BANCA D'ITALIA
EUROSISTEMA

New Research at the Bank of Italy

Number 29 – January 2013

- Contents -

Seminars at the Bank of Italy

€-coin

The real time indicator of the euro-area economy

Highlights

Conference on "The real estate sector"
(Rome, 20 November 2012).

Organized by the Bank of Italy, the conference brought together contributions prepared by economists of the Bank and discussed by scholars and experts on short-term, structural, and international issues concerning the real estate sector. The papers and discussions will be collected in a volume to be published in the coming months.

2nd Workshop on "Financial Determinants of Exchange rates"
(Rome, 13 December 2012).

Organized by the Bank of Italy, the 2012 FX workshop once again provided a forum for discussing innovative research by central bank economists on the financial determinants of exchange rates. Several academics and private sector economists attended. Prof. Lucio Sarno (Cass Business School) delivered the keynote lecture.

The conference programme is available here.

Workshop "EIEF - UniBO Industrial Organization"
(Rome, 17-18 December 2012).

Jointly organized by the Bologna Centre for Law and Economics (BCLE) and the University of Bologna and hosted by EIEF, the 2nd edition of the workshop brought together Italian economists working in the field, both in Italy and abroad. Papers included contributions on both theoretical and empirical industrial organization. The programme consisted of a small number of papers, presented in plenary sessions, so that ample time was left for discussion and informal interaction among the participants.

The workshop programme and related material are available here.

"Macroeconomics after the (financial) flood - Conference in memory of Albert Ando (1929-2002)"
(Rome, 21 December 2012).

19 September 2012 marked the 10th anniversary of the death of Prof. Albert Ando, who contributed to a number of research projects carried out at the Bank

of Italy over a period of two decades. The Bank paid tribute to him and his research activity with an international conference focusing on some of the themes that featured prominently among his interests and in his work. The conference took place at the Bank's headquarters in Rome.

The conference programme and related material are available here.

11th Workshop on "Macroeconomic Dynamics: Theory and Applications"

(Rome, 21 December 2012).

Hosted by the Economic Research Department of the Bank of Italy, the workshop brought together researchers based in Italy and Italians working at foreign universities and research centres to offer them - in particular the junior economists - an opportunity to present and discuss research on modern dynamic macroeconomics and to encourage the creation of networks of economists working in closely related fields and on similar topics.

The conference programme is available here.

Latest working papers

No. 899: **A spatial competitive analysis: the carbon leakage effect on the cement industry under the European Emissions Trading Scheme** (January 2013)

Elisabetta Allevi, Giorgia Oggioni, Rossana Riccardi and Marco Rocco

The European Emissions Trading Scheme (ETS) is a cap and trade system to curb CO_2 emissions. It has caused both direct costs (CO_2 allowances) and indirect costs (higher electricity prices) to energy-intensive industries. Moreover, as there is no global CO_2 agreement, the ETS could distort the European economy, prompting energy-intensive industries to relocate production to unregulated countries: the "carbon leakage" effect. This paper investigates the impact of ETS on the cement industry, focusing on Italy, the second European producer, analyzing a Cournot oligopolistic partial equilibrium model with a detailed technological representation of the market. Simulation results show that the European and Italian cement markets are subject to carbon leakage, especially where carbon regulation is more stringent and where plants are located near the seacoast. Further, transportation costs - particularly high in the cement sector - significantly affect the rate of carbon leakage.

Full text (pdf)

No. 898: **Firm size and judicial efficiency: evidence from the neighbour's Court** (January 2013)

Silvia Giacomelli and Carlo Menon

We investigate the causal relationship between judicial efficiency and firm size across Italian municipalities exploiting spatial discontinuities in court jurisdictions for identification. The estimated coefficients suggest that the reduction of the length of civil proceedings could exert, all other things being equal, a significant and positive effect on the average size of Italian firms, Results are robust to a number of different specifications, based on two different databases.

Full text (pdf)

No. 897: **Collective action clauses: how do they weigh on sovereigns?** (January 2013)

Alfredo Bardozzetti and Davide Dottori

We study the effects of the adoption of collective action clauses (CACs) on government bond yields by exploiting secondary market data on sovereigns quoted in international markets from March 2007 to April 2011. CACs are assessed security by security. Using a panel data approach, we find a U-shaped effect of CACs on yields according to credit rating of the issuer. While the impact is negligible for the highest ratings, there emerges a significant yield discount for mid-ratings, which is smaller for bad ratings and possibly insignificant for the worst ratings. The relationship appears fairly robust across a number of robustness checks. This evidence may reflect the fact that CACs are valuable as they help orderly restructuring unless the perceived probability of default is too small. Nevertheless, at low ratings this relevance can be weakened by an increasing moral hazard risk.

