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*Seminars at the
Bank of Italy*

Seminars at EIEF

Highlights

On 28 April 2011, the Bank of Italy hosted the conference "Infrastructure in Italy".

The opening address was delivered by Mr. Mario Draghi, Governor of the Bank. The conference focused on the relationship between public investment and economic growth, the endowment and quality of infrastructure across the country, the public and private financial resources dedicated to public investment, the procedures governing planning and construction, and the transportation network. The conference was preceded by a research seminar, which was held in Perugia on 14-15 October 2010. The papers have been collected in the book "Infrastructure in Italy: Endowment, planning, construction", available in Italian only at the [following web address](#).

From 13 June to 13 July EIEF organized a series of Summer Lectures giving a brief overview of recent pioneering research in four broad areas: Macroeconomics; Political Economy/Law and Economics/Household choices; International Finance and Trade; and Finance and Regulation. All the lectures were given by visiting scholars with an international reputation and involved active interaction with the audience.

The Summer Lectures programme and related material are available [here](#).

On 4 July EIEF hosted a conference organized by LaVoce.info, reserved to the readers

who contributed during the past year to the funding of its website. The conference focused on the fiscal reform recently proposed by the Italian Government, on the prospects for fiscal consolidation in Italy and on the main challenges facing the Italian productive system in the global economy.

The conference programme is available [here](#).

On 4-6 July EIEF hosted the 11th Doctoral Workshop in Economic Theory and Econometrics (MOOD 2011), designed to stimulate the interaction between senior economists and doctoral students. The event is co-organized with the Bank of Italy, Collegio Carlo Alberto, LUISS, Journal of Applied Econometrics and Labour.

The workshop programme and presentations are available [here](#).

On 8 July the Bank of Italy hosted the second workshop on "Public Policy, Social Dynamics and Population".

Organized jointly with the Dondena Research Center (Bocconi University), the workshop brought together twelve academics and researchers to discuss issues such as fertility, aging, and women's participation in the labor market. The two main papers, by J. van Ours (Tilburg University) and G. Weber (University of Padua), dealt respectively with the effectiveness of labor market policies in bringing the unemployed back to work and the dynamics of homeownership among the elderly.

Forthcoming Events

On 30 September-1 October, the 9th Hydra Workshop on Dynamic Macroeconomics, sponsored by ECB, EIEF, Swiss National Bank, University of Bern, University of Cagliari and University of Sassari, will be held in Alghero (Sardinia - Italy), bringing together leading researchers.

The preliminary programme is available [here](#).

On October 6-7 EIEF and the Center for Financial Studies at Goethe University, Frankfurt will organize a major conference on Household Finance.

The conference will provide an overview of recent empirical and theoretical research on household financial behaviour and how it is affected by government policies and the general economic environment. The conference will be held at the EIEF's premises in Rome.

Further information will be provided on the [EIEF website](#).

13-15 October, Italy and the World Economy, 1861-2011: Palazzo Koch, Banca d'Italia, Rome.

The conference will present the results of a wide-ranging research project sponsored by the Bank of Italy as part of the celebration of the 150th anniversary of Italian national unity. It will focus on the responses of the Italian economy since political unification in 1861 to changes in the international scene (expansions, crises, globalization). The studies will not only further knowledge of Italian economic history but also contribute to understanding of the current position of Italy in the world economy.

The project consists of nineteen studies by Bank of Italy economists and Italian and foreign academics. Together with the historical evolution of productivity and income standards, the topics analysed include: technology, the economy's international specialization, significant cases of business internationalization, human capital accumulation, social capital, flows of migration, the

interactions between the economy and the legal system, regional differences, the relations between finance and growth, exchange rate regimes, and the role of public finance in some critical phases of the Italian economy. Lastly, three papers focus on economic policy before and after World War II and one on foreign observers' views of the Italian economy over 150 years.

