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RESEARCH AT THE BANK OF ITALY

DIRECTORATE GENERAL FOR ECONOMICS, STATISTICS AND RESEARCH

NEWSLETTER

Contents

Highlights

Memorandum for a Tax Reform

(Rome, 10 July 2019)

On 10 July, EIEF hosted the presentation of the '**Memorandum for a Tax Reform**', organized by the Journal of Economic Policy (Politica Economica). Vincenzo Visco presented a comprehensive tax reform that was discussed with a group of economists and tax law experts.

The programme is available here.

CEBRA Workshop for Commodities and Macroeconomics

(Rome, 26-27 September 2019)

The Bank of Italy and the European Central Bank hosted the third edition of the '**Central Bank Research Association (CEBRA) Workshop for Commodities and Macroeconomics**'. The workshop brought together economists from central banks and the academia active in modelling the interaction between commodities and the macroeconomy.

The workshop featured a keynote address by Per Krusell (Stockholm University), who discussed his work on 'The role of economic analysis in combatting climate change'.

The conference programme is available here.

Workshop on "Labour mobility and migration: determinants and consequences"

(Rome, 4 October 2019)

The workshop brought together young researchers working on all aspects of spatial mobility: the determinants of worker mobility across cities, local labour markets, regions and countries, as well as the implications in terms of economic efficiency, absorption of demand shocks and spatial allocation of talent. Esteban Rossi-Hansberg (Princeton University) gave the keynote lecture .

The conference programme is available here.

Highlights

Workshop on "Monetary Policy in the New Normal: Strategy, Instruments and Transmission"

(Rome, 11 October 2019)

The Bank of Italy hosted the workshop on '**Monetary Policy in the New Normal: Strategy, Instruments and Transmission**'. The event took place in Rome on 11 October 2019.

The workshop brought together leading economists from academia and central banks to discuss recent theoretical and empirical works on monetary policy, with a particular focus on policy strategies, instruments and transmission mechanisms in the current low interest rate environment.

The workshop featured two keynote speeches. Paolo Pesenti (Federal Reserve Bank of New York), discussed the benefits and costs of alternative monetary policy strategies. Jordi Galí (CREI, Universitat Pompeu Fabra and Barcelona GSE) discussed his recent research on the optimal inflation target in a low interest rate environment.

The programme will be available on the Bank of Italy's website .

Forthcoming events

Workshop on "Labour market analysis: new opportunities with administrative data"

(Rome, 29 November 2019)

The availability of administrative data allows researchers to conduct sound and robust empirical analysis, by overcoming the main limitations associated with the use of survey data – small sample size and self-reported information. The use of administrative data in the field of labour economics started to spread thanks to the access to National Registers, especially in Europe.

The Bank of Italy (BoI) and the Italian Institute of Social Security (INPS) jointly organize a workshop on "Labour market analysis: new opportunities with administrative data" to be held on November 29, 2019 in Rome. The workshop will bring together scholars who have extensively used administrative data of different European countries for the analysis of the labour market.

The keynote lecture will be given by Johannes Spinnewijn (London School of Economics). There will be a poster session with VISITINPS papers during lunch.

Please find the program attached.

For any query and for registering to attend the workshop, please send an e-mail to labour_boiinps@bancaditalia.it.

Conference on: "Recent trends in firm organization and firm dynamics: determinants and future challenges"

(Rome, 9-10 December 2019)

Banca d'Italia and Banque de France in collaboration with Sciences Po, EIEF and CEPR are organizing a research conference on "**Recent trends in firm organization and firm dynamics**" to be held in Rome on December 9th and 10th 2019.

The conference aims to create a forum for discussion on issues related to the recent patterns of firms activity, the organization of production and financing decision, as well as their determinants, consequences and implications for policymaking. It will feature keynote speeches by Jan Eeckhout (UPF

Forthcoming events

Barcelona), Thierry Mayer (Sciences Po) and Stefanie Stantcheva (Harvard).

The program will be available here.

Conference on: "Recent Advances in Macroeconomics "

(Rome, 13-14 December 2019)

On 13-14 December, EIEF will host the conference on '**Recent Advances in Macroeconomics**'. The conference is funded by the Starting Grant awarded to Luigi Paciello by the European Research Council for his project on 'Macroeconomic Dynamics with Product Market Frictions'.

The programme will be available here.

Conference on: "Financial Stability and Regulation"

(Rome, 19-20 March 2020)

The Bank of Italy and Bocconi University - BAFFI CAREFIN are organizing the second biennial conference on "**Financial stability and Regulation**". The event will take place on March 19-20, 2020 at the headquarters of the Bank of Italy in Rome.

The Call for papers is available here.

Conference on: "Human Capital"

(Rome, 20 March 2020)

The Bank of Italy is pleased to announce a one-day workshop on "Human Capital" to be held in March 20, 2020. The workshop aims at providing leading researchers in the field of education and human capital an opportunity to present their theoretical and empirical research.

The keynote lecture will be given by Simon Burgess (University of Bristol).

The scientific committee is composed by: Marco Bertoni (Padova University), Domenico Depalo (Bank of Italy), Maria De Paola (University of Calabria), Marta De Philippis (Bank of Italy), Michele Pellizzari (University of Geneve), Enrico Rettore (Trento University) and Daniela Vuri (Tor Vergata University).

For any inquiry please send an email to human_capital@bancaditalia.it.

The Call for papers is available here.

SEMINARS AT THE BANK OF ITALY

SEMINARS AT EIEF

RESEARCH HIGHLIGHTS

Latest Working Papers

No. 1251: **Non-standard monetary policy measures in the new normal** (November 2019)

Anna Bartocci, Alessandro Notarpietro and Massimiliano Pisani

We evaluate the macroeconomic effects of long-term sovereign bond purchases by the central bank in the 'New Normal', i.e. in an economy with a low equilibrium real interest rate and a high probability of hitting the zero lower bound (ZLB) on the short-term policy rate. Our analysis is based on the simulations of a dynamic general equilibrium model for the euro area. The main results are the following. First, long-term sovereign bond purchases reacting to a positive inflation gap help stabilize macroeconomic conditions when the monetary policy rate hits the ZLB. Second, these purchases are an effective stabilization tool following positive shocks to the sovereign term premium (financial shocks) and negative shocks to aggregate demand (real shocks). Third, purchases that also react to the long-term rates are effective in the case of recessionary financial shocks but not in the case of recessionary real shocks and fourth, to stabilize the effects of expansionary shocks, the central bank can increase the short-term monetary policy rate according to an 'aggressive' Taylor rule, instead of selling long-term sovereign bonds.
Full text (pdf)

No. 1250: **Debt maturity and firm performance: evidence from a quasi-natural experiment** (November 2019)

