this newsletter).

A growing body of research documents that measures of social capital are associated with effective public policies and more successful economic outcomes. In recent years, the role of social capital has been analyzed in depth by the economists at the Research Department of the Bank of Italy. **On 24 September the Bank of Italy hosted the workshop "Social Capital, Institutions and Household Behaviour".**

The workshop was split into two sections. In the first section, a number of research papers written by economists in the Bank of Italy were presented and discussed by academics who are expert in the field. The papers examined the effects of historical and civic traditions on household behaviour, the role of trust in firms' organization structures, the link between trust and regulation levels, the role of local electoral rules in political participation, the individual determinants of social behaviour, the relationship between tax compliance and public spending inefficiency.

The second section consisted of a roundtable with experts from a range of social science disciplines (sociology, political science, economics) and institutions. The discussion focused, inter alia, on the difficulties of defining and measuring social capital, and on the role of history in its accumulation. More details are available here.

(*continued from page one*) In his keynote lecture entitled *"Inflation Targeting and Financial Stability"*, Mike Woodford (Columbia University) examined the possibility of adapting the inflation targeting paradigm to also cope with the macroeconomic consequences of financial instability. He focused on the appropriate monetary policy response to financial crisis and on whether monetary policy can reduce the likelihood of a future crisis. Woodford concluded that the inflation targeting framework should take into account the consequences of a disruption of financial intermediation on the economy, without requiring a fundamental change in the monetary policy framework.

The second session dealt with monetary policy and financial instability. Gauti Eggertsson (Federal Reserve Bank of New York) presented the paper *"The Great Escape? A Quantitative Evaluation of the Fed's Non-Standard Policies"*, a study of the macroeconomic impact of some of the unconventional measures adopted by the Federal Reserve in 2008. An extended version of the model by Kiyotaki and Moore (2008) showed that the effect of this non-standard monetary policy could be significant when the short-term nominal interest rate is at the zero bound. Stefano Neri (Bank of Italy) presented the paper *"Monetary and macroprudential policies"* which focused on the interaction between macroprudential and monetary policies in a model with financial frictions and a banking sector. The analysis showed that in "normal times", when the economic cycle is driven by supply shocks, the usefulness of macroprudential policy is limited and that substantial coordination problems with monetary policy can arise. By contrast, in "exceptional times", for example when the economy is hit by financial shocks, macroprudential policy becomes extremely useful.

In the third session on risk taking in financial markets, Luisa Lambertini (École Polytechnique Fédérale de Lausanne) showed in a paper entitled *"Risky Mortgages"* how an increase in mortgage defaults affects the economy and how the propagation of the shock is influenced by the degree of household leverage.

In the fourth session, on the efficient level of credit, Anton Korinek (University of Maryland) presented *"Managing Credit Booms and Busts: A Pigouvian Taxation Approach"* in which he described how policymakers should respond to booms and busts in credit markets and asset markets. Korinek presented a model in which financial market imperfections can induce a potential for feedback spirals between asset prices, declining spending and debt deflation. Gianluca Benigno (LSE) presented the paper *"Revisiting Overborrowing and its Policy Implications"*. The analysis addressed the question of whether the likelihood and the severity of a financial crisis depend on excessive borrowing in normal times. The key policy implication of the paper is that monetary policy should be more concerned with ex-post intervention rather than ex-ante prevention.

In his keynote address *"The I-Theory of Money: An Overview"* Markus Brunnermeier (Princeton University and NBER) presented a unified macroeconomic model to analyze financial stability and monetary policy in which the key driving force is the capitalization of the banking sector and price rigidity does not play any role.

In the fifth session on asset prices bubbles, Olivier Loisel (Banque de France) presented the paper *"Monetary Policy and Herd Behavior in New-tech Investment"*, a study of the conditions under which monetary policy can eliminate asset price bubbles. By contrast, the paper *"Booms and Busts: Understanding Housing Market Dynamics"* presented by Martin Eichenbaum (Northwestern University) studied the conditions under which uncertainty about the long-run fundamental value of house prices can give rise to boom and bust episodes of a similar magnitude and pattern seen during the recent U.S. housing price bubble.

