BANCA D'ITALIA
EUROSISTEMA

New Research at the Bank of Italy

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The real time indicator of the euro-area economy

Highlights

Conference: "European Conference on Household Finance "

(Rome, 19-21 September 2013).

Jointly organized with the Center of Excellence "Sustainable Architecture for Finance in Europe" (SAFE) at Goethe University, Frankfurt, and the Swedish House of Finance (SHoF), the conference, hosted by EIEF, brought together many experts in the field who presented state-of-the-art empirical research on household financial behaviour and on how it is influenced by government policies and the overall economic environment.

The conference programme and related material are available here.

Eleventh Paolo Baffi Lecture on Money and Finance

(Rome, 12 November 2013).

Raghuram G. Rajan - Governor of the Reserve Bank of India – delivered the eleventh Paolo Baffi Lecture. The lecture was entitled "The US farmland boom and bust in the early 20th century: Lessons for today"

The Bank of Italy instituted the Baffi Lectures as a forum for original work by eminent scholars on money and finance. The Lecture is named after Paolo Baffi, Governor of the Bank of Italy from 1975 to 1979, to commemorate his outstanding achievements in research and central banking during the more than fifty years he dedicated to the service of the Bank and the Nation and as a tribute to his unselfish commitment to the public interest.

Forthcoming events

Conference in memory of Curzio Giannini "Money and monetary institutions after the crisis" (Rome, 10 December 2013).

The Bank of Italy has planned a conference in commemoration of Curzio Giannini, the brilliant Bank of Italy economist. Ten years after his passing, the conference will coincide with a time of renewed discussion on the role and functions of central banks, both within the academic community and among policy makers. The conference will bring together experts from the academic community, public institutions and central banks to discuss Giannini's research on the design and working of monetary institutions.

The conference will consist of four sessions, each devoted to a key theme in Giannini's thought and work, still highly topical. The two morning sessions will deal with "Central banks' mandates for price stability and financial stability" and "Central bank independence and the changing relationship with government"; the two afternoon gatherings will be given over to "Evolution of money and payment systems" and "Supranational money management". There will be a speaker and two discussants at each session.

On 16-17 December 2013 the Bank of Italy will host the 3rd Workshop on "Financial Determinants of Foreign Exchange Rates".

Like last year, the 2013 workshop will provide a forum for discussing innovative research by central bank economists on the financial determinants of exchange rates. A number of academics and private sector economists will attend. Prof. Pedro Santa Clara (University of Lisbon) will deliver the keynote lecture.

The conference programme and related material are available here.

On 27 February 2014 the conference on "Internationalization of Italian firms" will take place at the Bank's head office in Rome.

This public conference will discuss the final results of a research project conducted by the Bank of Italy's Research Department on the internationalization of Italian firms. The discussion will cover a wide range of topics, from the problems of measuring international activity to the characteristics of multinational firms, the impact of the crisis, the links between finance, trade and FDI and the role of public policy in promoting exports and FDI. Participants will include researchers from the Bank of Italy, academics and experts from governmental institutions. The conference will conclude with a round table focusing on policy issues.

Fourth International Conference in memory of Carlo Giannini

(Pavia, 25 and 26 March 2014).

The conference will be hosted by the University of Pavia, where Carlo Giannini taught for many years. It will focus on the most recent progress in econometric tools for modelling and forecasting economic phenomena and on the statistical instruments that measure the effects of policy interventions. The conference will open with some introductory remarks and will be divided into two sessions, each introduced by an invited speaker. A call for papers will be posted on the Bank of Italy website.

Latest working papers

No. 937: **The effect of tax enforcement on tax morale** (October 2013)

Antonio Filippin, Carlo V. Fiorito and Eliana Viviano

In this paper we argue that tax enforcement is an additional contextual factor affecting tax morale, one of the most important determinants of tax compliance. By using a unique dataset that merges a representative sample of Italian households with administrative data on tax enforcement, we find first that tax morale is positively correlated with tax enforcement. Second, to deal with possible endogeneity of tax enforcement, we show that results are confirmed in an IV specification using the change in the tax gap at the provincial level as an instrument for tax enforcement. Finally, we provide evidence that the impact of tax enforcement and social environment is stronger at low quantiles of tax morale. Our results show that apart from lowering the expected value of tax evasion, tax enforcement has an additional and indirect effect on tax compliance through its effect on tax morale.
Full text (pdf)