Antonio Accetturo, Giulia Canzian, Michele Cascarano and Maria Lucia Stefani

Asymmetric information between lenders and borrowers may lead to a suboptimal provision of long term credit by banks; this may have negative effects on firms' investments and, as a consequence, future growth. In this paper we analyze a policy intervention -- Mutuo di Riassetto (MR) -- launched by an Italian regional government, aimed at increasing firms' debt maturity. Using a combination of difference-in-differences and instrumental variable approaches, we find that the MR program had a temporary impact on debt maturity by raising firms' share of long-term debt only for the first two years after the start of the program. The policy did not have relevant effects on performance: firms registered a short-term increase in intangible assets and (to a lesser extent) profitability, but did not display any permanent rise in terms of sales, tangible assets, labor cost, or credit access. We also find that firms involved in the MR program observed a significant rise in the probability to default.
Full text (pdf)

No. 1249: **Long-term unemployment and subsidies for permanent employment** (November 2019)

Emanuele Ciani, Adele Grompone and Elisabetta Olivieri

We provide new evidence on the effectiveness of hiring subsidies that target the long-term unemployed, analysing a generous policy that was in force until the end of 2014 in Italy. Unlike others of its kind, this policy was particularly ambitious as it encouraged only permanent employment, which at the time still benefited from strong employment protection legislation. To achieve identification, we use a triple difference estimator, where we exploit three sources of variation: (i) the subsidy was only for the long-term unemployed and not for the short-term unemployed; (ii) it was significantly more generous in the South; (iii) it was in place until 2014. We find that the relative probability of eligible individuals in the southern regions of finding a permanent job dropped after the program terminated. This effect does not seem to be driven by substitutions over time, across contracts or among jobseekers. A cost-benefit analysis shows that the policy was globally in surplus.
Full text (pdf)

No. 1248: **Loss aversion in housing assessment among Italian homeowners** (November 2019)

Andrea Lamorgese and Dario Pellegrino

Several stylized facts, such as the correlation between house prices and sales volumes, suggest the existence of downward price rigidity in real estate markets. In this paper we explore a potential explanation for this behavior by testing whether initial purchase prices and homeowners' appraisals of their dwellings show reference

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dependence. Using data from a sample of Italian households, we test whether – conditional on both observable and unobservable characteristics – homeowners appraise the value of their main dwelling differently depending on the price at which they purchased it. We find that homeowners expecting a loss do not adjust their appraisals significantly in response to downward market conditions while, for those expecting a gain, the appraisals are independent of the price at which they bought the home. While loss aversion is mildly higher among poorer and less educated households, we find strong evidence of it across all demographic groups in our sample.
Full text (pdf)

No. 1247: IMF programs and stigma in Emerging Market Economies (November 2019)

Claudia Maurini

This paper investigates the existence and estimates the magnitude of a financial market stigma associated with the International Monetary Fund's non-concessional programmes. In particular, it focuses on the impact of IMF non-concessional loans on Emerging Markets' sovereign spreads, using the propensity score matching methodology to deal with the selection bias problem. We find evidence of higher spreads for countries supported by a non-concessional IMF programme with respect to comparable countries that are not supported by such a programme. This effect may be linked to both a pure financial stigma and the (low) probability of the programme succeeding, as it tends to dissipate towards the end of the programme and to be smaller and less significant if we restrict the sample to non-repeated programmes (more likely to be successful). Finally, we find that precautionary programmes (such as the Flexible Credit Line) have a negative impact on sovereign spreads.
Full text (pdf)

No. 1246: Financial development and growth in European regions (November 2019)

Paola Rossi and Diego Scalise

In this paper we study the relationship between financial development and economic growth across European regions exploiting the within country variability of our data. First, we collect a number of indicators capturing the financial structure for each of the 110 EU27 regions. Then, the multiplicity of indicators (the number of bank branches, the presence of bank headquarters, the value added by the financial sector and the presence of a stock exchange) is decreased through a principal component analysis to show summary measures capturing respectively the capillarity of bank branches and the agglomeration and complexity of the financial industry at large. In order to establish a causal nexus, we control for country fixed effects and we instrument financial variables. We use two instruments derived from the historical religious affiliation across European regions: the presence of Protestant communities in the 16th century (the Peace of Augsburg in 1555 allocated each region within the Holy Roman Empire to a different faith according the Prince's religion) and the presence of Jewish communities in the 18th century. Our estimates point toward a positive nexus between financial development and economic growth, showing that what matters the most is the presence of a complex and diversified financial sector rather than the capillarity of bank branches.
Full text (pdf)

No. 1245: Credit supply, uncertainty and trust: the role of social capital (November 2019)

Maddalena Galardo, Maurizio Lozzi and Paolo Emilio Mistrulli

Despite social capital being widely acknowledged as a key factor in the functioning of financial markets, the evidence on the channels through which it operates is still scant. In this paper we isolate one possible channel and investigate whether social capital plays a role in mitigating the impact of uncertainty shocks on bank credit supply. We exploit both the huge rise in the level of uncertainty that followed the Lehman Brothers default and a very granular and rich loan-level dataset from the Italian Credit register that allows us to clearly disentangle demand and supply factors. We find that social capital makes credit markets more resilient to uncertainty shocks, especially when informational asymmetries between banks and borrowers are more severe.
Full text (pdf)

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No. 1244: **Shifting taxes from labour to consumption: the efficiency-equity trade-off** (November 2019)

Nicola Curci and Marco Savegnago

We assess how a tax shift from labour to consumption moves the Italian tax-benefit system in terms of the efficiency-equity trade-off. We designed three budget-neutral scenarios, where the revenues generated by increasing VAT rates are used to finance some alternative cuts in direct taxes. In all the scenarios, the trade-off is confirmed: efficiency increases but equity decreases. However, the scenario best positioned in the trade-off is the one providing an increase in labour income tax credits: in this case, the increase in efficiency is the highest and the decrease in equity is the lowest. We also account for the distribution of winners and losers following this reform. We show that, even if the losers are mostly concentrated in the lowest part of the equivalent income distribution, the recently introduced minimum income schemes provide these households with a benefit that is much higher than the loss provoked by the tax shift.

Full text (pdf)

No. 1243: **Cross-country differences in the size of venture capital financing rounds. A machine learning approach** (November 2019)

Marco Taboga

We analyze the potential determinants of the size of venture capital financing rounds. We employ stacked generalization and boosted trees, two of the most powerful machine learning tools in terms of predictive power, to examine a large dataset on start-ups, venture capital funds and financing transactions. We find that the size of financing rounds is mainly associated with the characteristics of the firms being financed and with the features of the countries in which the firms are headquartered. Cross-country differences in the degree of development of the venture capital industry, while highly correlated with the size of funding rounds, are not significant once we control for other country-level characteristics. We discuss how our findings contribute to the debate about policy interventions aimed at stimulating start-up financing.