At the end of the second day, Mario Draghi (Governor, Bank of Italy), Charles Evans (President, Federal Reserve Bank of Chicago), Christian Noyer (Governor, Banque de France) and Athanasios Orphanides (Governor, Cyprus Central Bank), discussed the future of monetary policy in a panel session chaired by Daniele Terlizzese (EIEF and Bank of Italy). The unconventional measures taken by most central banks and the relationship between price stability and financial stability were just two of the important issues discussed by the panellists. [Stefano Neri]

# Latest working papers

## *No. 771*: **Modelling Italian potential output and the output gap**

*Antonio Bassanetti, Michele Caivano and Alberto Locarno*

The aim of the paper is to estimate a reliable quarterly time-series of potential output for the Italian economy, exploiting four alternative approaches: a Bayesian unobserved component method, a univariate time-varying autoregressive model, a production function approach and a structural VAR. Based on a wide range of evaluation criteria, all methods generate output gaps that accurately describe the Italian business cycle over the past three decades. All output gap measures are subject to non-negligible revisions when new data become available. Nonetheless they still prove to be informative about the current cyclical phase and, unlike the evidence reported in most of the literature, helpful at predicting inflation compared with simple benchmarks. We assess also the performance of output gap estimates obtained by combining the four original indicators, using either equal weights or Bayesian averaging, showing that the resulting measures (i) are less sensitive to revisions; (ii) are at least as good as the originals at tracking business cycle fluctuations; (iii) are more accurate as inflation predictors. (full pdf text)

## *No. 772*: **Relationship lending in a financial turmoil**

*Stefania De Mitri, Giorgio Gobbi and Enrico Sette*

We investigate whether the shape of relations between banks and firms has had a detectable effect in mitigating the credit contraction that followed Lehman's default in September 2008. Using micro data on a large sample of Italian firms, we analyze the relation between firms' debt concentration and credit availability. We show that firms borrowing from a higher number of banks suffered on average a larger contraction in bank credit and a higher probability of experiencing a reduction in outstanding bank debt. The same results hold for firms diversifying their borrowing, concentrating a smaller proportion with the main bank. The stability of the bank-firm relationship, measured by its duration, also appears to have been of some value in mitigating the credit restriction. Our results also suggest the existence of a different regime in credit supply towards firms experiencing a reduction in outstanding bank debt. If there is a contraction in credit, the decrease is limited if relations are more intense i.e. a lower number of financial institutions from which the firm borrows, more concentrated lending and relations of greater duration. The opposite is true for firms with positive credit growth. (full pdf text)

## *No. 773*: **Firm entry, competitive pressures and the US inflation dynamics**

*Martina Cecioni*

This paper studies the effect of competitive pressures on inflation dynamics. To this end it derives and estimates a New Keynesian Phillips curve in a model with endogenous firm entry. The number of active firms is inversely related to their market power. By taking into account the number of competitors, the pass-through of real marginal cost on inflation is separately identifiable from the effect of endogenous desired markup fluctuations. Estimates with US data suggest that the effect of real marginal cost on inflation is stronger than that found in the empirical test of the standard model. The estimated elasticity of the desired markup with respect to the number of firms implies that an increase of 10% in the number of active firms would lower annual inflation by 1.4% in the short run. (full pdf text)

## *No. 774*: **Credit ratings in structured finance and the role of systemic risk**

*Roberto Violi*

This paper explores the implications of systemic risk in Credit Structured Finance (CSF). Risk measurement issues loomed large during the 2007-08 financial crisis, as the massive, unprecedented number of downgrades of AAA senior bond tranches inflicted severe losses on banks, calling into question the credibility of Rating Agencies. I discuss the limits of the standard risk frameworks in CSF (Gaussian, Single Risk Factor Model; GSRFM), popular among market participants. If implemented in a 'static' fashion, GSRFM can substantially underprice risk at times of stress. I introduce a simple 'dynamic' version of GSRFM that captures the impact of large systemic shocks (e.g. financial meltdown) for the value of CSF bonds (ABS, CDO, CLO, etc.). I argue that a proper 'dynamic' modeling of systemic risk is crucial for gauging the exposure to default contagion ('correlation risk'). Two policy implications are drawn from a 'dynamic' GSRFM: (i) when rating CSF deals, Agencies should disclose additional risk information (e.g. the expected losses under stressed scenarios; asset correlation estimates); and (ii) a 'point-in-time' approach to rating CSF bonds is more appropriate than a 'through-the-cycle' approach. (full pdf text)

