



DE-RISKING THE FUTURE OF EUROPE

REFORMING THE MACROFINANCIAL ARCHITECTURE

Who holds European sovereign debt: a distributional analysis

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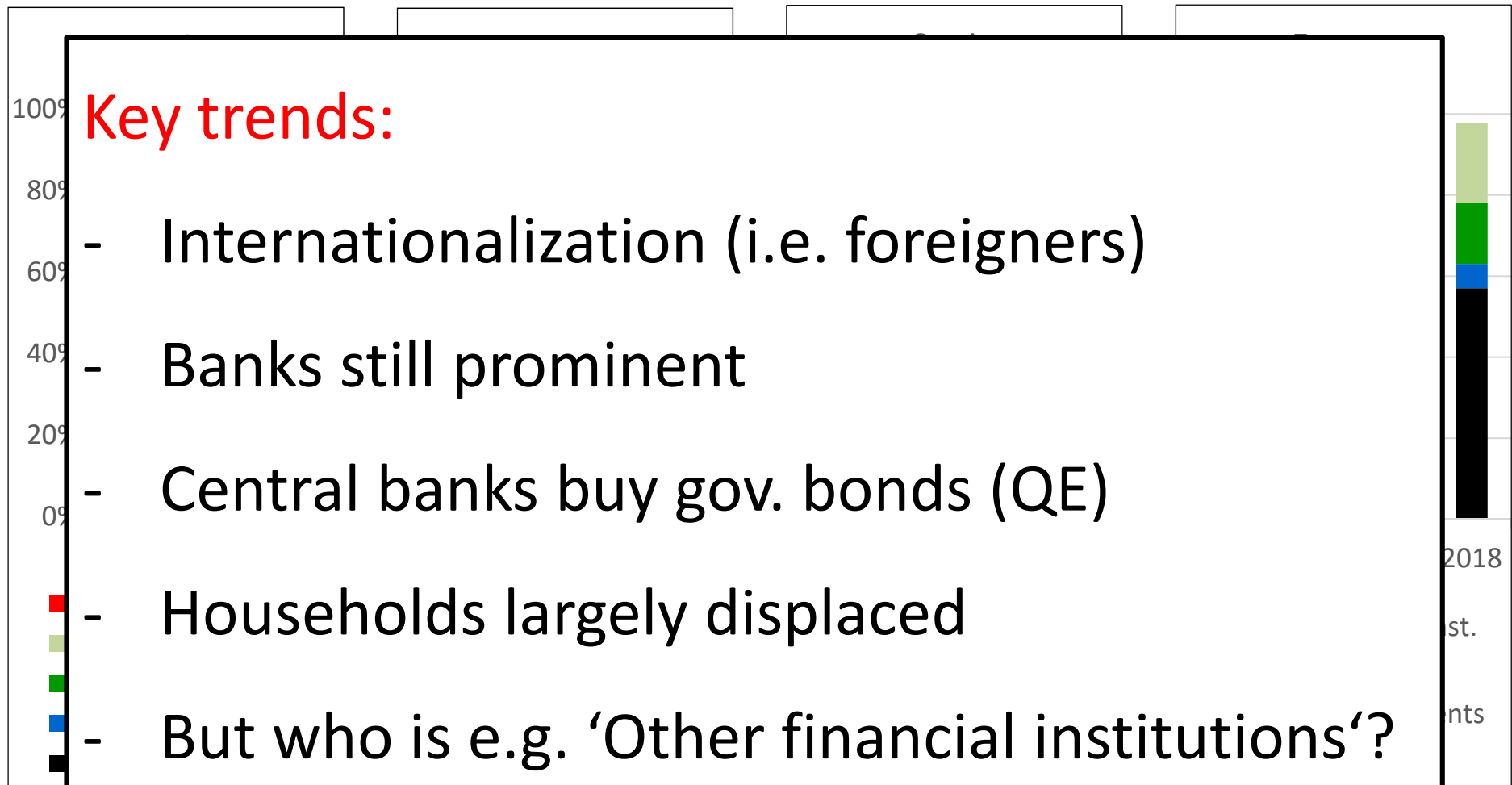
From tax state to 'debt state'

But who is behind the 'debt state'?

- > Background: Post-WW2 state expenditures high due 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)