The research is supported and accompanied by the reconstruction of Italy's historical national accounts spanning the whole period 1861-2010, in collaboration with ISTAT and Tor Vergata University of Rome.

The Steering Committee for the conference is chaired by the Director-General of the Bank of Italy, Fabrizio Saccomanni and includes Nicholas Crafts, Francesco Giavazzi, Alfredo Gigliobianco, Fabrizio Onida, Kevin O'Rourke, Marco Pagano, Salvatore Rossi and Gianni Toniolo.

The programme is available [here](#).

Latest working papers

No. 803: Financial subsidies and bank lending: substitutes or complements? Micro level evidence from Italy (April 2011)

Amanda Carmignani and Alessio D'Ignazio

We exploit Italian Central Credit Register data to investigate the effectiveness of subsidized credit programs for public financing to firms via the banking system. The effect of public incentives depends on the availability of financial resources for the beneficiary firms. Financially constrained firms are likely to use the subsidies to expand output, while less constrained firms will, at least partly, use the funds to replace more costly resources. Focusing on the relationship between bank credit and subsidized loans, we find that larger firms substitute public financing for bank lending, while there is not such evidence for smaller firms. The estimated degree of substitution is substantial, ranging from an estimated 70 per cent to 84 per cent.

[\(full pdf text\)](#)

No. 804: Quality upgrading of Italian manufactures: evidence from firms' prices and strategies
(April 2011)

Valter Di Giacinto and Giacinto Micucci

Even before the global crisis, the Italian economy was in difficulties internationally, but slow growth and a declining share of world trade were accompanied by a perceptible process of manufacturing transformation. This paper, using data from the Bank of Italy's survey of manufacturers, measures a crucial aspect of the transformation, namely quality upgrading, from 2000 to 2006. The gauge of upgrading, not used in earlier literature, is the portion of price changes representing the return to value creation, both tangible (new products and improvement of existing ones) and intangible (branding policies). We find evidence of upgrading capable of explaining a quarter of the firms' average annual price increases (about 0.5 out of 2 percentage points), with roughly equal effects from the tangible and the intangible components. The analysis also shows that strategies of product upgrading helped foster job creation and sales growth.

[\(full pdf text - only in Italian\)](#)

No. 805: What determines annuity demand at retirement? (April 2011)

Giuseppe Cappelletti, Giovanni Guazzarotti and Pietro Tommasino

In most advanced countries, future retirees will have to rely less on social security schemes and more on private pension plans, which mostly leave to the worker the choice between cashing-in or annuitizing pension wealth at retirement. Therefore, a better understanding of the determinants of the demand for annuities will soon become a priority. Research in this field has been hampered by lack of data (due to current market thinness) and by difficulties in disentangling demand from supply-side effects. In this paper, we avoid these problems resorting to ad hoc survey data from Italy. Our results highlight the importance of wealth, impatience, education and (to a lesser extent) financial literacy in shaping annuity demand.

[\(full pdf text\)](#)

No. 806: Heterogeneity and learning with complete markets (April 2011)

Sergio Santoro

We study an endowment economy with complete markets and heterogeneous agents who do not have rational expectations, but form their beliefs using adaptive learning algorithms that may differ from one individual to another. We show that market completeness allows agents to smooth consumption across states of nature, but not across time, and that the initial wealth distribution is not enough to pin down the long-run equilibrium. Consequently, initial differences in beliefs create persistent consumption imbalances that are not grounded in fundamentals. In some cases these imbalances are eventually unsustainable: the debt of one of the agents would grow without bounds, and binding borrowing limits are necessary to prevent Ponzi schemes. Finally, we find that our slight departure from rational expectations affects efficiency properties of the competitive equilibrium: if the social welfare function attaches fixed Pareto weights to the different individuals, there are configurations of individual expectations under which society is better off with financial autarky than with complete markets. The first best can be restored by introducing a distortionary tax on borrowing, which transfers consumption from the more optimistic agent to the other. [\(full pdf text\)](#)