No. 936: **The Italian financial cycle: 1861-2011** (October 2013)

Riccardo De Bonis and Andrea Silvestrini

In this paper we investigate the main features of the Italian financial cycle, extracted by means of a structural trend-cycle decomposition of the credit-to-GDP ratio, using annual observations from 1861 to 2011. In order to draw conclusions based on solid historical data, we provide a thorough reconstruction of the key balance-sheet time series of Italian banks, considering all the main assets and liabilities over the last 150 years. We come to three main conclusions. First, while there was a close correlation between loans and deposits (relative to GDP) until the mid-1970s, over the last 30 years this link has become more tenuous, and the volume of loans has increased in relation to deposits. The banks have covered this "funding gap" mainly by issuing new debt securities. Second, the Italian financial cycle has a much longer duration than traditional business cycles. Third, taking into account the deviation of the credit-to-GDP ratio from its trend, an acceleration of credit preceded a banking crisis in 8 out of the 12 episodes listed by Reinhart and Rogoff (2009). A Logit regression confirms a positive association between the probability of a banking crisis and a previous acceleration of the credit-to-GDP gap. However, there were also periods - such as the early 1970s - in which the growth of the credit-to-GDP ratio was not followed by a banking crisis.
Full text (pdf)

No. 935: **Ita-coin: a new coincident indicator for the Italian economy** (October 2013)

Lorenzo Bencivelli

In this paper we present a coincident indicator for the Italian economy, Ita-coin. We construct a multivariate filter based on a broad information set, whose dimension is reduced by the Generalized Dynamic Factor Model (GDFM) approach proposed by Forni et al. (2002). A regression based on the least absolute shrinkage and selection operator (LASSO) is used to estimate Ita-coin. Most Italian macroeconomic indicators are characterized by high short-term volatility and the 2008-2009 crisis has affected the volatility of both the high- and low-frequency components and the relationships between the variables have become more unstable. LASSO regression allows us to select recursively the relevant information about the comovement of the variables over time. Our indicator displays a satisfactory performance in the pseudo real-time validation as a timely cyclical indicator.
Full text (pdf)

No. 934: **Central bank and government in a speculative attack model** (September 2013)

Giuseppe Cappelletti and Lucia Esposito

This paper studies the interaction between monetary and fiscal authorities while investors are coordinating on a speculative attack. The authorities want to achieve specific targets for output and inflation but also to avoid a regime change (i.e. sovereign default). They use the traditional policy instruments. The model examines the informational role of simultaneous implementation of monetary and fiscal policies in coordination environments. While endogenous information generated by the

intervention of one policy maker has been shown to lead to multiple equilibria, we show that if the actions chosen by the central bank and the government not only deliver information to the markets but also influence the fundamentals of the economy, when the authorities have a strong incentive to preserve the status quo over other objectives, then there is no equilibrium in which investors' strategies depend monotonically on their private information on fundamentals.
Full text (pdf)

No. 933: **The management of interest rate risk during the crisis: evidence from Italian banks** (September 2013)

Lucia Esposito, Andrea Nobili and Tiziano Ropele

Changes in interest rates constitute a major source of risk for banks' business activity and can diversely affect their financial conditions and performance. We use a unique dataset to analyse Italian banks' exposure to interest rate risk during the crisis, relying on the standardized duration gap approach proposed by the Basel Committee. We provide evidence that banks managed their overall interest rate risk exposure by means of on-balance-sheet restructuring complemented by hedging with financial derivatives. But the complementary relationship between risk-management decisions differs significantly across banks. The different impact of a future increase in interest rates on banks' economic value will be a matter of concern for policymakers when they return to a less accommodative monetary policy stance.
Full text (pdf)

No. 932: **The role of regulation on entry: evidence from the Italian provinces** (September 2013)