Full text (pdf)

No. 896: **Short-term GDP forecasting with a mixed frequency dynamic factor model with stochastic volatility** (January 2013)

Massimiliano Marcellino, Mario Porqueddu and Fabrizio Venditti

In this paper we develop a mixed frequency dynamic factor model featuring stochastic shifts in the volatility of both the latent common factor and the idiosyncratic components. We take a Bayesian perspective and derive a Gibbs sampler to obtain the posterior density of the model parameters. This new tool is then used to investigate business cycle dynamics and to forecast GDP growth at short-term horizons in the euro area. We discuss three sets of empirical results. First, we use the model to evaluate the impact of macroeconomic releases on point and density forecast accuracy and on the width of forecast intervals. Second, we show how our setup allows us to make a probabilistic assessment of the contribution of releases to forecast revisions. Third, we design a pseudo out-of-sample forecasting exercise and examine point and density forecast accuracy. In line with findings in literature on

Bayesian Vector Autoregressions (BVAR), we find that stochastic volatility contributes to an improvement in density forecast accuracy.
Full text (pdf)

No. 895: **What is a prime bank? A Euribor – OIS spread perspective** (January 2013)

Marco Taboga

Since the outbreak of the financial crisis in 2007, the level and volatility of Euribor – OIS differentials have increased significantly. According to the extant literature, this variability is mainly explained by credit and liquidity risk premia. I provide evidence that part of the variability might also be explained by ambiguity in the phrasing of the Euribor survey. Participants in the survey are asked at what rate they believe interbank funds to be exchanged between prime banks; given the lack of a clear definition of the concept of prime bank, this question might leave room for subjective judgment. In particular, I find evidence that some variability of Euribor rates might be explained by changes in the survey participants' perception of what a prime bank is. This adds to the difficulties already encountered by previous studies in exactly identifying and measuring the determinants of Euribor rates. I argue that these difficulties are at odds with the clarity, simplicity and replicability that should be required of a widely utilized financial benchmark.
Full text (pdf)

No. 894: **Incentives through the cycle: microfounded macroprudential regulation** (January 2013)

Giovanni di Iasio and Mario Quagliariello

We provide a micro-based rationale for macroprudential capital regulation by developing a model in which bankers can privately undertake a costly effort and reduce the probability of adverse shocks to their asset holdings that force liquidation (deterioration risk). Low fundamental risk of assets guarantees benevolent funding conditions and banks are able to expand their balance sheets. The high continuation value would, in principle, improve incentives. However, the rise in asset demand and prices may jeopardize bankers' efforts whenever the liquidation price is high enough. This imposes socially inefficient liquidation which can be corrected with a capital requirement that aligns bankers' incentives. We show that a microprudential regulatory regime that disregards the equilibrium effect of asset prices on incentives performs poorly as low fundamental risk may induce high deterioration risk. Overall, the model suggests a theoretical foundation for the countercyclical capital buffer of Basel III, since it prescribes a macroprudential regulatory regime in which the equilibrium feedback effect is fully taken into account. Full text (pdf)

No. 893: **Externalities in interbank network: results from a dynamic simulation model** (November 2012)

Michele Manna and Alessandro Schiavone

In this paper we conduct a simulation run on a sample of Italian banks where a trigger shock, a one-off event fairly large in size, spreads through the interbank network in a set-up featuring among the actors both commercial banks and the authorities. The banks deleverage to comply with a regulatory capital (leverage) ratio, roll off interbank loans, bid for central bank liquidity, seek help within their own group and dispose of assets. As the shock spreads, borrowers who lack liquid assets may be forced to undertake fire sales, letting their capital position deteriorate. A vicious circle arises in which capital and liquidity risks amplify the crisis. When authorities intervene, unconventional monetary policies smooth the contagion over but these measures become less effective when the shock is very large, when the situation is best addressed by policies aiming at strengthening banks' capital. In a theoretical scenario, in which authorities do not enact specific measures, a small fraction of the banking system (in terms of total assets) may be in default at the end of the simulation, while a larger share of banks would need to be recapitalized.
Full text (pdf)

No. 892: **A dynamic default dependence model** (November 2012)

Sara Cecchetti and Giovanna Nappo

We develop a dynamic multivariate default model for

a portfolio of credit-risky assets in which default times are modelled as random variables with possibly different marginal distributions, and Lévy subordinators are used to model the dependence among default times. In particular, we define a cumulative dynamic hazard process as a Lévy subordinator, which allows for jumps and induces positive probabilities of joint defaults. We allow the main asset classes in the portfolio to have different cumulative default probabilities and corresponding different cumulative hazard processes. Under this heterogeneous assumption we compute the portfolio loss distribution in closed form. Using an approximation of the loss distribution, we calibrate the model to the tranches of the iTraxx Europe. Once the multivariate default distribution has been estimated, we analyse the distress dependence in the portfolio by computing indicators of systemic risk, such as the Stability Index, the Distress Dependence Matrix and the Probability of Cascade Effects.
Full text (pdf)

No. 891: **The predictive power of Google searches in forecasting unemployment** (November 2012)

Francesco D'Amuri and Juri Marcucci

We suggest the use of an index of Internet job-search intensity (the Google Index, GI) as the best leading indicator to predict the US monthly unemployment rate. We perform a deep out-of-sample forecasting comparison analyzing many models that adopt our preferred leading indicator (GI), the more standard initial claims or combinations of both. We find that models augmented with the GI outperform the traditional ones in predicting the unemployment rate for different out-of-sample intervals that start before, during and after the Great Recession. Google-based models also outperform standard ones in most state-level forecasts and in comparison with the Survey of Professional Forecasters. These results survive a falsification test and are also confirmed when employing different keywords. Based on our results for the unemployment rate, we believe that there will be an increasing number of applications using Google query data in other fields of economics.
Full text (pdf)

