




DE-RISKING THE FUTURE OF EUROPE

REFORMING THE MACROFINANCIAL ARCHITECTURE

Who holds European sovereign debt: a distributional analysis

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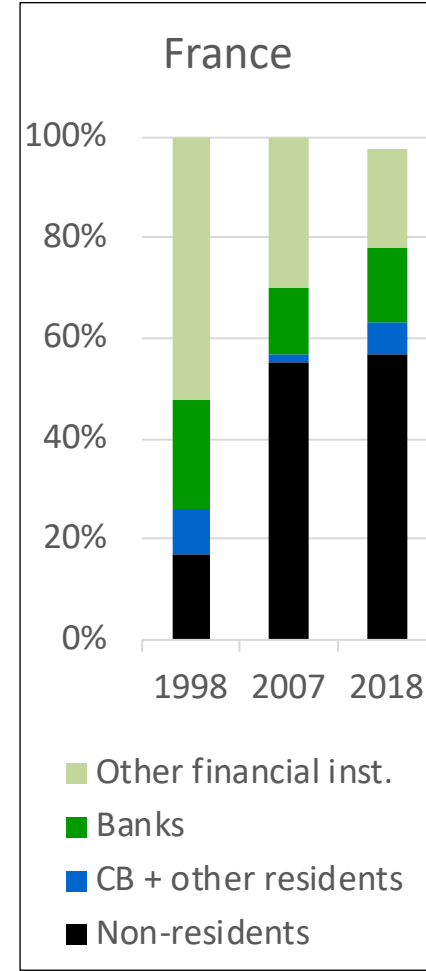
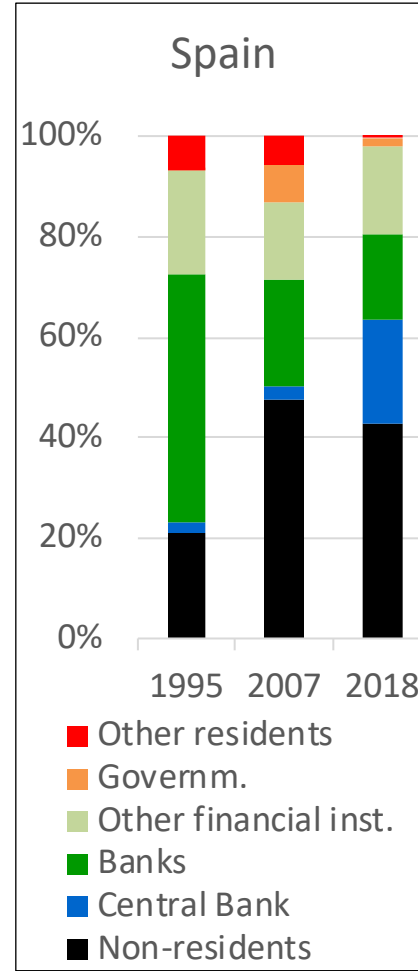
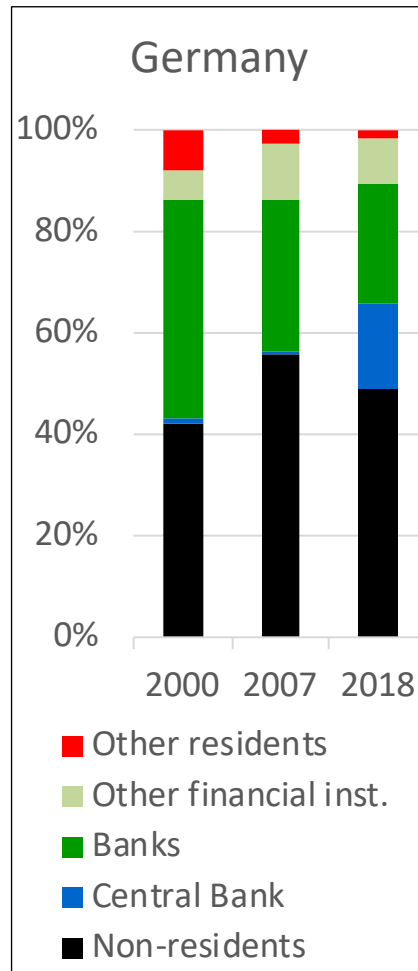
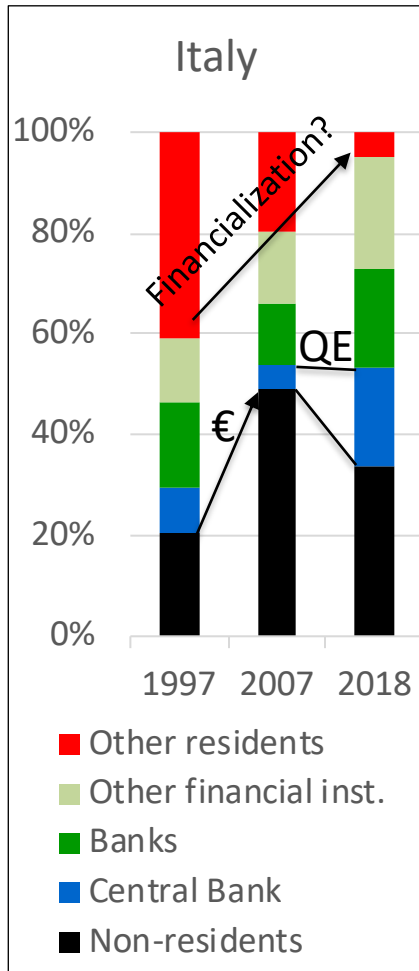
From tax state to 'debt state'