### *No. 775*: Entrepreneurship and market size. The case of young college graduates in Italy

*Sabrina Di Addario and Daniela Vuri*

We analyse empirically the effects of urbanization on Italian college graduates' work possibilities as entrepreneurs three years after graduation. We find that doubling the province of work's population density reduces the chances of being an entrepreneur by 2-3 percentage points. This result holds after controlling for regional fixed effects and is robust to instrumenting urbanization. Provinces' competition, urban amenities and dis-amenities, cost of labour, earning differentials between employees and self-employed workers, unemployment rates and value added per capita account for more than half of the negative urbanization penalty. Our result cannot be explained by the presence of negative differentials in returns to entrepreneurship between the most and the least densely populated areas either. In fact, as long as they succeed in entering the most densely populated markets, young entrepreneurs are able to reap-off the benefits of urbanization externalities: doubling the province of work's population density increases entrepreneurs' net monthly earnings by 2-3 percent. (full pdf text)

### *No. 776*: Measuring the price elasticity of import demand in the destination markets of Italian exports

*Alberto Felettigh and Stefano Federico*

The aim of this paper is to compare the price elasticity of import demand in the destination markets of Italian exports to the price elasticity in the destination markets of the other main euro-area countries' exports. To this end, we use the elasticities of substitution across varieties estimated for each destination market (defined as a country-product combination) by Broda, Greenfield and Weinstein (2006). We find that Italy exports to markets which have, on average, a lower price elasticity than the markets where France, Germany and Spain sell their exports. The result is mainly driven by the motor vehicle and other transport equipment sectors. Net of these two industries, the export elasticities of the four countries are basically identical. The sectoral and geographical composition of Italian exports therefore does not seem to expose them to a relatively more elastic demand, contrary to the indications of part of the literature.
(full pdf text)



### *No. 777*: Income reporting behaviour in sample surveys

*Andrea Neri and Roberta Zizza*

This paper analyses respondents' behaviour when reporting their income sources in sample surveys and presents a method to deal with response error. Survey data relating to the number of earning recipients and to amounts received are validated using external information from administrative and statistical sources. Our findings suggest that the response bias on household income is about 12 per cent of reported figures. Misreporting is particularly severe for income from self-employment, financial assets and rents, as well as from secondary jobs. As to the distribution of response error, about 15 per cent of respondents show a high probability of misreporting. Misreporting is more diffuse among males, the older, the self-employed and respondents at the higher end of the earnings distribution.
(full pdf text)

*No. 778*: **The rise of risk-based pricing of mortgage interest rate in Italy**

*Silvia Magri and Raffaella Pico*

The paper assesses the extent to which mortgage rates in Italy are priced according to credit risk as proxied by the probability of household mortgage delinquency estimated using the EU-Silc database. For reasons of data availability we restrict the analysis of mortgage pricing to Italian households. Consistent with the more extensive use of credit scoring techniques, our estimates indicate that Italian lenders have increasingly priced mortgage interest rates with reference to credit risk. For mortgages granted between 2000 and 2007, a 1 percentage point increase in the probability of default is associated with a 21 basis point rise in mortgage interest rates, less than the 38 basis point premium Edelberg (2006) estimated for the U.S. at the end of the '90s. (full pdf text)

*No. 779* **On the interaction between market and credit risk: a factor-augmented vector autoregressive (FAVAR) approach**