Francesco Bripi

This paper studies the effects of differences in local administrative burdens in Italy in the years preceding a major reform that sped up firm registration procedures. Combining regulatory data from a survey on Italian provinces before the reform (costs and time to start a business) with industry-level entry rates of limited liability firms, I explore the effects of regulatory barriers on entry across industries with different natural propensities to enter the market. Using different specifications the estimates show that lengthier and, to some extent, more costly procedures reduced the entry rate of limited liability firms in sectors with naturally high entry rates. These results also hold when I include measures of local financial development and of efficiency of bankruptcy procedures. Overall, the analysis confirms the view that administrative burdens on new start-ups matter for business creation.
Full text (pdf)

No. 931: **Economic insecurity and fertility intentions: the case of Italy** (September 2013)

Francesca Modena, Concetta Rondinelli and Fabio Sabatini

Starting from the assumption that economic insecurity is a key factor behind childbearing decisions, we empirically assess how fertility intentions are affected by job instability, which may severely compromise the employment status of workers, and economic disadvantages in terms of household income and wealth. We show that the instability of women's work status (i.e. the holding of occasional and precarious jobs) significantly postpones maternity decisions for medium/high level income households; the chances of further childbirth are significantly and negatively affected by household income insecurity. Finally, low levels of household wealth influence the decision of having a first child.
Full text (pdf)

No. 930: **Uncertainty and heterogeneity in factor models forecasting** (September 2013)

Matteo Luciani and Libero Monteforte

In this paper, we exploit the heterogeneity in the forecasts obtained by estimating different factor models to measure forecast uncertainty. Our approach is simple and intuitive. It consists first in selecting all the models that outperform some benchmark model, and then in constructing an empirical distribution of the forecasts produced by them. We interpret this distribution as a measure of uncertainty. We illustrate our methodology by means of a forecasting exercise using a large database of Italian data from 1982 to 2009.
Full text (pdf)

No. 929: **Forecasting aggregate demand: analytical comparison of top-down and bottom-up approaches in a multivariate exponential smoothing framework** (September 2013)

Giacomo Sbrana and Andrea Silvestrini

Forecasting aggregate demand is a crucial matter in all industrial sectors. In this paper, we provide the analytical prediction properties of top-down (TD) and bottom-up (BU) approaches when forecasting aggregate demand, using multivariate exponential smoothing as demand planning framework. We extend and generalize the results obtained by Widiarta, Viswanathan and Piplani (2009) by employing an unrestricted multivariate framework allowing for interdependency between the variables. Moreover, we establish the necessary and sufficient condition for the equality of mean squared errors (MSEs) of the two approaches. We show that the condition for the equality of MSEs also holds even when the moving average parameters of the individual components are not identical. In addition, we show that the relative forecasting accuracy of TD and BU depends on the parametric structure of the underlying framework. Simulation results confirm our theoretical findings. Indeed, the ranking of TD and BU forecasts is led by the parametric structure of the underlying data generation process, regardless of possible misspecification issues.

Full text (pdf)

No. 928: **Central bank refinancing, interbank markets, and the hypothesis of liquidity hoarding: evidence from a euro-area banking system** (September 2013)

Massimiliano Affinito

This paper tests the hypothesis of liquidity hoarding in the Italian banking system during the 2007-2011 global financial crisis. According to this hypothesis, in periods of crisis, interbank markets stop working and central banks' interventions are ineffective because banks hoard the liquidity injected rather than channelling it on to other banks and the real economy. The test uses monthly data at banking-group level for all intermediaries operating in Italy between January 1999 and August 2011. This is the first paper to use micro data to analyse the relationship between single banks' positions vis-à-vis the central bank and the interbank market. The results show that the Italian interbank market functioned well even during the crisis, and, contrary to widespread conjecture, the liquidity injected by the Eurosystem was intermediated among banks and towards the real economy. This finding is robust to the use of several estimation methods and data on the different segments of the money market.

Full text (pdf)

No. 927: **Macroeconomic and monetary policy surprises and the term structure of interest rates** (September 2013)

Marcello Pericoli

The no-arbitrage affine Gaussian term structure model is used to analyse the impact of macroeconomic surprises on the nominal and the real term structure in the euro area and in the United States. We find that nominal rates are affected by surprises in economic growth, the labour market and the economic outlook in the United States, and above all by surprises in inflation in the euro area. As far as real rates are concerned, we find that they are not affected by macroeconomic surprises in the United States, but they are by surprises in inflation and monetary policy in the euro area. Inflation expectations in both areas are not systematically influenced by monetary policy surprises. In the United States forward inflation risk premia became sizeable around the start of the financial crisis at the end of the last decade and increased considerably just before the adoption of the first unconventional monetary policy measures in March 2009. By contrast, in the euro area forward inflation risk premia remained unchanged even after the adoption of the unconventional monetary policy measures in October 2008 and May 2010. In both areas long-term inflation expectations have been well anchored over the past years.