No. 890: **Start-up banks' default and the role of capital** (November 2012)

Massimo Libertucci and Francesco Piersante

Regulation requires banks to hold a minimum capital endowment upon their establishment. But what role does initial capital play in a bank's lifecycle? This paper addresses the issue for start-up banks. We use both survival-time and binary choice models for a sample of newly-established Italian banks in the period 1994-2006, controlling for a broad set of possible drivers of default, such as market, managerial and financial variables. Our results suggest that initial capital does play a leading role in explaining both the timing and the likelihood of a failure. Other important drivers are organisation and a balanced growth path, while market and management variables appear to play a minor role. We then turn to a quasi-experimental design: exploiting a regulatory shift in 1999 we run a counterfactual analysis of the impact of a regulatory tightening of initial capital, which affected only a subsample of banks. The set of results suggests that the effect on banks' survival may be significant.
Full text (pdf)

No. 889: **Does corporate taxation affect cross-country firm leverage?** (November 2012)

Antonio De Socio and Valentina Nigro

We evaluate the relation between firm leverage and taxation of corporate income using a dataset of mostly unlisted European corporations, highly representative of medium-sized and large firms. We use a correlated random effect approach in order to take into account unobserved heterogeneity and to assess the contribution of cross-sectional variation of the regressors. We also apply quantile regressions to evaluate a possible differential impact of taxation on leverage across firms. Our results suggest that corporate income taxation is positively related to leverage and explains part of the cross-country variability, showing a stronger effect for less levered firms. In accordance with the theory of the debt tax shield, the relation between debt and taxation is stronger for highly profitable firms. These findings are robust to the inclusion of different measures of the financial development and characteristics of the legal system of the country where firms are located.
Full text (pdf)

Other recent working papers

October 2012

No. 888: Monetary policy in a model with misspecified, heterogeneous and ever-changing expectations
Alberto Locarno

No. 887: A structural model for the housing and credit markets in Italy
Andrea Nobili and Francesco Zollino

No. 886: Immigration, jobs and employment protection: evidence from Europe before and during the Great Recession
Francesco D'Amuri and Giovanni Peri

No. 885: Parties, institutions and political budget cycles at the municipal level
Marika Cioffi, Giovanna Messina and Pietro Tommasino

No. 884: Collaboration between firms and universities in Italy: the role of a firm's proximity to top-rated departments
Davide Fantino, Alessandra Mori and Diego Scalise

No. 883: Learning, incomplete contracts and export dynamics: theory and evidence from French firms
Romain Aeberhardt, Ines Buono and Harald Fadinger

September 2012

No. 882: An empirical comparison of alternative credit default swap pricing models
Michele Leonardo Bianchi

No. 881: On detecting end-of-sample instabilities
Fabio Busetti

No. 880: The micro dynamics of exporting: evidence from French firms
Ines Buono and Harald Fadinger

No. 879: Industry dynamics and competition from low-wage countries: evidence on Italy
Stefano Federico

No. 878: Do food commodity prices have asymmetric effects on euro-area inflation?
Mario Porqueddu and Fabrizio Venditti

No. 877: Exporters and importers of services: firm-level evidence on Italy
Stefano Federico and Enrico Tosti

Latest occasional papers

No. 146: **The housing wealth of Italian households: a comparison of administrative and survey data** (January 2013)

Andrea Neri and Maria Teresa Monteduro

We study the distribution of housing wealth in Italy using both the information coming from a sample survey (the survey on household income and wealth) and the one from administrative records on real estate owners administered by the Italian Department of the Treasury. Our results show that the owners with either a small or a high number of properties are underrepresented in the survey. After adjusting survey data using the information on the administrative records, the average housing wealth increases by some 25 per cent (compared to the one declared in the survey). We do not find a clear evidence of a bias either in the estimate of the level of inequality or in the association between housing wealth and socio-demographic characteristics.
Full text (pdf), in Italian only

No. 145: **The Eurosystem's monetary, banking and financial statistics: some reflections on results and future steps** (January 2013)

Riccardo De Bonis

This paper summarises the results reached by the Eurosystem in the harmonization of statistics for the conduct of monetary policy. Since the creation of the euro area, in January 1999, important improvements have been attained in the harmonization of data on the balance sheets of banks, central banks, money market funds, and on interest rates on bank deposits and loans. The Eurosystem also collects harmonized information on non bank-financial intermediaries, particularly on mutual funds and financial vehicle corporations engaged in securitization. Also quarterly

harmonized financial accounts are available. Finally the paper sums up the discussion on the information gaps erupted after the 2007-08 financial crisis.
Full text (pdf), in Italian only

No. 144: **Why are payment habits so heterogeneous across and within countries? Evidence from European countries and Italian regions** (January 2013)