*Roberta Fiori and Simonetta Iannotti*

The aim of the paper is to understand the interaction between market and credit risk. Using a comprehensive set of Italian data, we apply a factor model to identify the common sources of risk driving fluctuations in the real and financial sectors. The common latent factors are then inserted in a VAR framework via a Factor Augmented Vector Autoregressive (FAVAR) approach to analyse the role of risk interactions with monetary policy shocks. We find that the impact of a restrictive monetary policy shock on credit risk is amplified when considering the feedback effect deriving from macroeconomic and equity market risk. Thus, neglecting dynamic interactions among risks may lead to biased estimates of the overall risk measure. The approach provides a framework for modelling macro and financial feedback dynamics, shedding some light on the complex interdependence between the financial sector and the real economy. (full pdf text)

# Forthcoming working papers

Bassanetti A., R. Torrini and F. Zollino
*Changing institutions in the european market: the impact on mark-ups and rents allocation*

Cecioni M. and S. Neri
*The monetary transmission mechanism in the euro area: has it changed and why?*

D'Amuri F.
*Monitoring vs. monetary incentives in addressing absenteeism: experimental evidence*

D'Amuri F. and J. Marcucci
*"Google it!" Forecasting the US unemployment rate with a Google job search index*

Ferrero G. and A. Secchi
*Central bank's macroeconomic projections and learning*

Frale C. and L. Monteforte
*FaMIDAS: A Mixed Frequency Factor Model with MIDAS structure*

Mastrobuoni G. and P. Pinotti
*Migration restrictions and criminal behavior: evidence from a natural experiment*

Menon C.
*Stars and comets: an exploration of the patent universe*

Neri S. and T. Ropele
*Imperfect information, real time data and monetary policy in the euro area*

Pinotti P.
*Financial development and the demand for Pay-As-You-Go social security*

Sette E.
*Competition and opportunistic advice of financial analysts: theory and evidence*

Sørensen C. K., D. Marqués Ibáñez and C. Rossi
*Modelling loans to non-financial corporations in the euro area*

Taboga M.
*Under/over-valuation of the stock market and cyclically adjusted earnings*

# Recently published working papers

No.759: Roberto Piazza,
*Financial innovation and risk: the role of information* (June 2010)

No.760: Guglielmo Barone, Roberto Felici and Marcello Pagnini,
*Switching costs in local credit markets* (June 2010)

No.761: Gianna Barbieri, Claudio Rossetti and Paolo Sestito,
*The determinants of teacher mobility. Evidence from a panel of Italian teachers* (June 2010)

No.762: Giuseppe Grande and Ignazio Visco,
*A public guarantee of a minimum return to defined contribution pension scheme members* (June 2010)

No.763: Giacinto Micucci and Paola Rossi,
*Debt restructuring and the role of lending technologies* (June 2010)

No.764: Paolo Del Giovane, Ginette Eramo and Andrea Nobili,
*Disentangling demand and supply in credit developments: a survey-based analysis for Italy* (June 2010)

No.765: Paolo Angelini and Giovanni Guazzarotti,
*Information uncertainty and the reaction of stock prices to news* (July 2010)

No.766: Guglielmo Barone and Sauro Mocetti,
*With a little help from abroad: the effect of low-skilled immigration on the female labor supply* (July 2010)

No.767: Libero Monteforte and Gianluca Moretti,
*Real time forecasts of inflation: the role of financial variables* (July 2010)

No.768: Giuseppe Cappelletti, Giovanni Guazzarotti and Pietro Tommasino,
*The effect of age on portfolio choices: evidence form an Italian pension fund* (July 2010)

No.769: Raffaello Bronzini,
*Does investing abroad reduce domestic activity? Evidence from Italian manufacturing firms* (July 2010)

No.770: Sandra Gomes, Pascal Jacquinot and Massimiliano Pisani,
*The EAGLE. A model for policy analysis of macroeconomic interdependence in the euro area* (July 2010)