But who is behind the 'debt state'?

- > Background: Post-WW2 state expenditures high due to strong welfare state but neoliberal reforms → taxes replaced by public debt (Streeck, 2014)
- > Governments structurally dependent on financial markets for refinancing
- > Creditors vs. citizens:
 - > Citizens: demand public services
 - > Creditors: demand interest service (e.g. 10% of total expenditure in IT)
- > So who are the creditors? The rich?

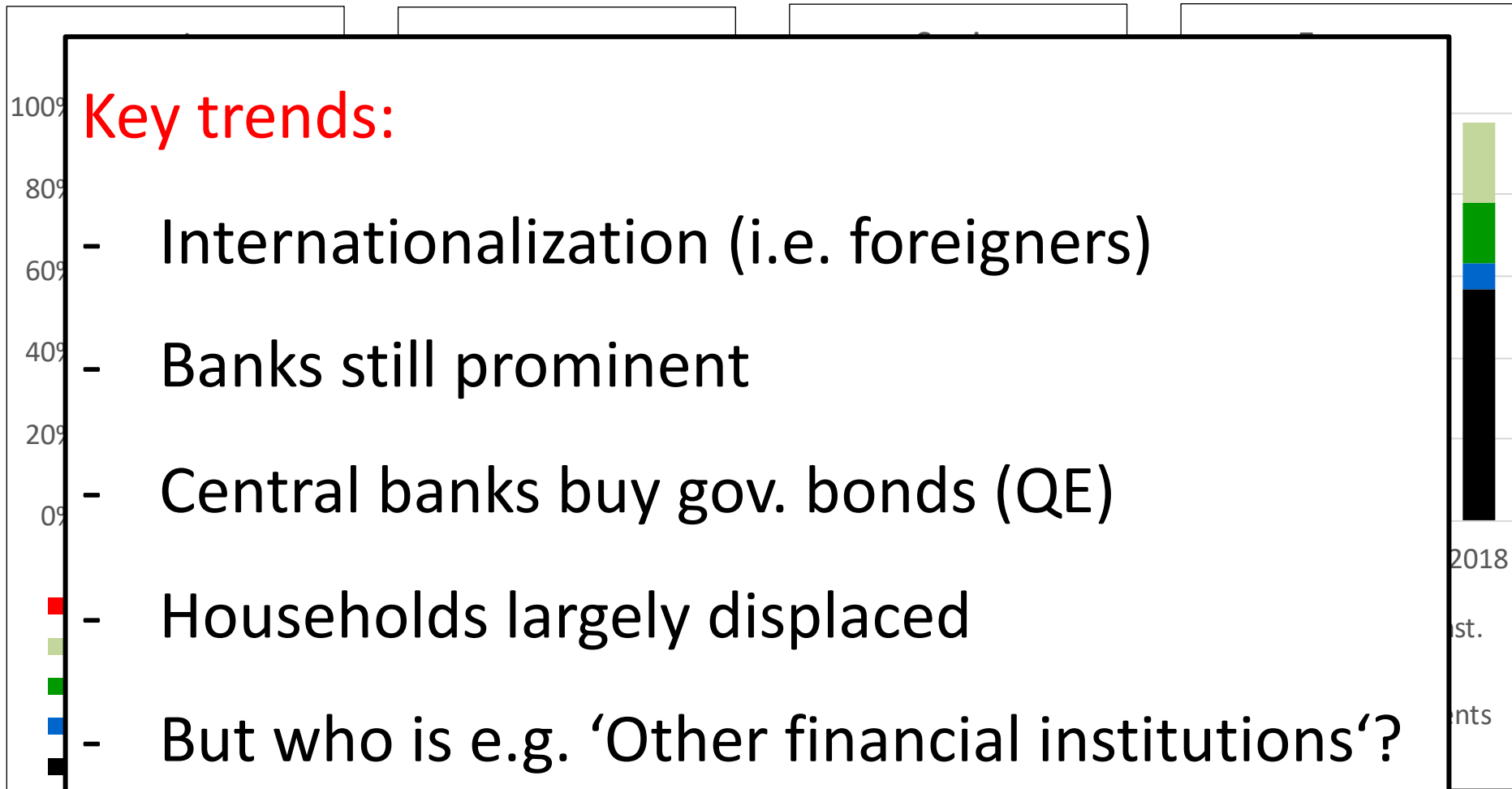
Sectoral ownership of government bonds (% of total)