Full text (pdf)

No. 1242: **Financial conditions and 'growth at risk' in Italy** (October 2019)

Piergiorgio Alessandri, Leonardo Del Vecchio and Arianna Miglietta

This paper studies the relationship between financial conditions and economic activity in Italy using quantile regression techniques in the spirit of Adrian, Boryachenko and Giannone (2019). We exploit the volatility of the 2008-2012 period to assess the plausibility of 'tail' predictions obtained from a broad range of financial indicators. We find that, although spikes in financial distress are typically followed by economic contractions, using this relationship for out-of-sample forecasting is not trivial. To some extent, the models predict the slowdowns experienced by Italy after 2008, but the forecasts are volatile, their quality varies across indicators and horizons, and the predictions tend to overestimate the likelihood of an upcoming recession. As such, these tools represent a complement to, rather than a substitute for, an articulated and diversified systemic risk assessment framework.

Full text (pdf)

No. 1241: **Fiscal devaluation and labour market frictions in a monetary union** (October 2019)

Lorenzo Burlon, Alessandro Notarpietro and Massimiliano Pisani

We assess the effects of a fiscal devaluation on economic and labour market conditions in a Member State of the euro area by simulating a monetary union model featuring labour markets with search and matching frictions. The fiscal authority of the Member State enacts a discretionary reduction in the social contribution rate for employers so that the corresponding revenues decrease by 1per cent of the before-shock (steady-state) nominal GDP. The measure is ex ante revenue neutral, because it is financed by a simultaneous discretionary increase in the consumption tax rate that generates additional ex ante revenues equal to 1 per cent of the before-shock GDP. The main results are as follows. First, GDP increases by 0.5 per cent, sustained by the increase in investment and net exports, while consumption decreases. Second, the unemployment rate decreases by 0.3 percentage points. Third, the trade balance improvement is

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equal to 0.3 per cent of GDP (the improvement in real net exports is partially offset by the deterioration in term of trade). Fourth, the results are rather robust to changes in key parameters.
Full text (pdf)

No. 1240: **Youth drain, entrepreneurship and innovation** (October 2019)

Massimo Anelli, Gaetano Basso, Giuseppe Ippedico and Giovanni Peri

Migration outflows, especially of young people, may deprive an economy of entrepreneurial energy and innovative ideas. We exploit exogenous variation in emigration from Italian local labor markets to show that between 2008 and 2015 larger emigration flows reduced firm creation. The decline affected firms owned by young people and innovative industries. We estimate that for every 1,000 emigrants, 100 fewer young-owned firms were created cumulatively over the whole period. A simple accounting exercise shows that about 60 percent of the effect is generated simply by the loss of young people; the remaining 40 percent is due to a combination of selection of emigrants among highly entrepreneurial people, negative spillovers on the entrepreneurship rate of locals, and negative local firm multiplier effect.
Full text (pdf)

No. 1239: **Bank credit, liquidity and firm-level investment: are recessions different?** (October 2019)

Ines Buono and Sara Formai

How do bank credit supply shocks affect firms' investment decisions? We use time-varying data on Italian firms and banks to disentangle shocks to the credit supply using bank mergers and acquisitions as an instrumental variable. We find that credit constraints can hamper the ability of firms to invest. Moreover, while firms normally tend to use liquidity as a substitute for bank credit, they do not do so during recessions, a fact that amplifies the cutback on productive investment following a bank credit supply shock.
Full text (pdf)

No. 1238: **What do almost 20 years of micro data and two crises say about the relationship between central bank and interbank market liquidity? Evidence from Italy** (October 2019)

Massimiliano Affinito

This paper studies the mutual interplay between central bank (CB) liquidity provisions and interbank markets (IM) liquidity exchanges exploring whether the relationship changes during IM impairments and CB massive liquidity injections in the global and sovereign crises. The analysis leverages on a dataset containing seventeen years of monthly bank-by-bank and counterparty-by-counterparty data from 1998 to 2015 in Italy. The results show the existence of a complementarity relationship. Banks receiving CB liquidity redistribute more to other banks. When CB liquidity increases exponentially in the crises some healthy banks specialize in interbank lending. The complementarity relationship helps to offset the euro-area fragmentation via domestic interbank relationships and to adjust collateral and maturity profiles of banks' liquidity.
Full text (pdf)

No. 1237: **A profit elasticity approach to measure banking competition in Italian credit markets** (October 2019)

Michele Benvenuti and Silvia Del Prete

As in other industries, competition in banking is potentially beneficial to efficiency and social welfare. Unfortunately, the task of measuring such competition is not straightforward: according to the empirical literature, traditional metrics to measure competition may fail because they do not correctly account for entry barriers, product substitutability, or the concentration and reallocation of market shares among banks. In this study we explore new measurements of competition, based on the Profit Elasticity, which can limit previous drawbacks, in order to assess the significant changes in the Italian banking market over the last two decades (1994-2013), when the most serious crisis occurred. We focus on competition dynamics over time, across bank

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clusters and geographical areas. Our main findings suggest that deregulation and M&A activity increased the extent of competition, while the financial turmoil reduced it, in line with other international evidence. Moreover, mutual banks faced relatively less competitive local markets, mostly owing to the informational barriers that they can impose on non-local intermediaries, and banking competition is heterogeneous across Italian macro-regions.
Full text (pdf)

No. 1236: **Forward-looking effective tax rates in the banking sector** (October 2019)

Elena Pisano and Ernesto Zangari

The paper extends to the banking sector the Boadway-Bruce-Mintz framework used to compute marginal and average effective tax rates for non-financial firms. The model focuses on loans and considers the interactions between taxation, accounting, company law and regulation for the Italian banking sector, following the Nordic view of corporate taxation. It allows to disentangle the tax components of loan price, namely tax rates, deductibility of the cost of equity under partial and full ACE systems, taxes on net worth, and limits to the deductibility of interests and loan loss provisions (LLPs), also highlighting the role played by deferred tax assets. The effective tax rates on loans indicate, among other things, that the ACE introduced in 2011 has been effective in reducing the debt bias, and that until 2015 the deductibility limits on LLPs could have generated several distortions, discriminating between borrowers, economic sectors and geographical areas, inducing a pro-cyclical increase in the cost of credit during downturns, and providing disincentives to the timely setting aside of sufficient provisions for non -performing loans.
Full text (pdf)

No. 1235: **The real effects of 'ndrangheta: firm-level evidence** (October 2019)