Guerino Ardizzi and Eleonora Iachini

In Italy the use of cash is still predominant; the number of cashless transactions per capita has increased over the last few years, but it is still below the European average. Moreover, the use of payment instruments is quite diversified across the Italian regions. The aim of this work is to arrive at a better understanding of the underlying reasons for the slow adoption of electronic payment instruments in Italy by comparison with the other European countries and to evaluate whether the territorial duality that characterizes the Italian economy can explain the extensive use of cash. To this end we use different models for cash, electronic payments, payment cards and e-commerce. Our findings indicate that a pivotal role in explaining Italy's lag in abandoning cash is played by development factors, such as innovative capability and income per capita. Surprisingly, although the shadow economy is important, it is not decisive in explaining the limited use of electronic retail payment instruments.
Full text (pdf), in Italian only

No. 143: **You never give me your money? Sovereign debt crises, collective action problems, and IMF lending** (January 2013)

Marco Committeri and Francesco Spadafora

We review the impact of the global financial crisis, and its consequences for the sovereign sector of the euro area, on the international "rules of the game" for dealing with sovereign debt crises. These rules rest on two main pillars. The most important is the IMF's lending framework (policies, financing facilities, and financial resources), which is designed to support macroeconomic adjustment packages based on the key notion of public debt sustainability. The complementary pillar is represented by such contractual provisions as Collective Action Clauses (CACs) in sovereign bonds, which aim to facilitate coordination among private creditors in order to contain the costs of a debt default or restructuring. We analyze the most significant changes (and their consequences) prompted by the recent crises to the Fund's lending framework, not only in terms of additional financial resources, new financing facilities (including precautionary ones), and cooperation with euro-area institutions, but also as regards the criteria governing exceptional access to the Fund's financial resources. We highlight a crucial innovation to these criteria, namely that, for the first time, they now explicitly take account of the risk of international systemic spillovers. Finally, we discuss how the recent crises have provided new political support for a broader dissemination of CACs in euro-area sovereign bonds. Importantly, in the first case involving an advanced economy, CACs were activated in the debt exchange undertaken by Greece in Spring 2012.
Full text (pdf)

No. 142: **Cyclically adjusted local government balances** (December 2012)

Eugenia Panicara, Massimiliano Rigon and Gian Maria Tomat

The paper provides an analysis of cyclically-adjusted budget balances of local governments in Italy for the period 2002-07. We find that local government balances appear to be relatively sensitive to the business cycle. In particular, a shock of 1 per cent in GDP changes their resources by approximately 0.6 billion. Within the sample period, both central and local policies concerning local government budgets had a sizeable impact on local government balances in cyclically-adjusted terms.
Full text (pdf)

No. 141: **Monetary policy and fiscal dominance in Italy from the early 1970s to the adoption of the euro: a review** (November 2012)

Eugenio Gaiotti and Alessandro Secchi

This paper reviews the main literature and evidence on the relevance of fiscal dominance in

Italy in the last part of the 20th century and examines the evolution of the techniques of Treasury financing and of monetary targets. In the early 1970s budget deficits and monetary base creation were correlated, but the paper argues that monetary accommodation mostly reflected the considerable weight that the monetary authority assigned to real objectives and to fine-tuning policies. The monetary regime changed in the early 1980s: public deficits continued to expand, but monetary base creation associated with the Treasury decreased, money targets were met, disinflation was successfully initiated. According to the paper, the review of the Italian experience indicates that monetary policy effectiveness in achieving price stability requires the adoption of clear objectives and the independence of the central bank, but it does not require the latter's sphere of action to be limited to a specific set of operational tools. Furthermore, it signals that the independent management of monetary policy is not a sufficient incentive to foster fiscal responsibility.
Full text (pdf)

No. 140: **Macroprudential, microprudential and monetary policies: conflicts, complementarities and trade-offs** (November 2012)

Paolo Angelini, Sergio Nicoletti Altimari and Ignazio Visco

We review the recent literature on macroprudential policy and its interaction with other policies, extracting several points. First, there are externalities in the financial sector, often in the form of excessive credit growth. Second, monetary policy needs to take financial stability into account. Third, macroprudential instruments can moderate the financial cycle. Finally, there are complementarities between monetary and macroprudential policies, but also potential conflict. We then relate these points to recent events in the euro area where, following the sovereign debt crisis, a retrenchment of finance within national borders is taking place, amplifying the divergences across economies. We argue that in principle national authorities would like to adjust macroprudential instruments to compensate for the highly heterogeneous financial conditions, but at present they have little leeway to do so, since in the run-up to the crisis insufficient capital buffers had been accumulated. Various factors may explain low bank capitalization levels worldwide. We discuss the role of risk-weighted assets, which may have inadequately captured actual risks in many jurisdictions; we also document that European and US banks' capital ratios decline monotonically with bank size. This confirms that key features of the microprudential apparatus are crucial for preventing financial instability.
Full text (pdf)

Other recent occasional papers

October 2012

No. 139: Italian nonfinancial firms and derivatives
Mariano Graziano

No. 138: The new balance of payments and international investment position statistics: methodology and results
Rita Cappariello, Giuseppe Ortolani and Valeria Pellegrini

No. 137: The recent trends in long-term bank funding
Andrea Cardillo and Andrea Zaghini

September 2012

No. 136: Determinants of TARGET2 imbalances
Martina Cecioni and Giuseppe Ferrero

No. 135: Banks' balance sheets and the macroeconomy in the Bank of Italy Quarterly Model
Claudia Miani, Giulio Nicoletti, Alessandro Notarpietro and Massimiliano Pisani