Pre-€ - pre-crisis - today



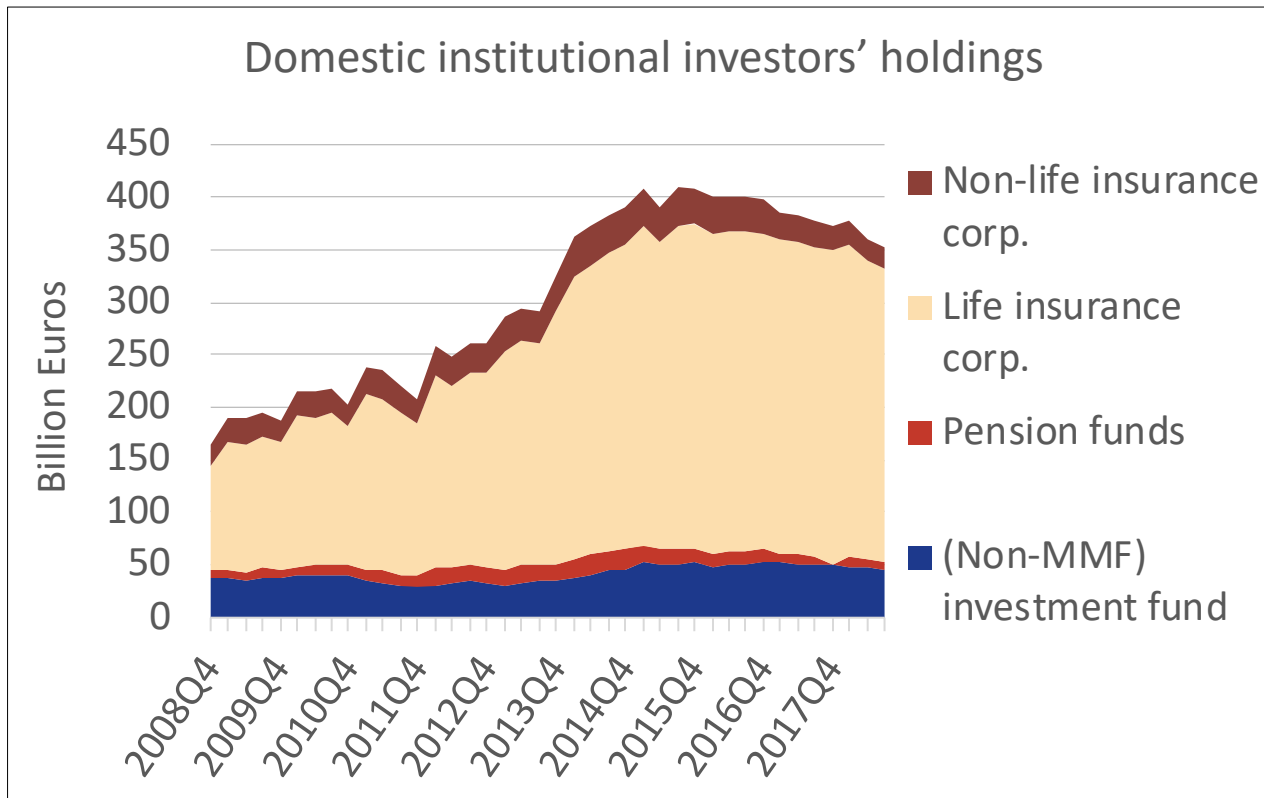
Sectoral ownership of government bonds (% of total)