# Latest occasional papers

## *No. 70*: Contingent liquidity

*Sergio Nicoletti-Altimari and Carmelo Salleo*

After the crisis, bank regulators are considering mitigating liquidity risk by introducing quantity limits on liquidity and maturity mismatch. We argue that aggregate liquidity risk can be reduced with little deadweight loss by encouraging banks, through adequate regulatory relief, to satisfy part of their financing needs with a new class of securities. These would include a Roll-Over Option Facility (ROOF) that allows the issuer, for a price, to keep the funds if at maturity a readily observable variable correlated with systemic liquidity risk (e.g. the LIBOR-OIS spread) is above a trigger threshold. At roll-over the yield would reflect the current price of liquidity and credit risk, making ROOFs attractive to investors. The instrument could attenuate a liquidity crisis by reducing banks' need to roll debt over or sell off assets, and diminish the probability of runs, if markets are convinced that banks can secure sufficient liquidity when needed thanks to the widespread use of this contingent claim.
(full pdf text)

## *No. 71*: Countercyclical contingent capital (CCC): possible use and ideal design

*Giuseppe De Martino, Massimo Libertucci, Mario Marangoni and Mario Quagliariello*

Contingent capital – any debt instrument that converts into equity when a predefined event occurs – has received increasing attention as a viable tool for allowing banks to raise capital when needed at relatively more affordable prices than common equity. While the debate has focused on contingent capital for systemically important financial institutions, this paper concentrates on its possible use for covering capital needs arising from the implementation of countercyclical buffers. We propose the introduction of countercyclical contingent capital (CCC) based on a double trigger. The interaction of the two triggers would determine a quasi-default status. Conversion would be required when the financial system is simultaneously facing aggregate problems and the individual bank – while still in a going concern status – shows weaknesses. Building on this proposal, the paper tests how different double triggers would have worked in the past and discusses the optimal design of the conversion mechanism and prudential treatment. (full pdf text)

### *No. 72*: Measuring sectoral/geographic concentration risk

*Vincenzo Tola*

This article focuses on the application of the Pykhtin model to the Italian banking system to measure concentration risk by industry sector and geographic region. The proposed approach generalizes the portfolio model used in Pillar 1 for the calculation of the capital requirement, removing the assumptions of the existence of one systematic risk factor and of an infinitely granular portfolio. The difference between the unexpected loss stemming from the Pykhtin model and that calculated using the supervisory formula can be interpreted as a measure of concentration risk. The Pykhtin model is consistent with the Basel II framework. It accordingly generates an unexpected loss measure that is in line with the IRB capital requirements. The proposed model therefore has the advantage of "speaking the language of supervisors". This approach makes it possible to interpret the difference between regulatory and economic capital. It also enables concentration risk to be broken down into its two components: single-name and sectoral/ geographic concentration risk. The empirical results show the model's ability to generate internally coherent rankings that are close to the economic intuition: exposure to sectoral/geographic concentration risk is negatively correlated to banks'size.
(full pdf text - only in Italian)

### *No. 73*: Islamic finance and conventional financial systems. Market trends, supervisory perspectives and implications for central banking activity

*Giorgio Gomel (coordinator), Angelo Cicogna, Domenico De Falco, Marco Valerio Della Penna, Lorenzo Di Bona De Sarzana, Angela Di Maria, Patrizia Di Natale, Alessandra Freni, Sergio Masciantonio, Giacomo Oddo, Emilio Vadalà*

The paper analyses Islamic finance from the central bank and supervisory authority's perspective, focusing on the European and Italian context. It depicts a rapidly expanding sector, with recent annual growth rates of between 10 and 15 percent and a geographical presence that now reaches several Western countries. Future prospects, however, could be hampered by problems concerning the standardization of products, governance structure, supervisory regulation, monetary policy instruments, and liquidity management. Islamic intermediaries are not necessarily riskier than traditional counterparts but their operational structure tends to be more complex. Key issues in supervision include the treatment of investment accounts and transparency. It has been seen that there are limits to the efficiency of the monetary policy instruments developed so far to remedy the prohibition of interest; moreover, the growth of interbank and money markets is  hindered by a shortage of "Shari'ah-compliant" products. Problems arising from the participation of Islamic banks in payment systems are also discussed.
(full pdf text - only in Italian)