Full text (pdf)

Other recent working papers

July 2013

No. 926: The procyclicality of foreign bank lending: evidence from the global financial crisis
Ugo Albertazzi and Margherita Bottero

No. 925: Down and out in Italian towns: measuring the impact of economic downturns on crime
Guido de Blasio and Carlo Menon

No. 924: Trade elasticity and vertical specialisation
Ines Buono and Filippo Vergara caffarelli

No. 923: Do euro area countries respond asymmetrically to the common monetary policy?
Matteo Barigozzi, Antonio Maria Conti and Matteo Luciani

No. 922: Marshallian labor market pooling: evidence from Italy
Monica Andini, Guido de Blasio, Gilles Duranton and William C. Strange

No. 921: Should monetary policy lean against the wind? An analysis based on a DSGE model with banking
Leonardo Gambacorta and Federico Maria Signoretti

No. 920: Tracking world trade and GDP in real time
Roberto Golinelli and Giuseppe Parigi

No. 919: Skill upgrading and exports
Antonio Accetturo, Matteo Bugamelli and Andrea Lamorgese

No. 918: Macroeconomic effects of precautionary demand for oil
Alessio Anzuini, Patrizio Pagano and Massimiliano Pisani

No. 917: Relationship and transaction lending in a crisis
Patrick Bolton, Xavier Freixas, Leonardo Gambacorta and Paolo Emilio Mistrulli

June 2013

No. 916: The effect of organized crime on public funds
Guglielmo Barone and Gaia Narciso

No. 915: Local development that money can't buy: Italy's Contratti di Programma
Monica Andini and Guido de Blasio

No. 914: When the baby cries at night. Inelastic buyers in non-competitive markets
Giacomo Calzolari, Andrea Ichino, Francesco Manaresi and Viki Nellas

No. 913: Forward-looking robust portfolio selection
Sara Cecchetti and Laura Sigalotti

No. 912: Tempered stable Ornstein-Uhlenbeck processes: a practical view
Michele Leonardo Bianchi, Svetlozar T. Rachev and Frank J. Fabozzi

Latest occasional papers

No. 209: **Financing innovation in Italy: an analysis of venture capital and private equity investments** (October 2013)

Valerio Vacca

Using a unique data set, this paper describes the main features of the venture capital industry in Italy. Operations by Italian specialised venture capitalists are only in part devoted to small, young firms from advanced industries, have a rather short duration and are weakly focused on a few firms or sectors. Furthermore, young innovative firms receiving private-equity capital – from both 'venture-capital' funds and other private-equity funds – are usually also financed by banks, both at the start and the end of the investment, and the fund's commitment tends to reduce the cost of credit to only a limited extent. Overall, an 'equity-then-credit' sequence does not clearly emerge in the financing strategies of young and high-tech Italian firms, suggesting that funds play a weak signalling or scouting role vis-à-vis the banking system.
Full text (pdf)

No. 208: **The geography of income inequality in Italy** (October 2013)

Paolo Acciari and Sauro Mocetti

This paper exploits the tax records to analyze the geography of income inequality in Italy. In 2011, the Gini coefficient, the most common measure of inequality, was 40 per cent at national level. In the South it was 3 percentage points higher than in the Centre-North, mainly because of a smaller share of income held by the lower tail of the distribution. Inequality is also greater in major metropolitan areas. The Gini index has been increasing during the Great Recession. This pattern has been driven by a reduction in incomes, which has been more pronounced for individuals below the median. Regional disparities have been increasing as well.
Full text (pdf), in Italian only

No. 207: **The Italian technology balance of payments** (October 2013)

Enrico Tosti

The technology balance of payments concerns external transactions in disembodied technology. Since the introduction in Italy of a new data collection system based mainly on direct reporting by enterprises, credits and debits tend to be appreciably greater than they had been under the old system based on bank settlements; the overall deficit increases, especially in sales or other transfers of patents, royalties and other licences. The new data and the revision of the time series from 1992 are presented for the first time in this paper. Italy's trade in disembodied technology remains relatively low as a percentage of GDP by comparison with most of the advanced economies. Its deficit is concentrated with the advanced economies, while it has surpluses vis-à-vis non-EU countries in general and some developing countries in particular. More than half of exports can be ascribed to manufacturing enterprises, whose position is in balance; the deficit, instead, derives from the service sector, with the exception of professional services (notably architecture and engineering). Finally, trade in disembodied technology is concentrated in a limited number of multinational enterprises.