Litterio Mirenda, Sauro Mocetti and Lucia Rizzica

We analyze the real effects of mafia infiltrations in the legal economy. We focus on the case of the 'ndrangheta, a large criminal organization originating from the South of Italy. Combining information from investigative records with panel data on firms' governance and balance sheets, we build an indicator of 'ndrangheta infiltrations in firms located in areas with no tradition of mafia settlements. We show that (i) organized crime targets firms in financial distress and privileges sectors that most rely on public sector demand or are more money laundering prone;; (ii) infiltrations generate a significant rise in the firm's revenues; (iii) the penetration of mafia produces a long-run negative effect on economic growth at the local level.
Full text (pdf)

No. 1234: **Forecasting with instabilities: an application to DSGE Models with financial frictions** (October 2019)

Roberta Cardani, Alessia Paccagnini and Stefania Villa

We assess the importance of parameter instabilities from a forecasting standpoint in a set of medium-scale DSGE models with and without financial frictions using US real-time data. We find that failing to update DSGE model parameter estimates with new data arrival deteriorates point forecasts due to the estimated parameters variation. We also find that the presence of financial frictions helps to better forecast GDP and inflation.
Full text (pdf)

No. 1233: **News and consumer card payments** (October 2019)

Guerino Ardizzi, Simone Emiliozzi, Juri Marcucci and Libero Monteforte

We exploit a unique daily data set on debit card expenditures to study the reaction of consumers to daily news relating to Economic Policy Uncertainty (EPU). Payments with debit cards are a proxy for consumption in the quarterly national accounts. Using big data techniques we construct daily EPU indexes, using either articles from Bloomberg news-wire or tweets from Twitter. Our empirical analysis at high frequency required estimates of daily seasonal components, finding strong patterns both within the week and within the month. Using local projections we find that daily shocks to EPU temporarily reduce debit card purchases, especially during the recent crisis; the main results are confirmed using monthly data

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and controlling for financial uncertainty and macroeconomic surprises. Furthermore, economic policy uncertainty affects the ratio between ATM withdrawals and debit card purchases, signaling an increase in households' preference for cash.
Full text (pdf)

Other recent Working Papers

June 2019 — July 2019

No. 1232: Risky bank guarantees
Taneli Mäkinen, Lucio Sarno and Gabriele Zinna

No. 1231: Exchange rate dynamics and unconventional monetary policies: it's all in the shadows
Andrea De Polis and Mario Pietrunti

No. 1230: Disinflationary shocks and inflation target uncertainty
Stefano Neri and Tiziano Ropele

No. 1229: Using credit variables to date business cycle and to estimate the probabilities of recession in real time
Valentina Aprigliano and Danilo Liberati

No. 1228: The rental market in Italian cities
Michele Loberto

No. 1227: Optimally solving banks' legacy problems
Anatoli Segura and Javier Suarez

No. 1226: Relative price dynamics in the Euro area: where do we stand?
Pietro Cova and Lisa Rodano

No. 1225: Domestic and global determinants of inflation: evidence from expectile regression
Fabio Busetti, Michele Caivano and Davide Delle Monache

No. 1224: Forecasting inflation in the euro area: countries matter!
Angela Capolongo and Claudia Pacella

No. 1223: The international transmission of US tax shocks: a proxy-SVAR approach
Luca Metelli and Filippo Natoli

No. 1222: Urban agglomerations and firm access to credit
Amanda Carmignani, Guido de Blasio, Cristina Demma and Alessio D'Ignazio

No. 1221: Big-city life (dis)satisfaction? The effect of living in urban areas on subjective well-being
David Loschiavo

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No. 533: **Households' investments in foreign mutual funds made transparent** (November 2019)

Massimo Coletta and Raffaele Santioni

The share of foreign investment funds in the portfolio of Italian households, negligible up to the mid-1990s, has risen significantly since 2012. At the end of 2018, these funds represented 16 per cent of households' financial portfolios and 54 per cent of their total investment fund holdings. Through foreign investment funds, households invest in the global financial markets, thereby increasing the degree of geographical diversification of their investments and, in principle, improving the risk-profile of their portfolios. By using a combination of very granular databases, this paper provides for the first time a comprehensive description of the foreign funds held by Italian households, with a particular focus on the period 2008-2017. The main contribution is the discovery of the final destination of the savings invested by Italian households via foreign mutual funds, broken down by country, sector and type of instrument. Moreover, the high data granularity has enabled us to estimate the total expense ratio and the net return, broken down into the main fund categories.

Full text (pdf)

No. 532: **Bad loan closure times in Italy** (November 2019)

Emilia Bonaccorsi di Patti; Cristina Demma, Davide Dottori and Giacinto Micucci

We propose a procedure for calculating closure times for bad business loans in Italy using Central Credit Register data over the period 2005-2016. We find that after 2008 bad loan closure times increased, peaking in the years 2011-12; they then began to fall, returning close to their initial levels in 2016. These results suggest that the recent initiatives improving banks' non-performing loan management policies and the effectiveness and speed of recovery procedures are starting to bear fruit.

Full text (pdf)

No. 531: **Modelling households' financial vulnerability with consumer credit and mortgage renegotiations** (November 2019)

Carmela Aurora Attinà, Francesco Franceschi and Valentina Michelangeli

Strong growth in consumer credit and widespread recourse to mortgage renegotiations observed since 2015 have affected households' ability to repay their loans. In this paper we explore a novel way of accounting for these trends, by extending the Bank of Italy microsimulation model of households' financial vulnerability. The extension provides a more accurate assessment of the financial stability risks stemming from the household sector. Consumer credit growth drives an increase in the share of vulnerable households, but has limited effects on the overall debt at risk. Mortgage renegotiations contribute to a decrease in households' vulnerability.

Full text (pdf)

No. 530: **Making room for new competitors. A comparative perspective on Italy's exports in the euro-area market** (November 2019)

Silvia Fabiani, Alberto Felettigh, Claire Giordano and Roberto Torrini

Over the last two decades Italy's intra-euro area export performance has been weak when compared with that of Germany and Spain, but not in relation to France. This paper first tracks the heterogeneous developments in the four countries' goods exports in the euro-area market across different sub-periods and product categories. It then discusses some potential determinants of these dynamics: price competitiveness and the entry of new competitors, namely China and the Central and Eastern European countries (the "CEE6"), in the euro-area market. By exploiting several datasets and by using different techniques, the paper quantitatively explores the impact of developments in intra-euro area price competitiveness; it analyzes the role played by China and by the CEE6 in displacing the four economies' exports in the euro-area market and in

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activating their total exports via the heightened import demand stemming from the new competitors. These effects are found to be heterogeneous across the four countries, and generally more unfavourable for Italy, thereby helping to explain the country's relative underperformance, at least vis-à-vis Germany.
Full text (pdf)

No. 529: **G-20 financial regulation reforms: state of implementation and the effects ten years after the global financial crisis** (November 2019)