Pre-€ - pre-crisis - today



Disaggregating Italy's holding structure

Residents



Source: OECD Institutional Investors' Assets & Liabilities

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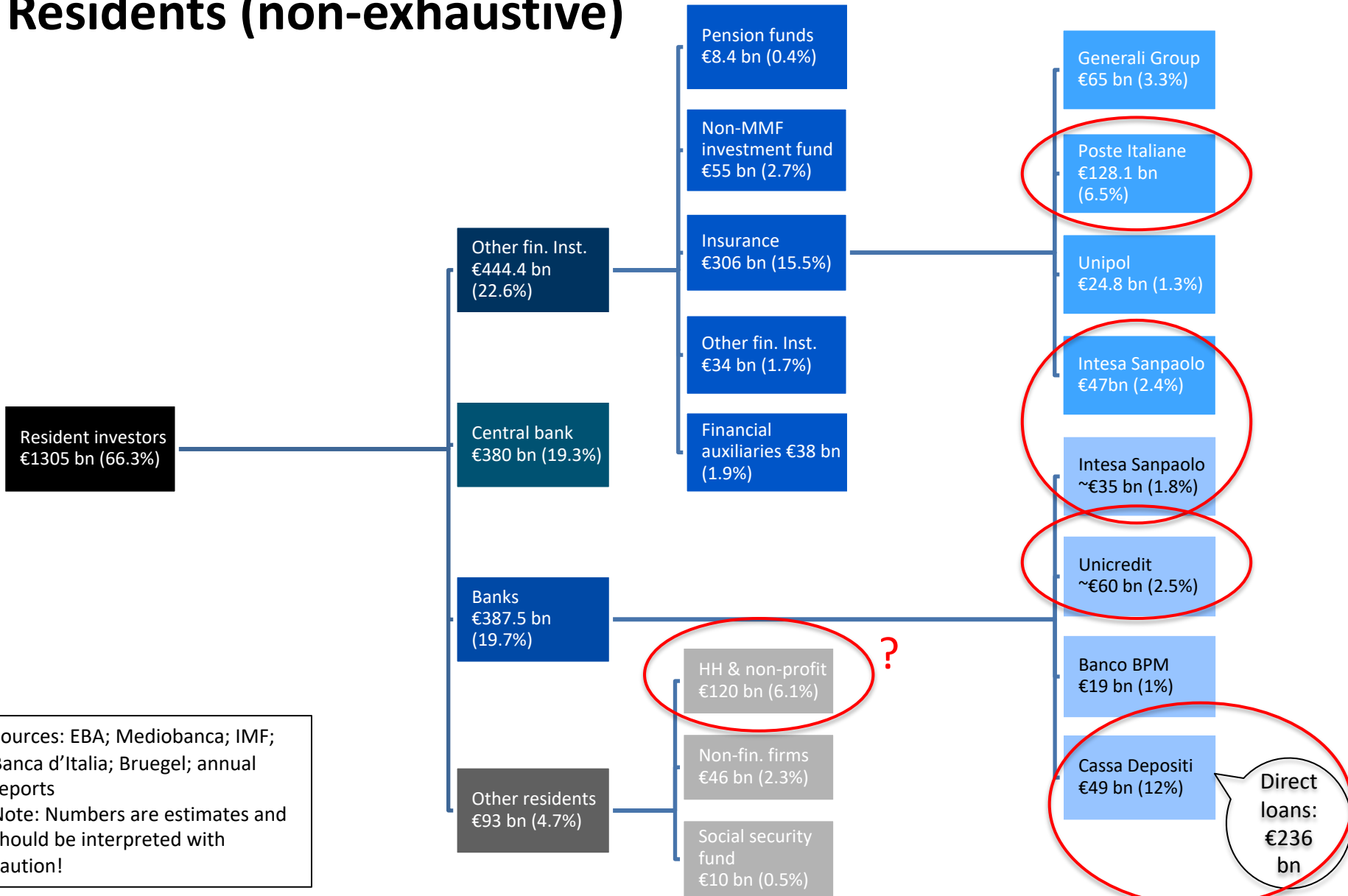