### *No. 74*: Pro-cyclicality of capital regulation: is it a problem? How to fix it?

*Paolo Angelini, Andrea Enria, Stefano Neri, Fabio Panetta and Mario Quagliariello*

We use a macroeconomic euro area model with a bank sector to study the pro-cyclical effect of the capital regulation, focusing on the extra pro-cyclicality induced by Basel II over Basel I. Our results suggest that this incremental effect is modest. We also find that regulators could offset the extra pro-cyclicality by a countercyclical capital-requirements policy. Our results also suggest that banks may have incentives to accumulate countercyclical capital buffers, making this policy less relevant, but this finding is depends on the type of economic shock posited. We also survey different policy options for dealing with procyclicality and discuss the pros and cons of the measures available.
(full pdf text)

### *No. 75*: Italian households and labour market: structural characteristics and effects of the crisis

*Sauro Mocetti, Elisabetta Olivieri and Eliana Viviano*

This analysis aims at studying joblessness and the effect of the economic crisis at the household rather than the individual level. With respect to the main European countries, in Italy the jobless household rate is lower because of the larger household size

(the more adults present the lower the risk of joblessness) and the greater propensity to link household formation to employment status. The effects of the economic crisis on the labour market have led to an increase in the jobless household rate. However this increase has been lower than expected, thus suggesting that Italian households have partly absorbed the negative shocks in the labour market. Within households, the job losses mostly related to young people still living with their parents, reflecting an employment protection system that is segmented on a generational basis.
(full pdf text - only in Italian)

# Forthcoming occasional papers

Breda E. and R. Cappariello
*A tale of two bazaar economies: an input-output analysis for Germany and Italy*

# Recently published occasional papers

No.67: Daniela Marconi,
*Environmental regulation and revealed comparative advantages in Europe: is China a pollution haven?* (June 2010)

No.68: Federico Cingano, Roberto Torrini and Eliana Viviano,
*The crisis and employment in Italy* (June 2010)

No.69: Pietro Catte, Pietro Cova, Patrizio Pagano and Ignazio Visco,
*The role of macroeconomic policies in the global crisis* (July 2010)

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

(full list since 1990)

### Forthcoming

Altunbas Y., **L. Gambacorta** and D. Marqués, *Securitisation and the bank lending channel,* European Economic Review (WP No. 653)

**Busetti F.** and A. Harvey, *When is a copula constant? A test for changing relationships,* Journal of Financial Econometrics

**Ciapanna E.**, *Directed matching with endogenous Markov probability: clients or competitors?,* The RAND Journal of Economics

Schivardi F. and **E. Viviano**, *Entry barriers in retail trade,* Economic Journal (WP No. 616)

### 2010

**Cingano F.**, M. Leonardi, J. Messina and G. Pica, *The effects of employment protection legislation and financial market imperfections on investment: evidence from a firm-level panel of EU countries,* Economic Policy, v. 25, 61, pp. 117-149

**D'Amuri F.,** G. I. P. Ottaviano and G. Peri, *The labor market impact of immigration in Western Germany in the 1990's,* European Economic Review, v. 54, 4, pp. 550-570 (WP No. 687)

**Fabiani S.,** C. Kwapil, T. Rõõm, K. Galuscak and A. Lamo, *Wage rigidities and labor market adjustment in Europe,* Journal of the European Economic Association, v. 8, 2-3, pp. 497-505

**Gerali A.**, **S. Neri, L. Sessa** and **F. M. Signoretti**, *Credit and banking in a DSGE model of the euro area,* Journal of Money, Credit and Banking, v. 42, 6, pp. 107-141 (WP No. 740)

Iacoviello M. and **S. Neri**, *Housing market spillovers: evidence from an estimated DSGE model,* American Economic Journal: Macroeconomics, v. 2, 2, pp. 125-164 (WP No. 659)

**Magri S.**, *Debt Maturity Choice of Nonpublic Italian Firms*, Journal of Money, Credit and Banking , v.42, 2-3, pp. 443-463 (WP No. 574)