No. 807: Housing, consumption and monetary policy: how different are the U.S. and the euro area?
(April 2011)

Alberto Musso, Stefano Neri and Livio Stracca

This paper provides a systematic empirical analysis of the macroeconomic role of the housing market in the U.S. and the euro area. First, it establishes some stylised facts concerning key variables in the housing market on the two sides of the Atlantic, such as real house prices, residential investment and mortgage debt. Next, it presents evidence from Structural Vector Autoregressions (SVAR) by focusing on the effects of monetary policy, credit supply and housing demand shocks on the housing market and the broader economy. The analysis shows that in the housing market similarities outweigh differences. The empirical evidence suggests a stronger role for housing in the

transmission of monetary policy shocks in the U.S. The evidence is less clear-cut for housing demand shocks. Finally, credit supply shocks seem to matter more in the euro area. ([full pdf text](#))

No. 808: The monetary transmission mechanism in the euro area: has it changed and why? (April 2011)

Martina Cecioni and Stefano Neri

Based on a structural VAR and a dynamic general equilibrium model, we provide evidence of the changes in the monetary transmission mechanism (MTM) in the European Monetary Union after the adoption of the common currency in 1999. The estimation of a Bayesian VAR over the periods before and after 1999 suggests that the effects of a monetary policy shock on output and prices have not significantly changed over time. We claim that this cannot be the final word on the evolution of the MTM as changes in the conduct of monetary policy and the structure of the economy may have offset each other giving rise to similar responses of output and inflation to monetary policy shocks between the two periods. The estimation of a DSGE model with several real and nominal frictions over the two subsamples shows that monetary policy has become more effective in stabilizing the economy as the result of a decrease in the degree of nominal rigidities and a shift in monetary policy towards inflation stabilization. ([full pdf text](#))

No. 809: Convergence clubs, the euro-area rank and the relationship between banking and real convergence (June 2011)

Massimiliano Affinito

This paper analyses banking convergence, measured through the ratios of deposits and loans to GDP, across 65 countries, compares it with per capita income convergence, and tests its effect on real convergence. The focus of the paper is the group of countries that have adopted the euro as a single currency (euro area). It compares the degree of banking and real convergence among these countries with that reached by other 17 potential convergence clubs around the world (including the EU-27, the OECD, the G20, OPEC, and the Arab League). It employs a diversity of methods (β - and s- analyses,

stationarity tests, IV regressions) and finds three main results. First, the degree of convergence is higher within the clubs than in the entire sample, and it is diversified across the clubs. Second, all methodologies confirm euro-area banking convergence. Third, banking convergence has a positive and significant impact in fostering real convergence. ([full pdf text](#))

No. 810: The welfare effect of foreign monetary conservatism with non-atomistic wage setters (June 2011)

Vincenzo Cuciniello

This paper extends the closed economy analysis of strategic interaction between labor unions and the monetary authority in Lippi (REStud 2003) to a two-country open economy framework. It sheds light on the real effect of foreign central bank conservatism, which—through a strategic mechanism that operates via the terms of trade between the two independent monetary policy makers—entails wage moderation. The impact of domestic central bank conservatism hinges instead on the combination of three strategic effects. ([full pdf text](#))

No. 811: Schooling and youth mortality: learning from a mass military exemption (June 2011)

Piero Cipollone and Alfonso Rosolia

We examine the relationship between education and mortality in a young population of Italian males. In 1981 several cohorts of young men from specific southern towns were unexpectedly exempted from compulsory military service after a major quake hit the region. Comparisons of exempt cohorts from least damaged towns on the border of the quake region with similar ones from neighbouring non-exempt towns just outside the region show that, by 1991, the cohorts exempted while still in high school display significantly higher graduation rates. The probability of dying