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Disaggregating Italy's holding structure

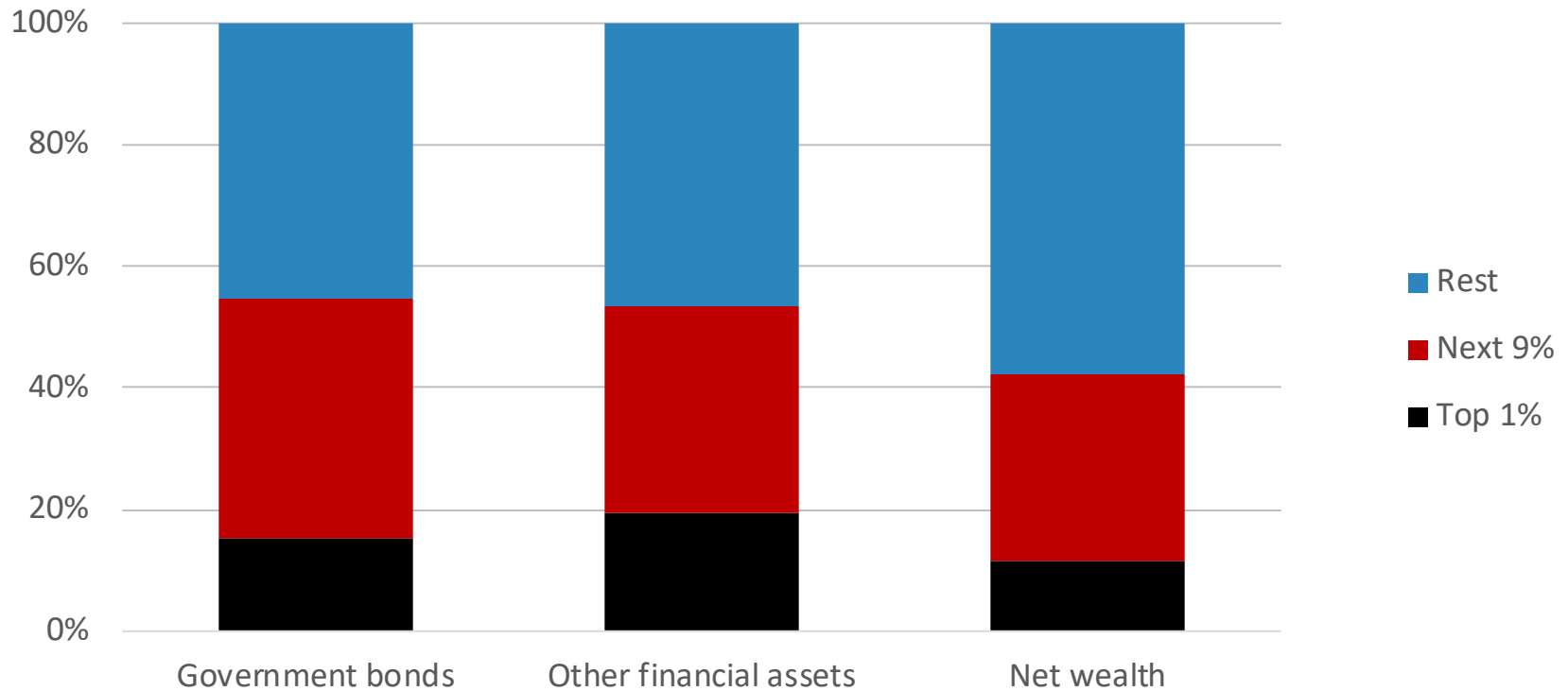
Residents (non-exhaustive)



Sources: EBA; Mediobanca; IMF; Banca d'Italia; Bruegel; annual reports
Note: Numbers are estimates and should be interpreted with caution!

Which households hold Italian public debt?