Nicoletti C. and **C. Rondinelli**, *The (mis)specification of discrete duration models with unobserved heterogeneity: a Monte Carlo study,* Journal of Econometrics, v. 159, 1, pp. 1-13 (WP No. 705)

Prati A. and **M. Sbracia**, *Uncertainty and currency crises: evidence from survey data,* Journal of Monetary Economics, v, 57, 6, pp. 668-681 (WP No. 446)

### 2009

**Affinito M.** and **F. Farabullini**, *Does the law of one price hold in euro-area retail banking?,* International Journal of Central Banking, v. 5, 1, pp. 5-37

Ascari G. and **T. Ropele**, *Trend inflation, Taylor principle, and indeterminacy,* Journal of Money,

Credit and Banking, v. 41, 8, pp. 1557-1584 (WP No. 708)

Behrens K., **A. Lamorgese**, G. I. P. Ottaviano and T. Tabuchi, *Beyond the home market effect: market size and specialization in a multi-country world,* Journal of International Economics, v. 79, 2, pp. 259-265

**Ferrero G.** and **A. Nobili**, *Futures contract rates as monetary policy forecasts,* International Journal of Central Banking, v. 5, 2, pp. 109-145, (WP No. 681)

**Foglia A.**, *Stress testing credit risk: a survey of authorities' approaches,* International Journal of Central Banking , v. 5, 3, pp. 9-45 (QEF No. 37)

**Forni L., L. Monteforte** and **L. Sessa**, *The general equilibrium effects of fiscal policy: estimates for the euro area,* Journal of Public Economics, v. 93, 3-4, pp. 559-585 (WP No. 652)

**Gola C.** and A. Roselli, *The UK Banking System and its Regulatory and Supervisory Framework*, Palgrave Macmillan

Lippi F. and **A. Secchi**, *Technological change and the households' demand for currency ,* Journal of Monetary Economics 56, 2, 222-230, (WP No. 697)

**Pagano P.** and **M. Pisani**, *Risk-adjusted forecasts of oil prices,* The B.E. Journal of Macroeconomics, v. 9, 1, Article 24 (WP No. 585)

**Panetta F.**, F. Schivardi and M. Shum, *Do mergers improve information? Evidence from the loan market,* Journal of Money, Credit, and Banking, v. 41, 4, pp. 673-709 (WP No. 521)

**Quagliariello M.** (ed.), *Stress-testing the Banking system,* Cambridge University Press

**Rossi S.**, *Controtempo, l'Italia nella crisi mondiale*, Laterza, Bari-Roma

## 2008

**Angelini P., P. Del Giovane, S. Siviero** and **D. Terlizzese**, *Monetary policy in a monetary union: What role for regional information?,* International Journal of Central Banking, 4, 3, 1-28 (WP No. 457)

**Angelini P.** and **A. Generale**, *On the evolution of firm size distributions,* American Economic Review 98, 1, 426-438, (WP No. 549)

**Busetti F.** and A. Harvey, *Testing for trend,* Econometric Theory, 24, 1, 72-87 (WP No. 614)

**Cesarano F.**, *Money and monetary systems: selected essays of Filippo Cesarano*, Cheltenham, Elgar

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

**De Bonis R.**, *La Banca,* Carocci, Roma

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

**Gambacorta L.**, *How do banks set interest rates?*, European Economic Review, 52, 5, 792-819 (WP No. 542)

**Guiso L.** and **M. Paiella**, *Risk aversion, wealth and background risk*, Journal of the European Economic Association, v. 6, 6, pp. 1109-1150, (WP No. 483)

**Pericoli M.** and **M. Taboga**, *Canonical term-structure models with observable factors and the dynamics of bond risk premia*, Journal of Money, Credit and Banking, 40, 7, 1471-1488 (WP No. 580)

## 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)

**Busetti F., L. Forni**, A. Harvey and **F. Venditti**, *Inflation convergence and divergence within the European monetary union,* International Journal of Central Banking, 3, 2, 95-121

**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

**Cipollone P.** and **A. Rosolia**, *Social interactions in high school: lessons from an earthquake,* American Economic Review, 97, 3, 948-965 (WP No. 596)

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)

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

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