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*the real time indicator
of the
Euro Area economy*



over the decade 1991-2001 was also significantly lower. Several robustness checks confirm that the findings do not reflect omitted quake-related confounding factors, such as the ensuing compensatory interventions. Moreover, cohorts exempted soon after high school age do not display higher schooling or lower mortality rates, thus excluding that the main findings reflect direct effects of military service on subsequent mortality rather than a causal effect of schooling. We conclude that increasing the proportion of high school graduates by 1 percentage point leads to 0.1-0.2 percentage points lower mortality rates between the ages of 25 and 35. ([full pdf text](#))

No. 812: Welfare costs of inflation and the circulation of US currency abroad (June 2011)

Alessandro Calza and Andrea Zaghini

Empirical studies of the shoe-leather costs of inflation are typically computed using M1 as a measure of money. Yet, official data on M1 includes all currency issued, regardless of the country of residence of the holder. Using adjusted monetary data, we show that the failure to control for currency held by non residents may lead to significantly overestimating the welfare costs for the domestic economy. In particular, our estimates of shoe-leather costs are minimized for a positive but moderate value of the inflation rate, thereby justifying a deviation from the Friedman rule in favour of the Fed's current policy. ([full pdf text](#))

No. 813: Legal status of immigrants and criminal behavior: evidence from a natural experiment (June 2011)

Giovanni Mastrobuoni and Paolo Pinotti

We estimate the causal effect of immigrants' legal status on criminal behavior exploiting exogenous variation in migration restrictions across nationalities driven by the last round of the European Union enlargement. Unique individual-level data on a collective clemency bill enacted in Italy five months before the enlargement allow us to compare the post-release criminal record of inmates from new EU member countries with a control group of pardoned inmates from candidate EU member countries. Difference-in-differences in

the probability of re-arrest between the two groups before and after the enlargement show that obtaining legal status lowers the recidivism of economically motivated offenders, but only in areas that provide relatively better labor market opportunities to legal immigrants. We provide a search-theoretic model of criminal behavior that is consistent with these results. ([full pdf text](#))

No. 814: An unexpected crisis? Looking at pricing effectiveness of different banks (July 2011)

Valerio Vacca

This paper shows how credit quality transition matrices of loans to Italian firms changed during a cyclical downturn (2008-09), compared with a previous time of growth (2006-07). Once transition matrices were linked to interest rates, banks appear to have been remarkably able at calibrating required risk premiums to actual idiosyncratic risk, both during expansion and recession. However, the uncertainty generated by the crisis accentuated the unexpected component of credit worsening, thus lowering pricing effectiveness. The main finding is that larger banking groups were more affected by the sudden deterioration of credit quality than smaller ones, as far as ability to price risk is concerned. The bank-size effect can be tackled through an efficient use of hard or soft information: both rating users and decentralized banks showed an above-average ability in calibrating rates to risk during the crisis; banks with a stronger relationship with borrowers smoothed the risk-price curve in normal times. ([full pdf text](#))

No. 815: Skills or culture? An analysis of the decision to work by immigrant women in Italy (June 2011)

Antonio Accetturo and Luigi Infante

Activity and employment rates for immigrant women in many industrialized countries display a great variability across national groups. The aim of this paper is to assess whether this well-known fact is due to a voluntary decision (i.e. large reservation wages by the immigrants) or to an involuntary process in that the labour market

evaluation of their skills is low. This is done by estimating the reservation wages for each individual in the dataset. Our results show that low activity and employment rates for certain national groups are not associated with high reservation wages. This implies that low participation should not be interpreted as a voluntary decision. ([full pdf text](#))

No. 816: Home bias in interbank lending and banks' resolution regimes
(July 2011)