Households' various forms of savings (share held by wealth brackets)



Source: Banca d'Italia Household panel data

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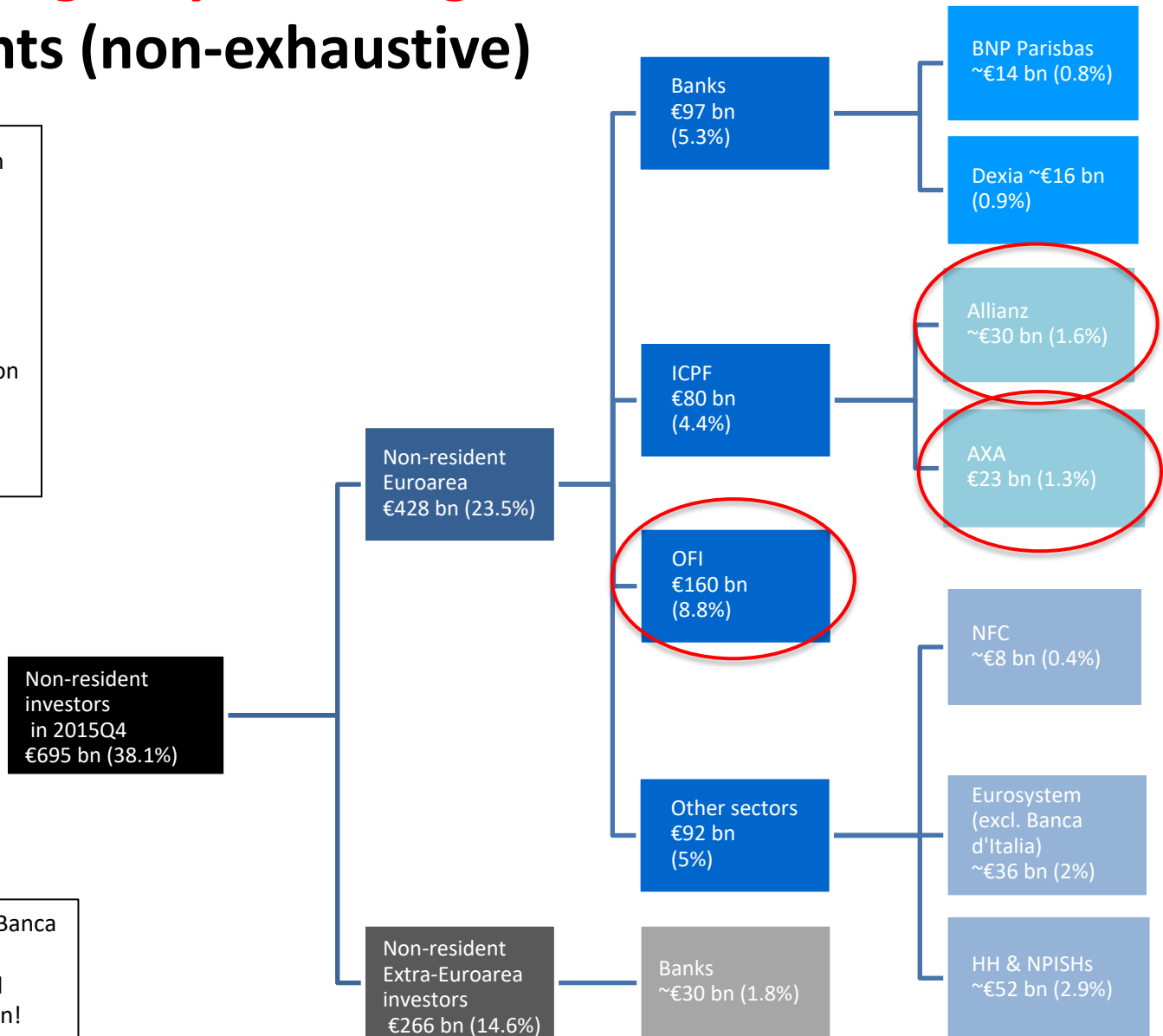
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Disaggregating Italy's holding structure

Non-residents (non-exhaustive)