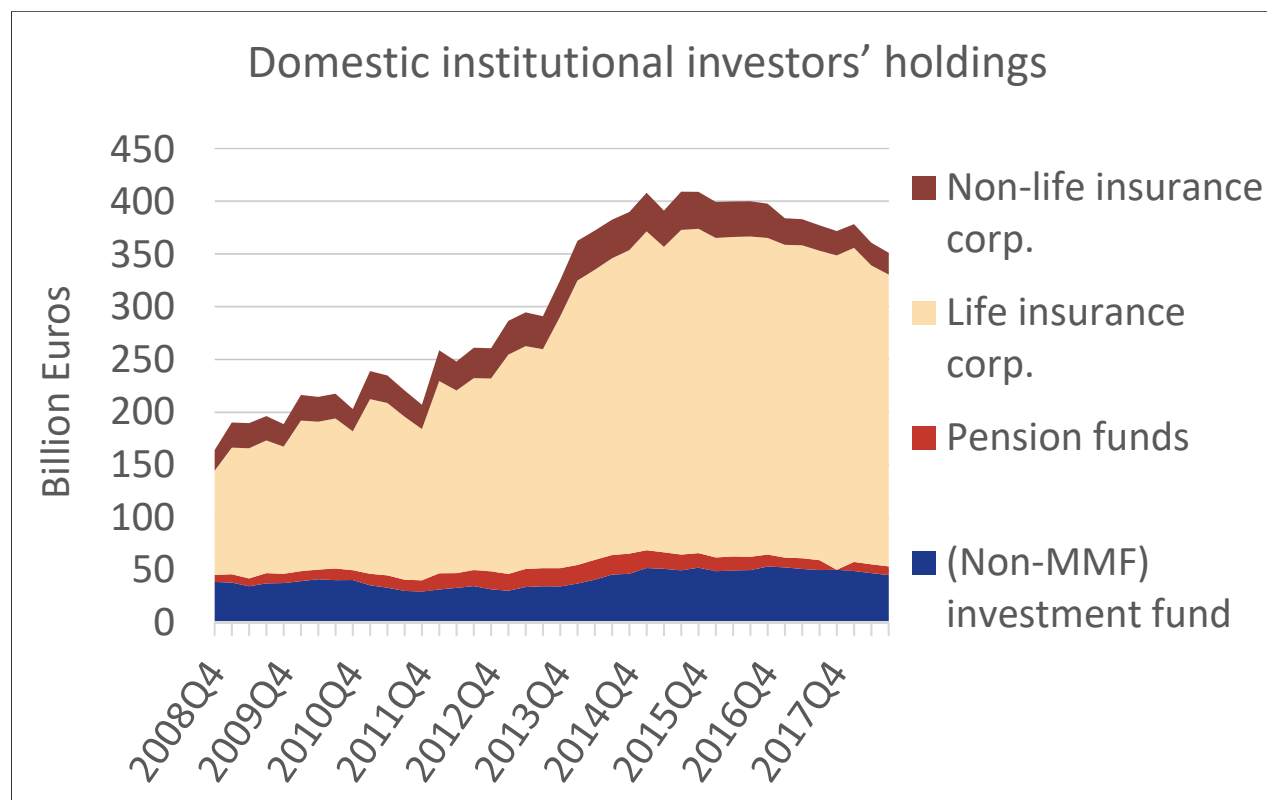
Pre-€ - pre-crisis - today



Source: Bruegel

Disaggregating Italy's holding structure

Residents



Source: OECD Institutional Investors' Assets & Liabilities

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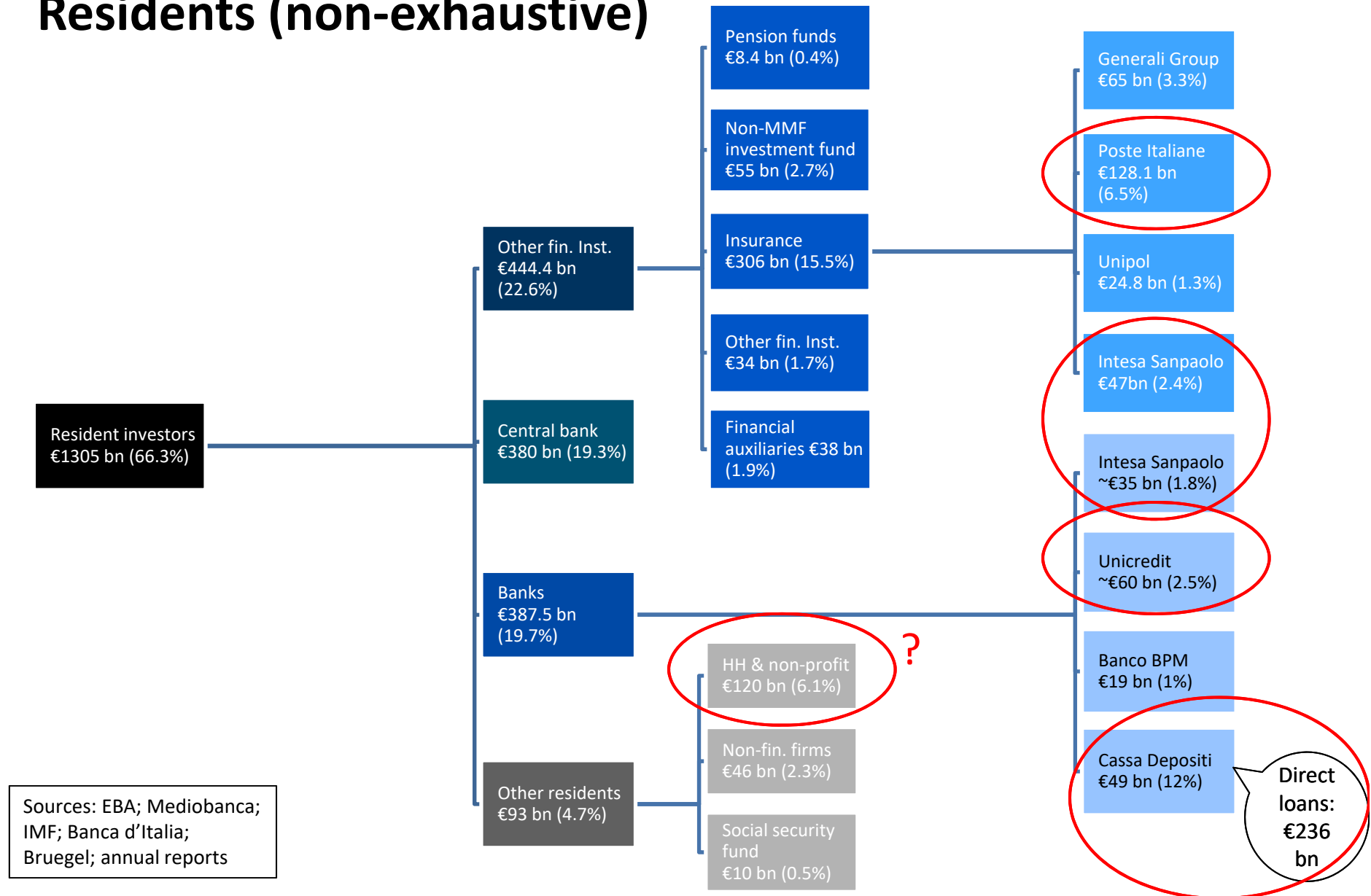