Michele Manna

In recent years, banks have become increasingly aware of the credit risk borne in lending in the interbank market and they select their counterparties accordingly. They may also fear that if they come across a bad borrower, rescue plans will be skewed towards domestic creditors; moreover, lenders may prefer to defend their rights in their own regulatory and legal jurisdiction. Using 2004-09 data, this paper argues that these elements, the “resolution edge” of the domestic creditor, contributed to the increase in the home bias of interbank lending by euro-area banks from mid-2007 on, while a more consistent downward pattern emerges in the home bias of banks from five non-euro-area countries (including the US and the UK). The intuition is that when the crisis broke out, euro-area banks reckoned that within-the-area cross-border interbank loans carried a distinct risk compared with domestic loans. By contrast, a large Swiss bank, for example, did not need to wait until 2007 to gauge that its business in New York was a very different matter from a deal in Zürich. ([full pdf text](#))

Forthcoming working papers

Affinito M.

Do interbank customer relationships exist? And how did they function over the crisis? Learning from Italy

Anzuini A. and F. Fornari

Macroeconomic Determinants of Carry Trade Activity

Aprigliano V.

The relationship between PMI and Italian industrial production and the impact of the latest economic crisis

Carboni A.

Inside the sovereign credit default swap market: price discovery, announcements, market behavior and corporate sector

D'Amuri F. and J. Marcucci

“Google it!” Forecasting the US unemployment rate with a Google job search index

Depalo D. and R. Giordano

The public-private pay gap: a robust quantile approach

De Socio A.

The interbank market after the financial turmoil: squeeze liquidity in a “lemons market” or ask liquidity “on tap”

Di Giacinto V.

Foreign trade, home linkages and the spatial transmission of economic fluctuations in Italy

Faiella I.

The demand for energy of Italian Households

Marqués Ibáñez D., C. Rossi and C. K. Sørensen

Modelling loans to non-financial corporations in the euro area

Modena F. and C. Rondinelli

Leaving home and housing prices. The experience of Italian youth emancipation

Pinotti P.

The economic consequences of organized crime: evidence from southern Italy

Ropele T.

Implementing disinflations in a medium-scale dynamic general equilibrium model: money supply vis-à-vis interest rate rules

Sessa L.

Economic (in)stability under monetary targeting

Recently published working papers

No. 790: Emidio Coccozza and Paolo Piselli,
Testing for East-West contagion in the European banking sector during the financial crisis
(February 2011)

No. 791: Raffaello Bronzini and Eleonora Iachini,
Are incentives for R&D effective? Evidence from a regression discontinuity approach (February 2011)

No. 792: Guido de Blasio, Davide Fantino and Guido Pellegrini,
Evaluating the impact of innovation incentives: evidence from an unexpected shortage of funds (February 2011)

- No. 793: Eugenio Gaiotti,
Credit availability and investment in Italy: lessons from the "Great Recession" (February 2011)
- No. 794: Giorgio Albareto and Paolo Emilio Mistrulli,
Bridging the gap between migrants and the banking system (February 2011)
- No. 795: Michele Leonardo Bianchi and Maria Grazia Miele,
Italian open-end funds: performance of asset management companies (February 2011)
- No. 796: Ugo Albertazzi, Ginette Eramo, Leonardo Gambacorta and Carmelo Salleo,
Securitization is not that evil after all (February 2011)
- No. 797: Flavia Corneli and Emanuele Tarantino,
Reserve management and sovereign debt cost in a world with liquidity crises (March 2011)
- No. 798: Marco Protopapa,
Managerial incentives, financial constraints and ownership concentration (March 2011)
- No. 799: Fabio Buseti and Silvestro di Sanzo,
Bootstrap LR tests of stationarity, common trends and cointegration (March 2011)
- No. 800: Francesco Nucci and Marianna Riggi,
Performance pay and shifts in macroeconomic correlations (March 2011)
- No. 801: Paolo Angelini, Stefano Neri and Fabio Panetta,
Monetary and macroprudential policies (March 2011)
- No. 802: Stefano Neri and Tiziano Ropele,
Imperfect information, real-time data and monetary policy in the euro area (March 2011)