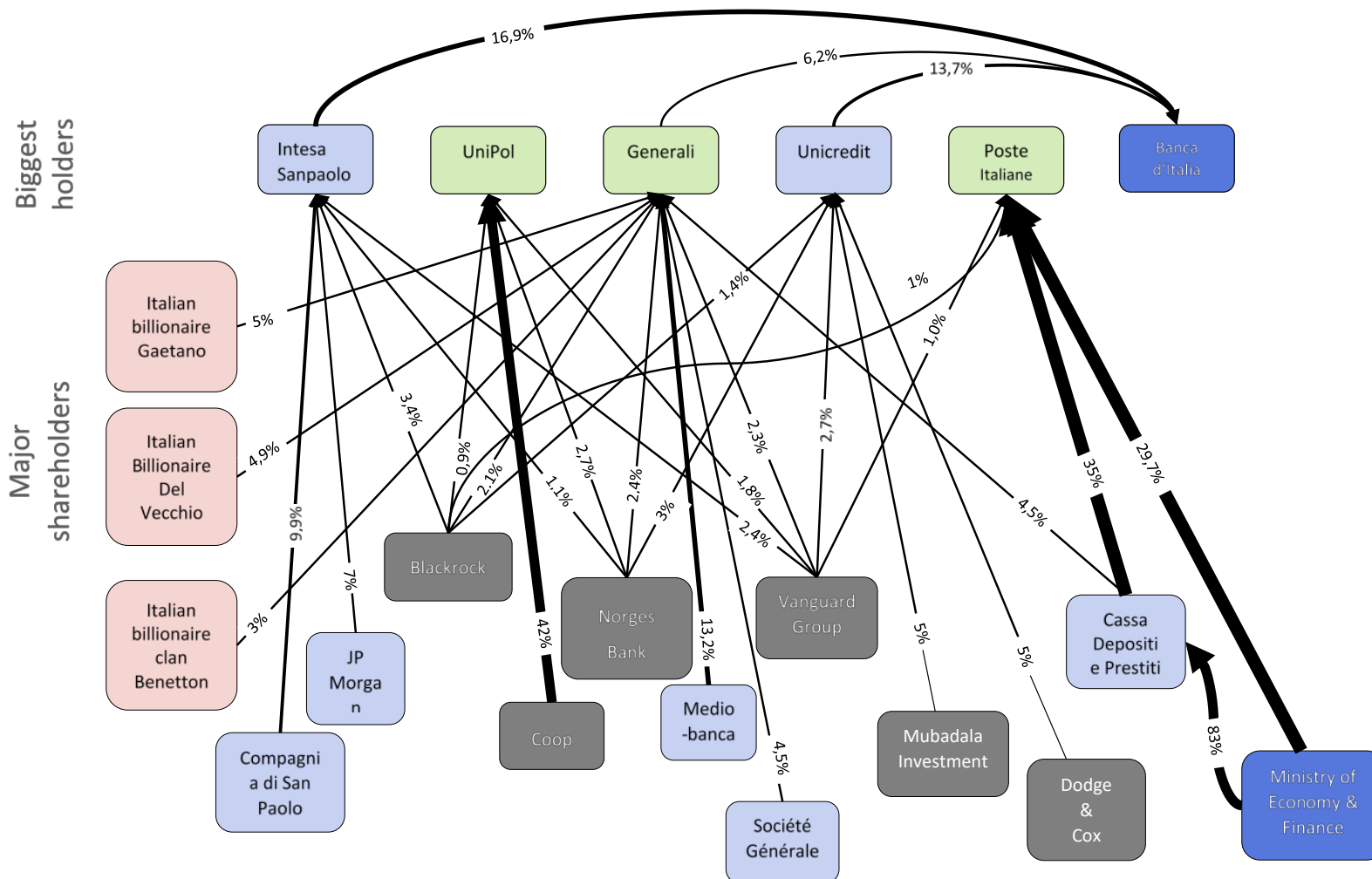
ICPF = Insurance corporation & pension fund
 OFI = Other financial institution
 NFC = non-financial institution
 HH & NPISH = household + non-profits



Sources: EBA; Mediobanca; IMF; Banca d'Italia; Bruegel; annual reports
 Note: Numbers are estimates and should be interpreted with caution!

Cui bono?

Looking at the shareholders of biggest creditors



Source: Data are from CONSOB (Italian Companies and Exchange Commission) as well as Orbis and companies' annual reports; Banca d'Italia shareholders from website

Distributional effects of public debt: regressive?

No and yes!

- Distributional effect of ownership \neq overall distributional effect \rightarrow depends on use of money
- Significant beneficiary is government itself as well as beneficiaries of Cassa Depositi (postal savers)
- Nonetheless: Ownership and shareholder structure biased in favor of banks & other financial institutions as well as the very wealthy
- Public debt gives them “safe asset” to store value and to trade with – government bonds becoming means to speculate rather than finance the state?
- A new (financial) rentier class?