Maurizio Trapanese

Ten years after the 2007-08 global financial crisis, this paper examines the implementation of the G-20 financial reforms in the main regulatory areas and jurisdictions. The analysis includes banks, insurance companies, derivatives markets and non-bank financial intermediation. Notwithstanding the progress made, which has improved the resilience of the global financial system, some sources of concern remain: the implementation of reforms is still uneven across areas and jurisdictions; there are regulatory interventions still to be completed, above all in non-banking sectors, and others to be implemented at the domestic level. The global financial system may be exposed to risks, such as markets fragmentation, regulatory arbitrages and the volatility of cross-border financial flows. At international level there should be consensus on the need to complete the regulatory reforms in all sectors of financial intermediation and to implement them consistently and in a timely way. For these reasons, the implementation should increasingly become a priority for the G-20 and for the Italian Presidency in 2021.
Full text (pdf) in Italian only

No. 528: **US trade policy in numbers: how exposed is the EU?** (November 2019)

Rita Cappariello and Michele Mancini

Amid lingering uncertainty on future US trade policies towards the EU, this study provides an assessment of the implications of a change in US trade tariffs for the EU, with a focus on Italy. By examining trade flows and matching over 5.000 products to effective tariffs, the work quantifies, at the aggregate and sectoral level, actual bilateral average tariffs on trade in final goods and intermediates. Although US goods' tariffs are generally lower than those imposed by partners, this asymmetry is not as marked for the EU. This study also evaluates the direct and indirect exposure of the EU's and its major countries' GDP to alternative scenarios of US tariff hikes. A change in US tariffs would affect around 2.8 per cent of total EU GDP. The EU GDP potentially affected by US tariffs only on automotive imports would be 0.4 per cent while the overall Italian exposure would be just below, 0.3 per cent, around 10 per cent in terms of the value-added produced in the motor vehicles sector.
Full text (pdf)

No. 527: **A comparative evaluation of poverty measures in the Italian Survey of Household Income and Wealth** (November 2019)

Giovanni D'Alessio

This paper makes a comparative study of some variants of the most frequently used poverty indices, obtained by modifying the welfare indicator (income, consumption, or income/assets), the equivalence scale (OECD or square root of the number of components), the local price adjustment index and the statistic used for identifying the poverty threshold (average or median). The ISEE, an indicator used to access to social benefits in Italy, that has a specific combination of income and assets and its own equivalence scale, is also evaluated. The performance of poverty indicators is evaluated using microdata collected by the Bank of Italy Survey of Household Income and Wealth (SHIW) from 2004 to 2016. The paper first analyses how the incidence of poverty varies according to different definitions; it also analyses how the different variants are associated with an indicator of inability to make ends meet, which is a direct expression of household's bad economic conditions. The study shows a wide variety of results in terms of the poverty rate and the composition of the poor. The highest association with subjectively poor economic

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conditions is found for indicators combining income and wealth, while consumption provides more modest results.
[Full text (pdf) in Italian only]

No. 526: **The evolution of inequality and social cohesion in Europe: 1957-2017** (November 2019)

Francesco Vercelli

Our study finds that income inequality among EU-15 citizens decreased remarkably from 1957 to 2017, with the Gini coefficient dropping by nearly 30 per cent. The process was very rapid until the mid-1980s. It then slowed gradually, to the point that inequality started rising at the beginning of the 2000s. The estimates of European income distribution and the inequality measures we compute are based on the method proposed by Sala-i-Martin (2006). This methodology overcomes the problem of the limited availability of long-term survey data on income by using income shares from the World Income Inequality Database.
[Full text (pdf)]

No. 525: **Innovations in the governance of State-owned museums and management of cultural heritage: some evidence from a survey of the Bank of Italy** (November 2019)

Luigi Leva, Vanessa Menicucci, Giacomo Roma and Daniele Ruggeri

In the economic literature the impact of the governance and ownership of the museums on their ability to achieve their goals of preservation and enhancement of the cultural heritage is increasingly studied. The paper examines the effects of the reform of 2014 which recognized wider margins of autonomy to a group of Italian State-owned museums. It is based on a survey of the Bank of Italy regarding the initiatives aimed at improving the offer of services in the museums granted with autonomy and in other museums with similar characteristics. Four areas of museum services are covered: the conservation of artistic heritage, the accessibility of the museum's premises, visitor orientation, and relations with stakeholders. Econometric estimates that after the reform services offered by autonomous museums expanded more markedly in all the areas, and notably in those more related to the user satisfaction (accessibility and visitor orientation), with better performance also with respect to the increase in the number of visitors.
[Full text (pdf) in Italian only]

No. 524: **The management of the artistic and cultural heritage in Italy: international comparisons, territorial differences, problems and prospects** (November 2019)

Enrico Beretta, Giovanna Firpo, Andrea Migliardi and Diego Scalise

The work analyses - using various domestic and international statistical sources - the structural characteristics of the vast Italian museum, monumental and archaeological heritage, comparing them with those of the other main European countries. The main critical issues in managing the heritage are illustrated, distinguishing between factors related to conservation, accessibility, orientation towards visitors and the ability to relate with external stakeholders. Employing the microdata made available by the Istat census surveys, we study the factors behind the performance of cultural institutions in different outcome areas. The results indicate first that, notwithstanding the improvement in recent years, the effectiveness of management of cultural heritage falls short of its potential. The econometric analysis of the determinants of museum performance suggests that greater autonomy (accounting, organizational, operational) tends to generally correspond to better results, regardless of the public or private nature of the institution. Net of the individual observable characteristics of cultural institutions, there is a positive correlation between the various performance indicators, indicating the absence of fundamental trade-offs between the various branches of activity of museum sites. The legislative measures that, since 2014, have conferred a special autonomy on some museums have contributed to improving the value and attractiveness of the sites concerned.
[Full text (pdf) in Italian only]

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No. 523: **Business travels, multinational firms and international trade** (November 2019)

Francesco Bripi

Business travels are a key driver of growth as they contribute to knowledge diffusion and innovation. They are also a relevant component of services trade. This paper analyzes the determinants of business travels expenditure in Italy, where this phenomenon is relevant and it is concentrated in few Italian regions. Using a "unilateral" gravity approach, I find significant correlations between trade flows, FDI stocks and business travel expenditures. Identification is addressed using inverse measures of offshorable and of routinary tasks, instrumental variables and selection methods. The analysis highlights that the pattern of business travels expenditure is shaped to some extent by the business cycle of partner countries relative to that of Italian regions. Moreover, the pattern is determined to a greater extent by activities that are least intensive in offshorable or routinary tasks. This second result suggests that remote controls systems substituted only more standardized activities. Indeed, broadband diffusion in the partner countries reduced business travels expenditure only in more routinary sectors. Overall this evidence is consistent with the view that business travels have been affected by the recent developments in ICT.
Full text (pdf)