Full text (pdf), in Italian only

No. 206: **Green taxation in Italy: an assessment of a carbon tax on transport** (October 2013)

Federico Cingano and Ivan Faiella

The Europe 2020 strategy commits Italy to reduce emissions by about 16 per cent by 2020, compared with 2005. In the case of transport, the sector that has contributed most to the growth of total emissions between 1990 and 2008, the 2020 target could be achieved by introducing a Carbon Tax (CT). A CT would significantly reduce households' demand for private transportation, lowering their emissions. CT proceedings could pay for the reduction of more distortive levies (e.g. labour taxation) or recycled to finance the deploying of renewable energy, replacing the existing charges on electricity consumption, thus alleviating the cost burden of less-affluent households. The CT would also be consistent with the polluter-pays principle, since the largest reduction in emissions would be financed to a proportionally larger extent by those with higher emissions.
Full text (pdf), in Italian only

No. 205: **The "new" non-conventional hydrocarbons: the solution to the energy conundrum?** (October 2013)

Virginia Di Nino and Ivan Faiella

Technological developments have made it possible to exploit hitherto unexplored hydrocarbon resources. To date the only energy market which has experienced rapid changes as a result is that in the United States, thanks not only to its abundant reserves but also to its exemption from the environmental laws that instead apply to the conventional extraction of hydrocarbons. These and other factors make it unlikely that the U.S. experience will be replicated on the same scale elsewhere, least of all in Europe. In general, the benefits of exploiting non-conventional energy sources must be offset against the high extractive, logistic and environmental costs. The direct effects of new non-conventional hydrocarbon resources would be negligible in Italy: there are no significant resources in the country and any increase in international supply would only affect the liquefied natural gas (LNG) market that currently accounts for just 13% of all gas imports in Italy.
Full text (pdf), in Italian only

No. 204: **Identifying and tracking global, EU and Eurozone systemically important banks with public data** (October 2013)

Sergio Masciantonio

This paper develops a methodology for identifying systemically important financial institutions based on that developed by the Basel Committee on Banking Supervision (2011) and used by the Financial Stability Board in its yearly G-SIBs identification. The methodology uses publicly available data to provide fully transparent results with a G-SIBs list that helps to bridge the gap between market knowledge and supervisory decisions. Moreover, the results include a complete ranking of the banks in the sample, according to their systemic importance scores. The methodology is then applied to EU and Eurozone samples of banks to obtain their systemic importance ranking and SIFI lists. This is one of the first methodologies capable of identifying systemically relevant banks at the European level. A statistical analysis and some geographical and historical evidence provide further insight into the notion of systemic importance, its policy implications and the future applications of this methodology.
Full text (pdf)

No. 203: **The impact of unconventional monetary policy on the Italian economy during the sovereign debt crisis** (September 2013)

Marco Casiraghi, Eugenio Gaiotti, Lisa Rodano and Alessandro Secchi

We assess the impact on the Italian economy of the main unconventional monetary policies adopted by the ECB in 2011-2012 (SMP, 3-year LTROs and OMTs) by following a two-step approach. We evaluate their effects on money market interest rates, government bond yields and credit availability and then map them onto macroeconomic implications using the Bank of Italy quarterly model of the Italian economy. We find that the SMP and the OMTs have been effective in counteracting increases in government bond yields and that the LTROs have had a beneficial impact on credit supply and money market conditions. From a macroeconomic perspective, we find that the unconventional policies have had a large positive effect on the Italian economy, mainly through the credit channel, with a cumulative impact on GDP growth of 2.7 percentage points over the period 2012-2013. To conclude, while the policies did not prevent the Italian economy from falling into recession, they did avoid a more intense credit crunch and a larger output fall than those actually observed.
Full text (pdf)