Can we change this? Should we? How?

- Distribute government bonds more equally will also partly break structural power of finance (but also vice versa!)
- If wealth is unequally distributed, so will government bonds be
- Is breaking the doom loop good if there is no strong alternative funder to banks? (ECB, 2018)
- Reconsider (non-inflationary) monetary financing by central banks past 30% rule?
- Do we need a new era of “financial repression” (i.e. finance serving the state rather than vice versa)?




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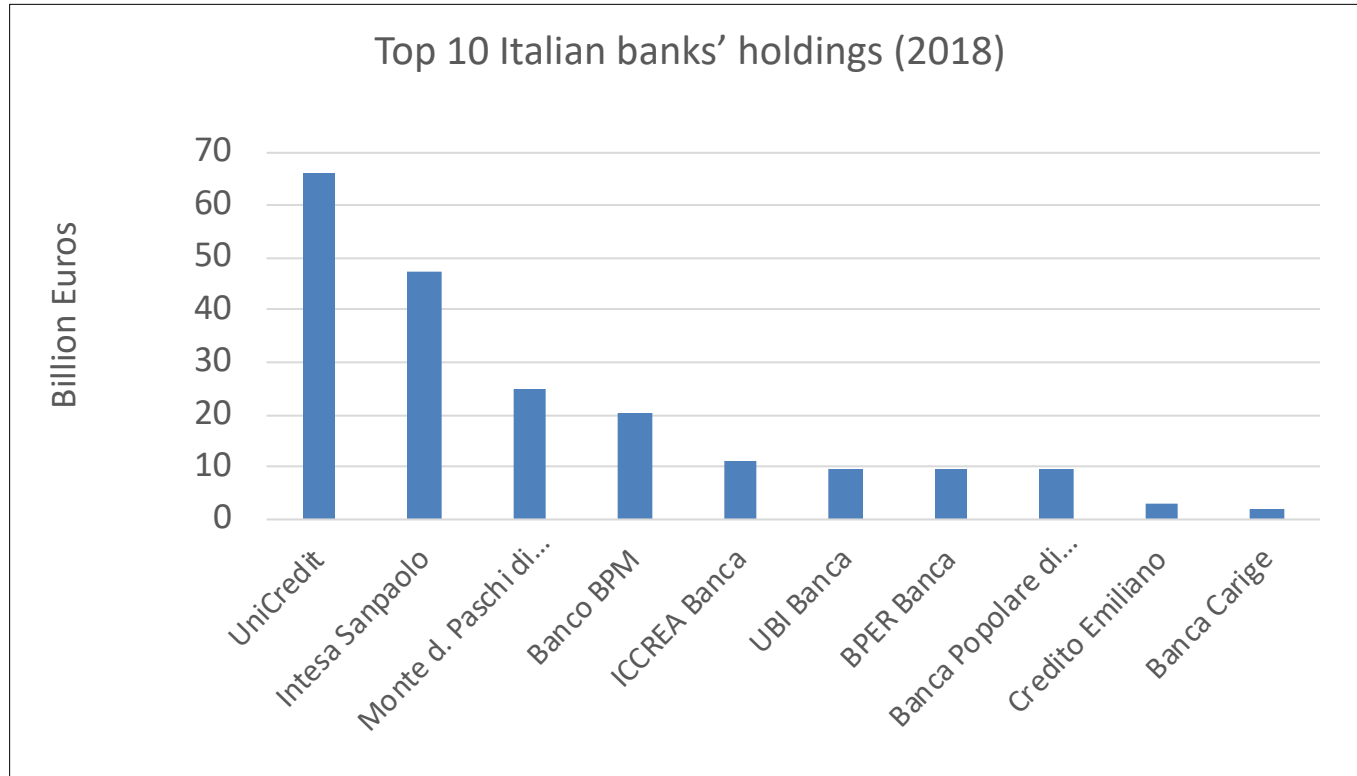
THANKS!



For full data sources and methodology → MPiFG Discussion paper coming out in October; will be shared on  @tobyarbo

Disaggregating Italy's holding structure

Residents: banks



Source: EBA Stress test

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Marketization of public debt

Italian public debt: share of debt securities (i.e. marketization)