No. 522: **How frequent a BEER? Assessing the impact of data frequency on real exchange rate misalignment estimation** (November 2019)

Claire Giordano

This paper explores the robustness of Behavioural Equilibrium Exchange Rate (BEER) models – employed to estimate real effective exchange rate (REER) deviations from "equilibrium" values consistent with macroeconomic fundamentals – to the frequency (annual vs. quarterly) of the underlying data. Indeed, data frequency influences both the length of the sample period (which is typically shorter in a quarterly model) and the set of relevant fundamentals to be included in the specification, and can affect the plausibility of some of the BEER modelling assumptions, which are especially restrictive at the quarterly frequency. The paper compares REER misalignment estimates stemming from a carefully specified annual model, estimated since 1980 for 55 countries, and a comparable quarterly model, estimated since 1999, which is a variant of that currently in use at the Bank of Italy (Giordano, 2018). In the overlapping period the annualised quarterly-model misalignments are quite similar to those based on the annual model. Moreover, the in-sample power of quarterly REER misalignments in explaining subsequent, actual REER developments is found to be higher than that of the annual estimates, signalling their greater usefulness in assessing a country's external economic outlook. This paper therefore confirms the robustness of the quarterly BEER model currently employed at the Bank of Italy; moreover, it suggests that the "optimal" frequency of a BEER model depends on the use (research vs. monitoring and policy-making) one makes of the resulting measures.
Full text (pdf)

No. 521: **The relationship between financial development and growth: the case of emerging Europe** (November 2019)

Alessio Ciarlone

In this paper, I provide evidence about the impact that changes in certain indicators of financial development have on economic growth in a sample of 19 countries of Emerging Europe. Real per capita GDP growth, bank credit to the private sector, stock market capitalization and the outstanding stock of international debt securities – along with a series of other traditional determinants of economic development – are found to be co-integrated. By means of recent econometric techniques for heterogeneous panels, inference is drawn about the long- and short-run relationship between the variables of interest. The main result of the analysis points to the existence of non-linearities. There appears to be an inverted U-shaped relationship between bank credit to the private sector and economic growth. By contrast,

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both domestic stock market capitalization and the stock of international debt securities display a more traditional positive and monotone relationship with economic development.
Full text (pdf)

No. 520: **Capital and public investment in Italy: macroeconomic effects, measurement and regulatory weaknesses** (October 2019)

Fabio Busetti, Cristina Giorgiantonio, Giorgio Ivaldi, Sauro Mocetti, Alessandro Notarpietro and Pietro Tommasino

Public investment expenditure in Italy has decreased markedly in the last few years. Several indicators suggest that the quantity and quality of Italy's public capital are lower than in the other main euro area economies. The paper presents some estimates of the macroeconomic effects of an increase in public investment. It also discusses how the public capital stock can be measured and looks at public investment dynamics in the main euro-area economies. Finally, it reviews some regulatory aspects which could slow down public works in Italy. The authors conclude that an increase in public investment can only have a significant macroeconomic impact if the resources are utilized efficiently, interventions are appropriately chosen and implemented quickly, and good financial conditions are preserved. It appears crucial to improve evaluation, planning and monitoring of public infrastructure projects.
Full text (pdf) in Italian only

No. 519: **Italy's international trade in services: a story of missed growth?** (October 2019)

Alessandro Moro and Enrico Tosti

The paper analyses the trend in Italy's trade in services over the last twenty years, showing a low growth in relation to its potential demand and in comparison with the main euro-area countries. The delay accumulated by Italy's exports of services from 1999 to 2015 was highly significant and only in the subsequent period was there a recovery. The analysis by typology shows that services other than travel and transport are the aggregate with the worst performance compared with a stronger trend at global level; from a geographical point of view, sales outside the EMU have displayed the most negative contribution. Using firm-level microdata, it is possible to examine the main determinants of Italian service exports, highlighting the negative role of the scarcity of medium-sized and large companies, the low productivity and the limited internationalization of the services sector; the recovery recorded in the three years 2016-18 was driven by large foreign-controlled companies.
Full text (pdf) in Italian only

No. 518: **Wages and prices in the euro area: exploring the nexus** (October 2019)

Antonio M. Conti and Andrea Nobili

We investigate the structural relationship between wages dynamics and core inflation in the euro area using Bayesian VAR models. We find that the pass-through from wages to consumer prices net of food and energy is less than unity and depends on the nature of the shocks hitting the economy. A monetary policy shock implies a positive co-movement between these variables, which is similar in magnitude to that stemming from an aggregate demand shock. Financial shocks, as captured by credit spreads and indicators of systemic stress, are instead associated with a negative co-movement between wages and prices and generate firms' countercyclical mark-ups, consistently with recent models featuring financial frictions and nominal rigidities. These findings may explain why the recent pick-up in wages is not associated with a sustained path of core inflation in the euro area.
Full text (pdf)

No. 517: **Development of a cyber threat intelligence apparatus in a central bank** (October 2019)

Pasquale Digregorio and Boris Giannetto

The present work defines the development of a cyber threat intelligence (CTI) apparatus in a central bank. Such a system aims at promoting a preventive posture against constantly evolving

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threats such as cybercrime, cyber espionage, hacktivism, cyberterrorism and state-sponsored APTs. Central banks are targeted by a gamut of threat actors. Cyber-attacks against financial institutions are on the rise: Those directed against strategic data, infrastructures and platforms of a central bank, could have momentous repercussions on the vital ganglia of the financial system as a whole. CTI operates on a three-level scale: Tactical/technical, operational and strategic. As to the latter, geopolitical and context analysis is key. The proposed CTI apparatus - designed to cope with multifarious cyber threats - aims at spurring systemic prevention and resilient reaction

Full text (pdf)

No. 516: **Anchored or de-anchored? That is the question** (October 2019)

Francesco Corsello, Stefano Neri and Alex Tagliabracci

This paper shows that long-term inflation expectations have de-anchored from the ECB Governing Council's inflation aim. Long-term expectations from the ECB's Survey of Professional Forecasters have not returned to the levels that prevailed before the 2013-14 disinflation, and their distribution remains tilted to the downside. Long-term expectations have become sensitive to short-term ones and to negative surprises to inflation. Forecasters who have participated to most of the survey rounds are the most responsive to short-term developments in inflation.

Full text (pdf)

No. 515: **Upwind sailors. Financial profile of innovative Italian firms during the double-dip recession** (October 2019)

Daniele Pianeselli

We examine the issue of patents of Italian non-financial firms over the period 2008–2012, during which the Italian economy was hit by two almost consecutive recessions. We classify firms according to their patenting activity, taking into consideration their financial characteristics. We find that innovation is concentrated in the manufacturing sector, where very few large firms maintain a persistent level of inventive capacity. Firms increased their average patenting slightly during the crisis compared to the period 2003–2007. Since Italian innovating firms are large and mature, a higher cash flow and a lower indebtedness allow them to fund patent-generating activity using internal resources. Moreover, innovating firms grow faster than non-innovating ones, even during recessions.