No. 202: **Businesses seized from organized crime groups: their relations with the banking system** (September 2013)

Luigi Donato, Anna Saporito and Alessandro Scognamiglio

This paper analyzes the relations between businesses seized from organized crime and the banking system. The first part of the paper examines legislative developments regarding seized and confiscated assets and highlights the persistence of problem areas despite the efforts to create a systematic framework for measures to combat crime on the economic plane. The analysis of firms' credit and operational profiles in the second part of the paper finds no evidence that banks, following the confiscation order, impose more onerous terms and conditions with respect to other companies in the same sectors, located in the same geographical areas and having similar operational profiles. This finding appears to be linked to the observation that the deterioration of the main indicators dates back to the years before the confiscation order, presumably in part following preventive action by the banks, prompted as a precaution to reduce their exposure at the first hint of a firm's involvement in anti-mafia investigations. The paper concludes with implications for policy, taking into consideration the crucial role of expectations, the need to restore firms to healthy conditions through timely planning and the importance of economically efficient operational choices.
Full text (pdf), in Italian only

No. 201: **The macroeconomic impact of the sovereign debt crisis: a counterfactual analysis for the Italian economy** (September 2013)

Fabio Busetti and Pietro Cova

This work analyzes the macroeconomic impact of the euro-area sovereign debt crisis on the Italian economy by estimating the contribution of the main

transmission channels underlying the recessionary dynamics at play since the second half of 2011. By means of a counterfactual analysis undertaken using the Bank of Italy's quarterly econometric model it is estimated that (i) compared with a "no-crisis scenario", the GDP loss amounts cumulatively to around 6.5 percentage points in 2012-2013; (ii) the drop in investment stems mainly from a worsening of financing conditions for firms, while the contraction in consumption expenditure hinges chiefly on the negative impact on households' disposable income of the fiscal measures enacted in response to the crisis, as well as heightened uncertainty and lower confidence levels; and (iii) unlike the 2008-09 recession, during the sovereign debt crisis the major impact on economic activity stems from internal factors, which account for about two thirds of the downturn in GDP.
Full text (pdf), in Italian only

No. 200: **Financial innovation oversight: a policy framework** (September 2013)

Carlo Gola and Antonio Ilari

This paper proposes a policy framework for intercepting, monitoring and containing the unintended harmful effects of financial innovation. The current approach, adopted by several authorities, makes extensive use of the tools of transparency and disclosure, mainly for consumer protection. It has been increasingly recognized that this approach needs to be supplemented with more stringent organizational solutions, which mainly include corporate governance and risk management. This also comprises responsible risk culture, ethical standards, appropriate incentive structure, accountability, and internal controls, which are related more to "process innovation" than to "product innovation". In addition to retail financial products, the policy framework also deal with the harmful effects of complex and bespoke financial contracts. This paper gives some practical examples of internal governance procedures and suggests a system-wide monitoring method for structured products. It also discusses some more intrusive policy options, including product preapproval and prohibitions.
Full text (pdf)

No. 199: **Modelling public debt strategies** (September 2013)

Michele Manna, Emmanuela Bernardini, Mauro Bufano and Davide Dottori

This paper puts forward a comprehensive framework to model medium-to-long term public debt refinancing strategies. Essentially the framework has two main building blocks. First, a large number of strategies are generated so as to determine a wide range of potential financing plans, regardless of whether they look conventional (close to current actual choices) or odd, provided they meet the Treasury's financing needs and legal constraints. Second, the performance of these viable strategies is measured in terms of current and future costs as well as various types of risk. As an add-on, through a panel model the framework accounts for the premium over current market rates that investors may demand in order to subscribe unusually large issues by the Treasury. All in all, this framework yields a frontier of efficient cost-risk outcomes. Moreover, it assesses how strategies perform when the interest rate forecasts relied on turn out to be wrong. Finally, it encompasses both a long-term perspective in debt management and a more tactical approach, allowing for time variant choices.
Full text (pdf)

No. 198: **High frequency trading: an overview** (September 2013)