Latest occasional papers

No. 90: Quality differentials in Italian Universities' freshmen: the case of Medical and Dental Surgery schools (April 2011)

Paolo Sestito and Marco Tonello

The paper compares the quality of Italian Medical schools' freshmen on the basis of the scores obtained in the locally conducted entry exams which are using a common national test frame. The test is quite selective (partly because of the reduced size of the intake yearly allowed): winners are people on average better than the average

graduates of their own secondary schools and 15% of them have already had some college education in other fields. Among Universities there appear to be sizable and stable over time differences in the average quality of freshmen; while students from the South have on average worse results in the tests, those of them moving to Northern Universities contribute to the higher average quality of these Universities' freshmen. Comparing, for Dental Surgery schools which have used both, local tests and a national test (the position in the national test governing the priority in the choice of the school where to enroll), it seems that the latter amplifies (shrinks) the difference between (within each of the several) Universities in the freshmen's composition.

[\(full pdf text - only in Italian\)](#)

No. 91: Siting public facilities: a theoretical and empirical analysis of the Nimby syndrome in Italy
(April 2011)

Roberta Occhilupo, Giuliana Palumbo and Paolo Sestito

The paper discusses the economic problem and the institutional features underlying the Nimby syndrome, and illustrates preliminary empirical evidence for Italy. It argues that siting procedures taking local preferences into account should be preferred when the heterogeneity in preferences across communities is greater than the heterogeneity in constructing and operating costs across sites. The elicitation of preferences is better pursued through auction-like mechanisms rather than multilateral negotiations if: the characteristics of the facility and the institutional context are such that credible information about the risks associated with the facility are available; conflicting preferences at the local level can be preliminarily aggregated; and compensations are mainly monetary. Empirical results suggest that the intensity of local opposition is greater when the perceived risk associated with the facility is higher and more concentrated, and the communication between different levels of government poor. The conflict between highly centralized siting procedures and highly decentralized administrative institutions, the difficulty of providing credible information about the risks associated with the facility, and low political commitment are identified as the critical points.

[\(full pdf text - only in Italian\)](#)

No. 92: Small claims litigation in Italy
(April 2011)

Paolo Fantini, Silvia Giacomelli, Giuliana Palumbo and Gianluca Volpe

Despite accounting for a significant fraction of total litigation in Italy, small claims litigation has so far received little attention. Using a Ministry of Justice database that contains information disaggregated by subject matter, the paper provides a thorough description of the time trend and geographical distribution of small claims litigation in Italy in the period 2001-2008. Further, it empirically evaluates the impact of different socio-economic variables on litigation. We find evidence of a strong increase in appeals against administrative sanctions, while the number of civil proceedings remained stable. Litigation rates are higher in the Centre and Southern regions. More interestingly, for claims on movables and claims for damages caused by circulation of vehicles, they are strongly concentrated in some provinces. Our results provide support to existing anecdotal evidence about opportunistic behaviour in the use of courts.

[\(full pdf text - only in Italian\)](#)

No. 93: Economic and financial conditions of households in Lombardy (June 2011)

Luigi Cannari, Giovanni D'Alessio and Alessandra Mori

This paper presents the main findings of the Survey on Household Income and Wealth for the Italian region of Lombardy. To get a large enough sample, the observations on 2004, 2006, and 2008 were pooled. The work sets out the structural characteristics for Lombardy prior to the crisis, with special attention to comparison with other northern Italian regions, with central and southern Italy, and with the national average.