Full text (pdf)

No. 514: **Ownership structure and governance of Italian companies: new evidence and effects on performance** (October 2019)

Audinga Baltrunaite, Elisa Brodi and Sauro Mocetti

The paper examines the evolution of the ownership structures and governance of Italian firms, from the second half of the 2000s to the present, with a triple objective. First, it provides an up-to-date, census-based, descriptive analysis of the ownership structure and governance of Italian firms. Second, it examines the effects of the reduction of entry costs on firm demography and the characteristics of those entering the market. Third, it shows the correlations between institutional context, governance structures and company performance.

Full text (pdf) in Italian only

No. 513: **Trade shocks, product mix adjustement and productivity growth in Italian manufacturing** (October 2019)

Maria Gabriela Ladu, Andrea Linarello and Filippo Oropallo

In this paper we use firm-level data on the universe of Italian manufacturing multi-product exporters to test whether demand shocks in export markets lead multi-product exporters to increase their productivity. The main mechanism behind the documented productivity gains is the reallocation of resources across products within firms (Mayer et al., 2014 and 2016). Intuitively, the increased demand stemming from foreign markets will induce firms to adjust their product-

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mix by moving inputs from low to high productive/profitable uses. We find that these productivity gains are significant and account for about 30 per cent of aggregate productivity growth in the manufacturing sector.
Full text (pdf)

No. 512: **European integration in the time of mistrust** (October 2019)

Francesco Spadafora

This paper reviews the debate on completing the institutional architecture of the European Economic and Monetary Union (EMU). In response to the sovereign debt crisis, reforms have resulted in significant progress towards greater integration, as best epitomized by the establishment of the European Stability Mechanism and the first two pillars of a Banking Union. In addition, the fiscal governance framework has been overhauled, with stricter rules and more powers at the supranational level to affect national budgetary policies. Because of these reforms, as well as of other policy measures at the national level, risks in the sovereign and banking sectors have been substantially reduced. The paper argues that major advances in risk reduction have not been matched by parallel progress in risk sharing: this asymmetry leaves the EMU vulnerable and may undermine its longer-term viability. Priority needs to be given to closing the gap between risk sharing and risk reduction as, at the current juncture, the former is in and of itself a conduit for the latter.
Full text (pdf)

No. 511: **Italian regional policies for innovative start-ups** (October 2019)

Giuseppe Albanese, Raffaello Bronzini, Luciano Lavecchia and Giovanni Soggia

This paper provides an overview of the regional policies for innovative start-ups implemented in Italy in the years 2012-2018. The data were gathered from a survey carried out by Bank of Italy branches in 2018, which were later updated using several other sources. The findings show that the Regions supported a significant number of projects (101, of which 75 focused only on innovative start-ups) and allocated a large volume of funds (€515 million, of which 340 for start-ups alone). The financial resources were allocated very differently across the Regions, with Lazio, Sardinia and the province of Trento allocating the largest amount of funds in per capita terms. This tends to reflect the policymakers' preferences rather than differences in the economic structure of the geographical areas.
Full text (pdf) in Italian only

No. 510: **As long as the bank gains: expanding the retail distribution activity** (October 2019)

Danilo Liberati and Francesco Vercelli

We investigate the retail distribution of financial products by the Italian banking system between 2010 and 2017. We focus on mutual fund shares, insurance contracts and individually managed portfolios, analysing the characteristics of the banks that distribute these instruments the most and the contribution of each product to bank profitability. We find that banks with larger amounts of bad loans relative to equity distribute more asset management instruments, an activity that does not absorb equity. When liquidity constraints are less binding, banks that are financed more through deposits increase their distribution activity. Moreover, banks with stronger lending specialization are less involved in distributing financial products. Finally, fees from the distribution of individually managed portfolios contribute to bank profitability more than those from the distribution of mutual fund shares.
Full text (pdf)

No. 509: **Tourism and local growth in Italy** (October 2019)

Raffaello Bronzini, Emanuele Ciani and Francesco Montaruli

Economic theory and the empirical literature are not conclusive on the relationship between tourism and economic growth. In this paper we estimate the impact of foreign tourists' spending on value added per capita growth in the Italian provinces, using various econometric strategies. The overall results show that the effect is positive and statistically significant, but modest in economic terms. The impact is larger for the less

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developed provinces, and null for those that showed the highest tourist revenues per inhabitant at the beginning of the period, suggesting that congestion phenomena may occur.
Full text (pdf)

No. 508: **Local taxation on households: an analysis at municipal level** (October 2019)

Laura Conti, Daniela Mele, Vanni Mengotto, Eugenia Panicara, Roberto Rassu and Valentina Romano

This paper provides an analysis of the local taxation on households in Italian provincial capitals between 2012 and 2015, the period immediately before a ceiling was imposed on the main local rates, relating it to a set of indicators available at the same geographical level. We provide information on regional, provincial and municipal duties imposed on a representative household, whose characteristics (regarding income, number and age of members, real estate holdings and consumption) remain unchanged throughout the country. The results show that taxation is higher for households living in the South, in regions under ordinary statutes (RSO) compared with those under special statutes (RSS), and in larger cities. Moreover, there is evidence of heavier taxation in places where local governments are (or have been) in financial distress or appear to be less efficient. In these areas, local taxation on households rose at a higher rate during the period covered by the analysis.
Full text (pdf) in Italian only

No. 507: **The central Italy earthquake and its short-term impact on firms** (October 2019)

Davide Dottori and Giacinto Micucci

This paper evaluates the short-term impact of the earthquake that hit Central Italy in 2016 on firms' economic activity. The analysis is based on corporate balance sheet data and on a methodology that compares the performance of firms located within the seismic area with firms featuring similar characteristics but located outside it. The results show that in 2016, firms within the seismic area experienced a negative effect on revenues of over 5 per cent with respect to the counterfactual group (corresponding to about 20 per cent in the last quarter of the year, when most of the tremors occurred). In 2017, the effects lessened overall. The analysis also shows that the effects were quite heterogeneous. The negative impact is considerable for firms closer to the epicentres (core area) in both years, in particular for firms of smaller size that operate in the service sector, owing to their reliance on local and tourism-related demand. For firms located further from the epicentres (non-core area), which include the main local firms and long-standing manufacturing specializations, the effects were somewhat smaller and vanished in 2017.
Full text (pdf) in Italian only

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No. 506: Firm heterogeneity and trade in EU countries: A cross-country analysis
Claire Giordano and Paloma Lopez-Garcia