Alfonso Puorro

This paper examines high-frequency trading systems, which were first developed in the US equity markets but have spread steadily to most asset classes on the main world financial markets. It analyzes the current regulatory and technological structures of the markets and describes the inefficiencies and informational advantages that high-frequency trading systems seek to exploit and the strategies they use. The paper concludes with an assessment of the positive and negative impacts of the presence of this new type of player on the overall quality of the financial markets.
Full text (pdf), in Italian only

No. 197: **Italian firms' innovation strategies in 2008-2010** (September 2013)

Leandro D'Aurizio and Marco Marinucci

The paper describes the innovation strategies of a representative sample of Italian firms participating to the Bank of Italy's yearly survey. The evidence covers the 2008-2010 period and highlights some stylized facts widely discussed in the economic literature. Results show that the activity of R&D is carried out within the firm, basically self-financed and it is more intense among bigger firms settled in central and northern Italy. On the other hand Public funding of R&D seems not able to influence the firms' decision of undertaking the innovation process. Even though R&D expenditure and innovation activity are highly correlated, managerial best practices tend to be positively associated with R&D expenditure but to a lesser extent with the firms' ability to introduce an innovation. Moreover, exporting firms have a higher propensity both to invest in R&D and to patent their intellectual property. Finally, the survey shows that the most relevant obstacles for Italian firms to innovate are the high setup costs and the lack of skilled research personnel.
Full text (pdf), in Italian only

No. 196: **Italy's system for supporting internationalization** (September 2013)

Filippo Vergara Caffarelli and Giovanni Veronese

This study analyses Italy's system for supporting internationalization, i.e. the set of public institutions and policies for promoting Italian businesses and products abroad. These policies are designed to overcome the barriers to operation in foreign markets, which may be distant in terms of culture and regulation and hard to access owing to legal and bureaucratic obstacles. The goal is to enhance the competitiveness of the Italian economy and ultimately put it back onto a growth path. The analysis has two parts: the examination of the institutional framework and the quantification of the public human and financial resources that are employed, thus providing an initial assessment of the performance of the system as a whole. Despite recent regulatory changes, the system is still quite complicated, with problems of coordination and overlapping among the different actors. Consequently the promotional system, while mobilizing considerable human and financial resources, even by comparison with Italy's main European partners, is lagging behind in its ability to encourage foreign establishment and exports of Italian companies.
Full text (pdf), in Italian only

No. 195: **The Net Stable Funding Ratio and banks' participation in monetary policy operations: some evidence for the euro area** (September 2013)

Antonio Scalia, Sergio Longoni and Tiziana Rosolin

Based on a review of the analytical underpinnings of the effects of the NSFR on banks' choices, this paper attempts to relate banks' strategies to developments in the value of the ratio in the euro area. In spite of a not-so-near implementation date, the evidence is that the NSFR already matters for banks' choices, and it might be more relevant as a decision variable than alternative leverage indicators. As part of a convergence process towards the 100 per cent threshold, we estimate that the ECB's 3-year LTROs have raised the available stable funding by €429 billion as of June 2012 for the sample banks with a shortfall and that the NSFR may affect loans to the economy. In view of the phasing-in of the Basel III liquidity standards, the evidence suggests that, when evaluating non-standard monetary policy measures, central banks should also take into account their impact on the fulfilment of the NSFR and the possible cliff effects related to their expiration.
Full text (pdf)

Other recent occasional papers

July 2013

No. 194: Industry in the South of Italy and the crisis
Raffaello Bronzini, Luigi Cannari, Alessandra Staderini (coordinators), Laura Conti, Leandro D'Aurizio, Alessandro Fabbrini, Andrea Filippone, Giuseppe Ilardi, Giovanni Iuzzolino, Pasqualino Montanaro, Marco Paccagnella, Valeria Pellegrini and Raffaele Santioni

No. 193: The Italian industrial system between globalization and crisis
Antonio Accetturo, Antonio Bassanetti, Matteo Bugamelli, Ivan Faiella, Paolo Finaldi Russo, Daniele Franco, Silvia Giacomelli and Massimo Omiccioli

June 2013

No. 192: Female entrepreneurship and government policy: evaluating the impact of subsidies on firms' survival
Elena Gennari and Francesca Lotti

No. 191: Taxation and labor force participation: the case of Italy
Fabrizio Colonna and Stefania Marcassa