[\(full pdf text - only in Italian\)](#)

No. 94: Wage setting and adjustment by Italian firms: any difference during the crisis? A survey-based analysis (June 2011)

Silvia Fabiani and Roberto Sabbatini

The study analyses wage adjustment by Italian firms on the basis of information collected

through a coordinated survey carried out in 17 European countries in two waves (at the beginning of 2008 and in the summer of 2009). The pre-crisis evidence indicates that the degree of wage rigidity is relatively high in Italy: wages remain unchanged on average for about two years, against an average of just over one year in the other countries. Italian firms hardly cut nominal wages, reflecting not only institutional constraints, but also an attempt to avoid a negative impact on their productivity. During the economic recession the firms most severely affected by the fall in demand reduced their costs mainly by adjusting the input of labour (in terms of both employment and hours worked). A higher incidence of skilled and white-collar workers was accompanied by greater recourse to strategies aimed at containing non-labour costs, presumably in order to preserve the human capital accumulated.

[\(full pdf text\)](#)

No. 95: The impact of the financial crisis on inter-bank funding: evidence from Italian balance sheet data
(July 2011)

Giuseppe Cappelletti, Antonio De Socio, Giovanni Guazzarotti and Enrico Mallucci

We analyze the impact of the financial crisis on the structure and the dynamics of the Italian inter-bank market, focusing on monthly banks' assets and liabilities data between January 2007 and December 2010. The analysis is developed using an ad hoc dataset based on supervisory reports. The data contain nominative information, which allow us to identify different reporting entities and counterparts. We distinguish between intra-group and extra-group transactions, domestic and foreign counterparties, secured and unsecured positions, and short and long-term loans. We also analyse the relationships between big, medium and small groups and characterize the direction of funds between the group parent companies and the other banks of the group.

[\(full pdf text\)](#)

No. 96: Financial inclusion - G20 initiatives and the role of the Bank of Italy (July 2011)

Giorgio Gomel, Fabio Bernasconi, Margherita Laura Cartechini, Veronica Fucile, Riccardo Settimo and Roberto Staiano

Financial exclusion concerns 2.5 billion individuals and more than 450 million enterprises. The G20 countries are committed to the reduction of this phenomenon. The Bank of Italy has a fundamental role in the field of financial inclusion, both on a national and an international scale through financial education, banking, markets and payment system supervision, and technical cooperation with other central banks. The Bank has been one of the first institutions to draw public attention to the importance of economic and financial literacy in order to enable consumers to take informed decisions. It has helped the institutions of developing countries to facilitate the financial inclusion of disadvantaged individuals through the development of small intermediaries. Innovative payment instruments can improve financial inclusion. Thanks to a recently introduced reform, the Italian retail payments market can now be accessed by intermediaries combining the provision of payment services and business activities. Mobile-phone operators can now access widely used payment systems by telephone to break into the micro-payment sector which is today dominated by cash transactions. A key role is also played by pre-paid cards.
([full pdf text - only in Italian](#))

No. 97: Finding lost capital: an estimate of undeclared assets held abroad by Italians (July 2011)

Valeria Pellegrini and Enrico Tosti

The substantial amount of undeclared foreign assets reported by disclosure schemes and analyses of international balance of payments statistics suggest that foreign assets held by Italians, as is the case in other countries, are greatly underestimated, in particular in the sector of portfolio investments. The aim of this work is to test this hypothesis and to estimate its magnitude. The approach is based on the comparison of mirror statistics on portfolio assets and liabilities; we have mainly used data coming from the Coordinated Portfolio Investment Survey (CPIS) conducted by the IMF, with further information from several international databases. For

the years from 2001 to 2008 the discrepancy is estimated globally to be equal to 7.3% of world GDP on average. Different criteria have been adopted to distribute such under-reporting among investor countries and accordingly to estimate the share to attribute to Italy, which may plausibly range from €124 billion to €194 billion at the end of 2008 (from 7.9% to 12.4% of Italian GDP).
([full pdf text - only in Italian](#))

No. 98: The Italian private equity funds: an analysis of the portfolio companies' economic and financial conditions (July 2011)