No. 134: Italian household debt after the 2008 crisis
Silvia Magri and Raffaella Pico

No. 133: The impact of the sovereign debt crisis on the activity of Italian banks
Ugo Albertazzi, Tiziano Ropele, Gabriele Sene and Federico Maria Signoretti

No. 132: Inside the labyrinth of Basel risk-weighted assets: how not to get lost
Francesco Cannata, Simone Casellina and Gregorio Guidi

No. 131: In search of lost capital: an estimation of undeclared portfolio assets
Valeria Pellegrini and Enrico Tosti

No. 130: A primer on R&D cooperation among firms
Marco Marinucci

No. 129: The clean development mechanism and technology transfer to China
Daniela Marconi and Francesca Sanna-Randaccio

No. 128: Recent estimates of sovereign risk premia for euro-area countries
Antonio Di Cesare, Giuseppe Grande, Michele Manna and Marco Taboga

Workshops and conferences

No. 11: **Rules and Institutions for sound fiscal policy after the crisis**
(November 2012)

The volume collects the essays presented at the 13th Workshop on Public Finance organised by Banca d'Italia in Perugia on 31 March-2 April 2011. The workshop concentrated on the measures aimed at guaranteeing sustainable budget policies in the aftermath of the global crisis started in 2008, affording special consideration to rules and institutions.

Session 1 analysed the experiences that took shape in individual states thanks to their own budget frameworks and institutions. Session 2 investigated the evolution and the reform of European fiscal guidelines. Session 3 dealt with independent authorities and the rules intended to put a check on public expenditure. The final session was devoted to possible future developments of national norms and budget institutions.

The volume is available here.

Economic history working papers

No. 28: **A tale of two fascisms: labour productivity growth and competition policy in Italy (1911-1951)**
(December 2012)
Claire Giordano and Ferdinando Giugliano

This paper offers the first quantitative assessment of labour productivity dynamics within Italy's industrial sector over the period 1911-1951 and of their links with competition policy. By relying on a newly compiled dataset and on fresh labour productivity estimates, we find that the earlier period of the Fascist era was characterised by a productivity boom, which ended and was reversed following the switch to a more interventionist industrial policy. In the overall period 1911-1951, new industries did not perform any better than the old ones and labour productivity growth was explained largely by internal productivity growth within industrial sectors rather than from the contribution of structural change from old to new industries. Finally, we find that reductions in the level of competition, induced by specific policies, were associated with lower productivity growth. This paper thus casts a shadow on the optimist accounts of Fascist industrial policy and confirms the findings of a revisionist literature minimising the positive role played by the State in the earlier stages of Italian industrialization.
Full text (pdf)

Historical series of the Bank of Italy: latest volumes

A history of banking, financial and insurance legislation. From Italy's Unification to 2011

Enrico Galanti, Raffaele D'Ambrosio and Alessandro V. Guccione

The book provides a joint overview of the three fields of banking, finance and insurance – lacking thus far for Italy – by retracing not only legislation but also the economic and market developments that helped shape the norms and were in turn shaped by them. The work pays special attention to European Community law. It ranges from the state of affairs before Italian national unification right down to 2011. The book consists of three sections, one for each of the three subjects (Banking, Finance, Insurance). It is addressed not only to scholars – to whom it offers a reading of original legal sources, including those farthest back in time, and of documents not always easily found, together with a very extensive bibliography – but also to legal practitioners and students first approaching the topic. An introduction describes the fundamental features of Italian banking, financial and insurance legislation that have emerged from 150 years of national history.

Full text (pdf), in Italian only

The roots of the Italian welfare state: the origins and future of an unbalanced social model

Maurizio Ferrera, Valeria Fargion, Matteo Jessoula

The highest pension expenditure in Europe, limited resources for families, children and the unemployed, virtually non-existent anti-poverty programs: after two decades of reform, both the «functional» – in favor of pensions – and the «distributive» distortion – in favour of the employed/insiders – are still sensitive issues in the public debate on welfare reform in Italy. The Italian syndrome constitutes an interesting historical puzzle: when did the two distortions which characterize the peculiar welfare state «Italian style» emerge? And why? Which were the main drivers and dynamics? By posing the analytical lenses on the roots of the welfare state «all'italiana», the volume has three main aims: i) determining the nature and the magnitude of the functional and distributive imbalances; ii) tracing the emergence of the two distortions over time and identifying the causal mechanism; iii) setting out explanatory hypotheses drawing from the comparative literature on welfare state development, ultimately providing a historical-institutionalist interpretation that can account for the choices made by Italian policymakers at the «critical junctures» when the double distortion emerged and consolidated. The first part of the book provides the backdrop for the empirical analysis by presenting both the peculiarities of the Italian welfare state and the analytical framework. The second part and the third analyze policy developments in the 1950s and the 1960s respectively, the two decades considered the «turning point» for the Italian welfare state. Both sections focus on four policies: two hypertrophic sectors such as pensions and severance pay on the one hand; the two atrophic sectors of unemployment compensation and family benefits on the other. The main argument of the volume is that the peculiar «Italian style» welfare state was the product of specific cognitive factors and especially the pattern of political competition during the «First Republic». Ideas as well as «polarized pluralism» and the «blocked democracy» of the 1950s-1960s were decisive in orienting the Italian welfare state towards the functional and the distributive imbalances.