No. 190: A gender equality index for the Italian regions
Monica Amici and Maria Lucia Stefani

No. 189: Regional laws and policies for the participation of women in the labour market
Maria Lucia Stefani (editor)

No. 188: The evolution of gender legislation in Italy and Europe
Monica Marcucci and Maria Iride Vangelisti

No. 187: Parental time and child outcomes. Does gender matter?
Daniela Del Boca and Anna Laura Mancini

No. 186: Are female entrepreneurs better payers than men?
Daniele Coin

No. 185: Female entrepreneurs in trouble: do their bad loans last longer?
Juri Marcucci and Paolo Emilio Mistrulli

No. 184: Firms and gender: performance differentials between male and female firms
Domenico Depalo and Francesca Lotti

No. 183: Gender complementarities in the labor market
Giacomo De Giorgi, Marco Paccagnella and Michele Pellizzari

No. 182: The glass drop ceiling: composition effects or implicit discrimination?
Claudia Biancotti, Giuseppe Ilardi and Clair Lavinia Moscatelli

No. 181: Home or away? Gender differences in the effects of an expansion of tertiary education supply
Lucia Rizzica

No. 180: Investing in the youngest: the optimal child care policy
Francesca Carta

No. 179: Time use in couples: differences between employed and self-employed workers
Francesco Franceschi

No. 178: Female labour market participation and cultural variables
Silvia A. M. Camussi

No. 177: Female firms and banks' lending behaviour: what happened during the great recession?
Francesca Maria Cesaroni, Francesca Lotti and Paolo Emilio Mistrulli

No. 176: Credit access for female firms: evidence from a survey on European SMEs
Maria Lucia Stefani and Valerio Vacca

No. 175: Women on Italian bank boards: are they "gold dust"?
Silvia Del Prete and Maria Lucia Stefani

No. 174: Women on corporate boards in Italy
Magda Bianco, Angela Ciavarella and Rossella Signoretti

No. 173: Labour market transitions in Italy: a gender perspective
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Workshops and conferences

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The volume collects the essays presented at the 11th Workshop on Public Finance organised by Banca d'Italia in Perugia on 26-28 March 2009. The workshop examined the issue of pension reform with the purpose of highlighting the recent analytical developments and the most relevant policy issues. Session 1 examined the impact of pension reforms on the labour market and their effects on investments in human capital and productivity growth. Session 2 was devoted to the impact of pension reforms on capital markets, and specifically on the effects of funded schemes. Section 3 considered the impact of reforms on income distribution, within and across generations, and macroeconomic developments. Section 4 dealt="" with the political economy of pension reforms and their role in the broader fiscal policy context.
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The volume brings together a series of analyses conducted within the Economic research and international relations area of the Bank of Italy on the impact of the euro-area sovereign debt crisis on government bond markets, banks' activity and the real economy, with a particular focus on the Italian economy. The papers were presented at the workshop on "The Sovereign Debt Crisis and the Euro Area", which was held in Rome on 15 February 2013. The first section discussed the results of econometric analyses aiming at quantifying the impact of the sovereign tensions on the yields, focusing on the role of risk and liquidity premia, contagion and macroeconomic and financial factors. The second section concentrated on the impact of the sovereign tensions on the cost and availability of credit in Italy and in the other main euro-area countries. The last section was dedicated to

understanding the impact of the tensions on a wide range of macroeconomic variables on the euro-area as a whole and on individual countries and to assessing the effectiveness of fiscal policy measures.
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Economic history working papers

No. 30: **Is There a Long-Term Effect of Africa's Slave Trades?** (April 2013)
Margherita Bottero and Björn Wallace

Nunn (2008) found a negative relationship between past slave exports and economic performance within Africa. Here we investigate these findings and the suggested causal pathway in further detail. Extending the sample period back in time we reveal that the coefficient on slave exports did not become significantly negative until 1970, and that it was close to zero in 1960. While one potential explanation for this temporal pattern could be decolonization, we analyse other episodes of slave raiding outside Africa, and find evidence that questions the validity of such suggestion. In addition, our reading of the historical and anthropological literature differs from that of Nunn. For instance, taking a global rather than African perspective we find that the African slave trades cannot without difficulties explain the patterns of ethnic fractionalization that we observe today.
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