Mariagrazia Granturco and Maria Grazia Miele

This paper analyses the financial and economic conditions of the companies in the portfolios of Italian private equity funds. Information from an ad hoc survey of Italian asset management companies, combined with accounting data for 2008 drawn from the Central Credit Register, is used to develop a number of indices for 341 Italian investee companies. A multivariate statistical analysis on accounting and credit quality data (from the Central Credit Register) finds 41 companies with high credit risk and low profitability; taking additional financial indices and ratios into account, the number of "critical" companies rises to 137 (40 percent of the total). Most of these investments in critical companies by the private equity funds are quite recent; the returns appear to be affected adversely by the economic situation.
([full pdf text - only in Italian](#))

No. 99: Extreme value theory for finance: a survey (July 2011)

Marco Rocco

Extreme value theory is concerned with the study of the asymptotical distribution of extreme events, that is to say events which are rare in frequency and huge with respect to the majority of observations. Statistical methods derived from this theory have been increasingly employed in finance, especially in the context of risk measurement. The aim of the present study is twofold. The first part delivers a critical review of the theoretical underpinnings of extreme value theory. The second part provides a survey of some major applications of extreme value theory to finance, namely its use to test different distributional assumptions for the data, Value-at-

Risk and Expected Shortfall calculations, asset allocation under safety-first type constraints and the study of contagion and dependence across markets under stress conditions.

([full pdf text](#))

No. 100: Which households use consumer credit in Europe? (July 2011)

Silvia Magri, Raffaella Pico and Cristiana Rampazzi

Which households use consumer credit? This paper addresses the question using harmonized data from Eurostat's EU-SILC survey for nine European countries in the period 2005-08. There is wide heterogeneity in participation in the consumer credit market, ranging from 15 to 46 per cent across countries. Most households relying on consumer credit are those whose head is young and well educated; they are large in size, revealing more pronounced consumption needs. According to life cycle theory, they use credit to increase their welfare by consumption smoothing. Moreover, they frequently have a current medium-high income as lenders prefer to grant loans to less risky borrowers. Nonetheless, a not negligible portion of those using credit, ranging between 8 and 16 per cent across countries, are poor. Consumer credit can also help in improving their welfare. However, poor households are more frequently delinquent. In 2008, between 2 and 11 per cent of all borrowers were in arrears; the same percentage among the poor is much higher, ranging from 7 to 25 per cent. ([full pdf text](#))

Recently published occasional papers

No. 87: Paolo Angelini, Laurent Clerc, Vasco Cúrdia, Leonardo Gambacorta, Andrea Gerali, Alberto Locarno, Roberto Motto, Werner Roeger, Skander Van den Heuvel and Jan Vlček, *BASEL III: long-term impact on economic performance and fluctuations* (February 2011)

No. 88: Alberto Locarno, *The macroeconomic impact of Basel III on the Italian economy* (February 2011)

No. 89: Marcello Bofondi and Tiziano Ropele, *Macroeconomic determinants of bad loans: evidence from Italian banks* (March 2011)

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](#))

Angelini P., A. Nobili and **C. Picillo**, *The interbank market after August 2007: What has changed, and why?*, *Journal of Money, Credit and Banking* ([WP No. 731](#))

Barone G. and **F. Cingano**, *Service Regulation and Growth: Evidence from OECD Countries*, *Economic Journal* ([WP No. 675](#))

Cuciniello V., *The welfare effect of foreign monetary conservatism with non-atomistic wage setters*, *Journal of Money, Credit and Banking*

Giordano R. and **P. Tommasino**, *What determines debt intolerance? The role of political and monetary institutions*, *European Journal of Political Economy* ([WP No. 700](#))

Pinotti P., M. Bianchi and P. Buonanno, *Do immigrants cause crime?*, *Journal of the European Economic Association* ([WP No. 698](#))

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

2011

C. Antonelli and **F. Barbiellini Amidei**, *The Dynamics of Knowledge Externalities. Localized Technological Change in Italy*, Cheltenham, Elgar

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