Full text (pdf), in Italian only

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

Authors' names in boldface: Bank of Italy

Full list since 1990

Forthcoming

Blanchard O. J. and **M. Riggi**, "Why are the 2000s so different from the 1970s? A structural interpretation of changes in the macroeconomic effects of oil prices", *Journal of the European Economic Association.* (WP No. 835)

Cocozza E. and **P. Piselli**, "Testing for East-West contagion in the European banking sector during the financial crisis", in R. Matoušek; D. Stavárek (eds.), *Financial Integration in the European Union,* Taylor & Francis. (WP No. 790)

De Socio A., "Squeezing liquidity in a "lemons market" or asking liquidity "on tap", *Journal of Banking and Finance.* (WP No. 819)

Federico S., "Headquarter intensity and the choice between outsourcing versus integration at home or abroad", *Industrial and Corporate Change.* (WP No. 742)

Federico S., "Industry dynamics and competition from low-wage countries: Evidence on Italy", *Oxford Bulletin of Economics and Statistics.* (WP No. 879)

Finicelli, A., **P. Pagano** and **M. Sbracia**, "Ricardian selection", *Journal of International Economics.* (WP No. 728)

Gaiotti E., "Credit Availablility and Investment: Lessons from the Great Recession", European Economic Review.

Giordano C., G. Piga and G. Trovato, "Fascist Wage and price policies, and the industrial great depression in Italy", *Macroeconomic Dynamics.*

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

Rocco M., "Extreme value theory in finance: a survey", *Journal of Economic Surveys.* (OP No. 99)

Sbrana G. and **A. Silvestrini**, "Aggregation of exponential smoothing processes with an application to portfolio risk evaluation", *Journal of Banking and Finance.*

2013

Busetti F. and **J. Marcucci**, "Comparing forecast accuracy: a Monte Carlo investigation", *International Journal of Forecasting*, v. 29, 1, pp. 13-27. (WP No. 723)

2012

Affinito M., "Do interbank customer relationships exist? And how did they function in the crisis? Learning from Italy", *Journal of Banking and Finance, v. 36, 12, pp. 3163-3184.* (WP No. 826)

Albanese G. and S. Modica, "Government size, the role of commitments", *Oxford Bulletin of Economics and Statistics*, v. 74, 4, pp. 532-546.

Anzuini A. and F. Fornari, "Macroeconomic determinants of carry trade activity", *Review of International Economics*, v. 20, 3, pp. 468-488. (WP No. 817)

Ascari G. and **T. Ropele**, "Disinflation in a DSGE perspective: sacrifice ratio or welfare gain ratio?", *Journal of Economic Dynamics and Control*, v. 36, 2, pp. 169-182. (WP No. 736)

Barbiellini Amidei F., **A. Gigliobianco** and **G. Claire**, "Credit policy and economic development in post-WWII Italy", in Bonin, Hubert, Haueter Niels-Viggo, Gigliobianco, Alfredo, James, Harold (eds.), *Public Policies and the Direction of Financial Flows. Studies in Banking and Financial History*, Bucharest, EABH.

Bartiloro L., **M. Coletta**, **R. De Bonis** and **A. Mercatanti**, "Household wealth in a cross-country perspective", in R. De Bonis and A. F. Pozzolo (eds.), *The Financial Systems of Industrial Countries. Evidence from the Financial Accounts,* Springer-Verlag Berlin Heidelberg.

Bartolucci F. and **V. Nigro**, "Pseudo conditional maximum likelihood estimation of the dynamic logit model binary panel data", *Journal of Econometrics, v. 170, 1, pp. 102-116.*

Bologna P., J. Viñals, J. Fiechter, N. Aditya, J. Elliott, I. Tower and M. Hsu, "The making of good supervision: learning to say No", in A. Narain, I. Ötker-Robe, C. Pazarbasioglu (eds.), *Building a More Resilient Financial Sector, Washington D.C.,* International Monetary Fund.

Bonci R., "The effects of monetary policy in the euro area: first results from the flow of funds", in R. De Bonis and A. F. Pozzolo (eds.), *The Financial Systems of Industrial Countries. Evidence from the Financial Accounts,* Springer-Verlag Berlin Heidelberg.

Bruno G., **R. De Bonis** and **A. Silvestrini**, "Do financial systems converge? New evidence from financial assets in OECD countries", *Journal of Comparative Economics,* v. 40, pp. 141-155.

Buono I. and G. Lalanne, "The effect of the Uruguay Round on the intensive and extensive margins of trade", *Journal of International Economics* v. 86, 2, pp. 269-283. (WP No. 743)

Cesarano F., G. Cifarelli and G. Toniolo, "Exchange rate regimes and reserve policy: The Italian lira, 1883-1911", *Open Economies Review*, v. 23, 2, pp. 253-275.

Chłoń-Domińczak A., **D. Franco** and E. Palmer, "The first wave of NDC reforms: the experiences of Italy, Latvia, Poland, and Sweden", in R. Holzmann, E. Palmer, D. Robalino (eds.), *Nonfinancial Defined Contribution Pension Schemes in a Changing Pension World. V. 1, Progress, Lessons, and Implementation*, Washington, DC, The World Bank.