No. 505: Tourism in Italy: figures and potential for development
Andrea Petrella e Roberto Torrini (coordinators), Guglielmo Barone, Enrico Beretta, Emanuele Breda, Rita Cappariello, Giuseppe Ciaccio, Laura Conti, Francesco David, Petra Degasperi, Angela di Gioia, Alberto Felettigh, Andrea Filippone, Giovanna Firpo, Massimo Gallo, Paolo Guaitini, Giulio Papini, Patrizia Passiglia, Fabio Quintiliani, Giacomo Roma, Valentina Romano and Diego Scalise

No. 504: Measuring financial inclusion in the main euro area countries: the role of electronic cards
Giorgio Nuzzo and Stefano Piermattei

No. 503: Timely indicators for labour income inequality
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No. 502: China's international projection in the Xi Jinping's era
Lorenzo Bencivelli and Flavia Tonelli (coordinators), Alberto Coco, Raffaele De Marchi, Andrea Furgeri, Maurizio Ghirga, Pietro Ginefra, Alessandro Giraudo, Stefano Iezzi, Sergio Longoni, Giovanni Majnoni d'Intignano, Daniela Marconi, Anna Marra, Ignazio Musu, Elisa Sales, Raffaele Tartaglia Polcini, Giorgio Trebeschi, Andrea Zanotti, Andrea Zucchini

No. 501: Foreigners on holiday in Italy: tourism products, destinations and travelers' characteristics
Andrea Filippone, Massimo Gallo, Patrizia Passiglia and Valentina Romano

No. 500: The expansion of consumer credit in Italy and in the Euro Area: what are the drivers and the risks?
Silvia Magri, Valentina Michelangeli, Sabrina Pastorelli and Raffaella Pico

No. 499: Should the CCYB be enhanced with a sectoral dimension? The case of Italy
Roberta Fiori and Claudia Pacella

No. 498: Ven-ICE: a new indicator for the economy of the Veneto region
Massimo Gallo, Sonia Soncin and Andrea Venturini

Notes on Financial Stability and Supervision

No. 15: **Towards a framework for orderly liquidation of banks in the EU** (August 2019)

A. De Aldisio, G. Aloia, A. Bentivegna, A. Gagliano, E. Giorgiantonio, C. Lanfranchi and M. Maltese

Based on the current EU legal framework, for a bank crisis to be managed via the resolution regime the bank must pass the 'public interest test'. This implies that resolution is only available to a small subset of banks and banking groups: in the Eurozone, there are likely fewer than 100 out of a total of about 3,000 as of end-2018. The crisis of the remaining banks must be handled through national insolvency proceedings.

National insolvency regimes normally result in a piecemeal liquidation. This option gives no guarantee that the proceedings will take place in an orderly fashion. Specifically, if interested acquirers cannot be rapidly identified, liquidation will lead to the immediate disruption of the bank's core activities, to the disposal of assets and sale of collateral at fire sale prices, and to non-insured liability holders having to face long waiting times to obtain partial reimbursement. The confidence in other banks may be shaken, with eventual knock-on effects on the real economy in general. In sum, a disorderly piecemeal liquidation process is clearly not efficient and may entail serious public policy concerns given the social and economic significance of banks' activities.

The same inefficient outcome would occur with a common DGS set up in the Banking Union - a goal that should continue to be pursued in the steady state. Indeed, while the establishment of a common DGS would increase the overall level of confidence in the banking system, it would not per se avoid piecemeal liquidation. A solution has thus to be found to avoid disorderly piecemeal liquidations for banks, as has been recognized by many authorities and commentators.

This note argues that trusting in good luck and hoping for an orderly liquidation for the vast majority of EU banks is indeed not good policy. Drawing from the US experience, we lay out a proposal for a European framework for an orderly liquidation of banks failing the public interest test. Its two main building blocks are: (i) measures to rebalance the framework towards interventions by deposit guarantee schemes (DGSs) - as alternatives to paying out deposits - to support orderly liquidation; and (ii) the creation of a new national framework for transferring assets and liabilities in liquidation.

We argue that alternative interventions by far minimize the overall cost of a crisis. Also, we argue that the risk that the DGS would systematically be worse off under the proposed orderly liquidation framework is low, and that this risk would be further reduced under certain conditions.

These proposals are broadly in line with the crisis management framework and practice of the US, as well as with the FSB Key Attributes. Also, they would follow the recent advice of the IMF that, in the recently published Euro Area FSAP, argues that a transfer of assets and liabilities in lieu of a piecemeal liquidation would reduce destruction of value and ensure a level playing field for creditors.

As the proposed framework only requires new procedural rules for transferring assets and liabilities in liquidation and not full harmonization of national insolvency regimes, it could be rapidly implemented in Europe. Member States would not be required to renounce their national laws, but merely to incorporate in their legal systems the new procedural rules for transferring assets and liabilities in liquidation.

To conclude, while our proposals would not rule out the possibility of a failing bank undergoing a disorderly piecemeal liquidation, they would provide an incentive to reach a more efficient outcome in a majority of cases. This holds true both in the short term, when DGSs are still national and the orderly liquidation would be undertaken at domestic level, and in the longer term: when setting up a common DGS in the Banking Union, an orderly liquidation regime managed by a centralized authority would be an essential tool. Overall, we see our proposals as a further step towards completing the Banking Union, increasing the overall efficiency of the European economy and promoting the integrity of the Common Market.

Full text (pdf)

Notes on Financial Stability and Supervision

No. 16: **Real estate foreclosures: the effects of the 2015-16 reforms on the length of the proceedings** (October 2019)

Silvia Giacomelli, Tommaso Orlando and Giacomo Rodano

In 2015-16, within a broader reform action aimed at improving the legal framework for the management of non-performing loans, significant changes were made to the rules governing real estate foreclosure proceedings in Italy, also with the objective of speeding up lending recovery. In this note, we use data on individual foreclosure proceedings to analyse the effects of this reform action on their duration. This is done by comparing the length of the main phases of the proceedings before and after the introduction of the new rules. Our results show that the reforms have shortened foreclosure proceedings in Italy: in particular, the median time needed to sell the assets has been reduced by around 40% (from 39.5 to 23.5 months), while the median length of the operations preceding the actual sale has decreased by 11% (from 28.5 to 25.5 months).
Full text (pdf)

Economic History Working Papers

No. 45: **Migrations, demographics and labour in a divided country** (September 2019)

Asher Colombo and Gianpiero Dalla Zuanna

This paper has a dual purpose. First it describes seventy years of Italian migrations, systematically distinguishing the Centre and North from southern Italy, and connects them with the migratory history of previous decades. Secondly, it identifies the persistent and structural peculiarities that have shaped the foreign population in Italy, building a model very different from that of central and northern Europe.
Full text (pdf) in Italian only

Selection of Journal articles and books

Authors' names in boldface: Bank of Italy

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