Cingano F. and **A. Rosolia**, "People I know: job search and social networks", *Journal of Labor Economics*, v. 30, 2, pp. 291-332. (WP No. 600)

Cristadoro R. and **D. Marconi**, "Urban and rural household savings in China: determinants and policy implications", in G. Gomel, D. Marconi, I. Musu and B. Quintieri (eds), *The Chinese economy. Recent trends and policy issues*, Berlin-Heidelberg (WP No. 838)

De Bonis R. and **A. Gigliobianco**, "The origins of financial accounts in the United States and Italy: Copeland, Baffi and the institutions", in R. De Bonis and A. F. Pozzolo (eds.), *The Financial Systems of Industrial Countries. Evidence from the Financial Accounts,* Springer-Verlag Berlin Heidelberg.

De Bonis R. and **A. F. Pozzolo**, "Financial systems: introduction and summary", in R. De Bonis and A. F. Pozzolo (eds.), *The Financial Systems of Industrial Countries. Evidence from the Financial Accounts,* Springer-Verlag Berlin Heidelberg.

Dias Daniel A. , M. Dossche, E. Gautier, I. Hernando, **R. Sabbatini**, H. Stahl and P. Vermeulen, "Price setting in the Euro Area: some stylised facts from individual producer price data", *Journal of Money, Credit and Banking, , v. 44, 8, pp. 1474-1696.*

Druant M., **S. Fabiani**, G. Kezdi, A. Lamo, F. Martins and **R. Sabbatini**, "Firms' price and wage adjustment in Europe: survey evidence on nominal stickiness", *Labour Economics, v. 19, 5, p. 772-782.*

Filippin A. and **M. Paccagnella**, "Family background, self-confidence and economic outcomes", *Economics of Education Review*, v. 31, 5, pp. 824-834. (WP No. 875)

Gomel G., **D. Marconi,** I. Musu and B. Quintieri, "The Chinese economy. Recent trends and open issues", Berlin-Heidelberg, Springer.

Lombardi M. and **G. Nicoletti**, "Bayesian prior elicitation in DSGE models: macro- vs micropriors", *Journal of Economic Dynamics and Control*, v. 36, 2, pp. 394-313.

Marconi D., "Environmental regulation and revealed comparative advantages in Europe: is China a pollution haven?", *Review of International Economics*, v. 20, 3, pp. 616-635. (OP No. 67)

Marino M. R. and **R. Zizza**, "Personal income tax evasion in Italy: an estimate by taxpayer type", in Michael Pickhardt and Aloys Prinz (eds.) *Tax evasion and the shadow economy*, Cheltenham, Edward Elgar Publishing Limited

Metghalchi M., **J. Marcucci** and Chang Yung-Ho, "Are moving average trading rules profitable? Evidence from the European stock markets", *Applied Economics*, v. 44, 10-12, pp. 1539-1559.

Neri S. and **T. Ropele**, "Imperfect information, real-time data and monetary policy in the Euro Area", *The Economic Journal*, v. 122, 561, pp. 651-74 (WP No. 802)

2011

Angelini P., **A. Nobili** and **C. Picillo**, "The interbank market after August 2007: What has changed, and why?", *Journal of Money, Credit and Banking, v. 43, 5, pp. 923-958.* (WP No. 731)

Antonelli C. and **F. Barbiellini Amidei**, "The dynamics of knowledge externalities. Localized technological change in Italy", Cheltenham, Elgar.

Barone G. and **F. Cingano**, "Service regulation and growth: evidence from OECD countries", *Economic Journal,* v. 121, 555, pp. 931-957. (WP No. 675)

Barone G., **R. Felici** and **M. Pagnini**, "Switching costs in local credit markets", *International Journal of Industrial Organization*, v. 29, 6, pp. 694-704. (WP No. 760)

Barone G. and **S. Mocetti**, "Tax morale and public spending inefficiency", *International Tax and Public Finance*, v. 18, 6, pp. 724-49. (WP No. 732)

Bentivogli C., **E. Cocozza, A. Foglia** and **S. Iannotti**, "Basel II and changing bank-firm relationship: a survey", in Giorgio Calcagnini, Ilario Favaretto (eds), *The Economics of Small Businesses – An International Perspective,* Heidelberg, Physica-Verlag GmbH & Co. (OP No. 6)

Bugamelli M. and **F. Paternò**, "Output growth volatility and remittances", *Economica,* v. 78, 311, pp. 480-500. (WP No. 673)

Busetti F. and A. Harvey, "When is a copula constant? A test for changing relationships", *Journal of Financial Econometrics,* v. 9, 1, pp. 106-131.

Calza A. and **A. Zaghini**, "Welfare costs of inflation and the circulation of US currency abroad", *The B. E. Journal of Macroeconomics*, v. 11, 1, art. 12. (WP No. 812)

Catte P., **P. Cova**, **P. Pagano** and **I. Visco**, "Macroeconomic policies and the roots of the global crisis", *SUERF Study 2011/3,* Larcier.

Cesarano F., "The political and economic dimension of monetary unions", *Open Economies Review*, v. 22, 5, pp. 985-996.

Ciapanna E., "Directed matching with endogenous Markov probability: clients or competitors?", *The RAND Journal of Economics,* v. 42, 1, pp. 92-120. (WP No. 665)

Corsetti G., **M. Pericoli** and **M. Sbracia**, "Correlation analysis of financial contagion", *in* R.W. Kolb (ed.), *Financial Contagion: The Viral Threat to the Wealth of Nations,* New York, Wiley.

Cova P., "Keynesian government spending multipliers and spillovers in the euro area: discussion", *Economic Policy,* v. 26, 67, pp. 538-544.

Cova P., A. Matsumoto, **M. Pisani** and A. Rebucci, "News shocks and asset price volatility in general equilibrium", *Journal of Economic Dynamics and Control*, v. 35, 12, pp. 2132-2149.

Cuciniello V., "The welfare effect of foreign monetary conservatism with non-atomistic wage setters", *Journal of Money, Credit and Banking,* v. 43, 8, pp. 1719-1734. (WP No. 810)

Di Cesare A. and **G. Guazzarotti**, "An analysis of the determinants of Credit Default Swap changes before and during the subprime financial turmoil", in Barbara L. Campos and Janet P. Wilkins (eds.), *The financial crisis: issues in business, finance and global economics,* New York, Nova Science Publishers, Inc.

Federico S. and **A. Felettigh**, "Measuring the price elasticity of import demand in the destination markets of Italian exports", in Lorenzo Codogno and Luigi Paganetto (eds), *Measuring Italy's external competitiveness,* Ed. Rubbettino, Soveria Mannelli.

Forni L., **A. Gerali** and **M. Pisani**, "The macroeconomics of fiscal consolidation in a monetary union: the case of Italy", in Luigi Paganetto (ed.), *Recovery after the crisis. Perspectives and policies,* VDM Verlag Dr. Muller.

Giordano R. and **P. Tommasino**, "What determines debt intolerance? The role of political and monetary institutions", *European Journal of Political Economy,* v. 27, 3, pp. 471-484. (WP No. 700)

Gola C. and F. Spadafora, "Financial sector surveillance and the IMF", in *The Impact of the Global Financial Crisis on Emerging Financial Markets,* Contemporary Studies in Economic and Financial Analysis, v. 93, pp. 255-310.

Monteagudo J. and **F. Montaruli**, "Analysing non price competitiveness in euro area countries", in Lorenzo Codogno and Luigi Paganetto (eds), *Measuring Italy's external competitiveness,* Ed. Rubbettino, Soveria Mannelli.

Monteforte L., "The macroeconomics of the global financial and economic crisis", In J. J. Kirton, C. Oldani, and P. Savona (eds.), *Global financial crisis: global impact and solutions*, Burlington (VT), Ashgate

Schivardi F. and **E. Viviano**, "Entry barriers in retail trade", *The Economic Journal,* v. 121, 551, pp. 145-170. (WP No. 616)

Sette E., "Competition and optimistic advice of financial analysts: evidence from IPOs", *Journal of Financial Intermediation,* v. 20, 3, pp. 441-457.

Siviero S. and **G. Veronese**, "A policy-sensible benchmark core inflation measure", *Oxford Economic Papers*, v. 63, 4, pp. 648-672.

Wilhelmsen B. R. and **A. Zaghini**, "Monetary policy predictability in the euro area: an international comparison", *Applied Economics,* v. 43, 20, pp. 2533-2544.

2010

Altissimo F., **R. Cristadoro**, M. Forni, M. Lippi and **G. Veronese**, "New Eurocoin: tracking economic growth in real time", *Review of Economics and Statistics,* v. 92, 4, pp. 1024-1034. (WP No. 631)

Calza A. and **A. Zaghini**, "Sectoral money demand and the great disinflation in the US", *Journal of Money, Credit and Banking,* v. 42, 8, pp. 1663-1678. (WP No. 785)

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.

Altunbas Y., **L. Gambacorta** and D. Marqués, "Securitisation and the bank lending channel", *European Economic Review,* v. 53, 8, pp. 996-1009. (WP No. 653)

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. (OP 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, pp. 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, art. 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., "Stress-testing the Banking System", Cambridge University Press.

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

Useful links

WORKING PAPERS OF THE OTHER EURO-AREA CENTRAL BANKS:

European Central Bank

Banco de España
Banco de Portugal
Bank of Estonia
Bank of Finland
Bank of Greece
Bank of Slovenia
Banque Centrale du Luxembourg
Banque de France
Banque Nationale de Belgique
Central Bank of Cyprus
Central Bank of Ireland
Central Bank of Malta
De Nederlandsche Bank
Deutsche Bundesbank
Národná banka Slovenska
Oesterreichische Nationalbank

OTHER

BIS Central Bank Research Hub
Einaudi Institute for Economics and Finance
OECD working papers series
Research at the IMF
Research at the World Bank

BANCA D'ITALIA
EUROSISTEMA

BANCA D'ITALIA

VIA NAZIONALE, 91
00184 ROMA - ITALIA

+39 06 4792 1
E-mail: temidiscussione@bancaditalia.it