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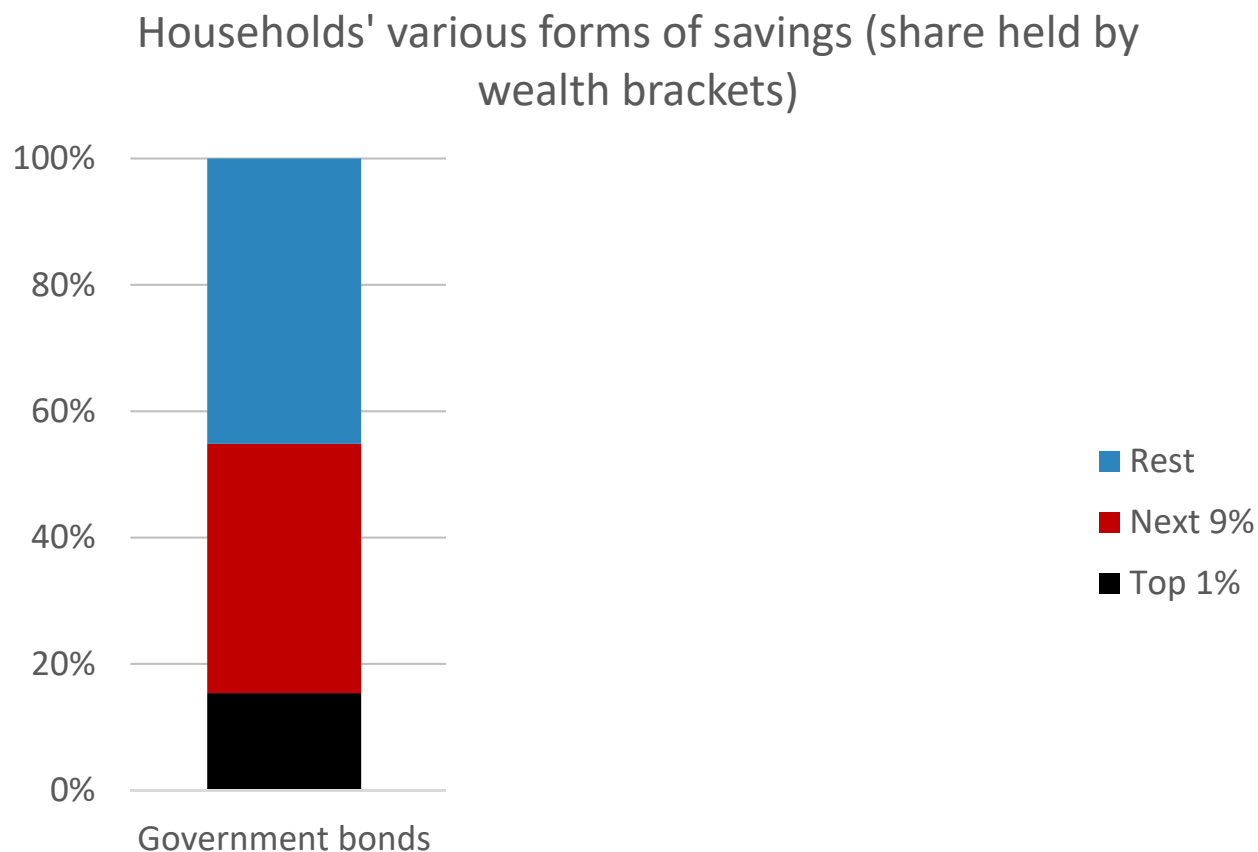


Disaggregating Italy's holding structure

Residents (non-exhaustive)



Which households hold Italian public debt?



Source: Banca
d'Italia Household
panel data

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Disaggregating Italy's holding structure

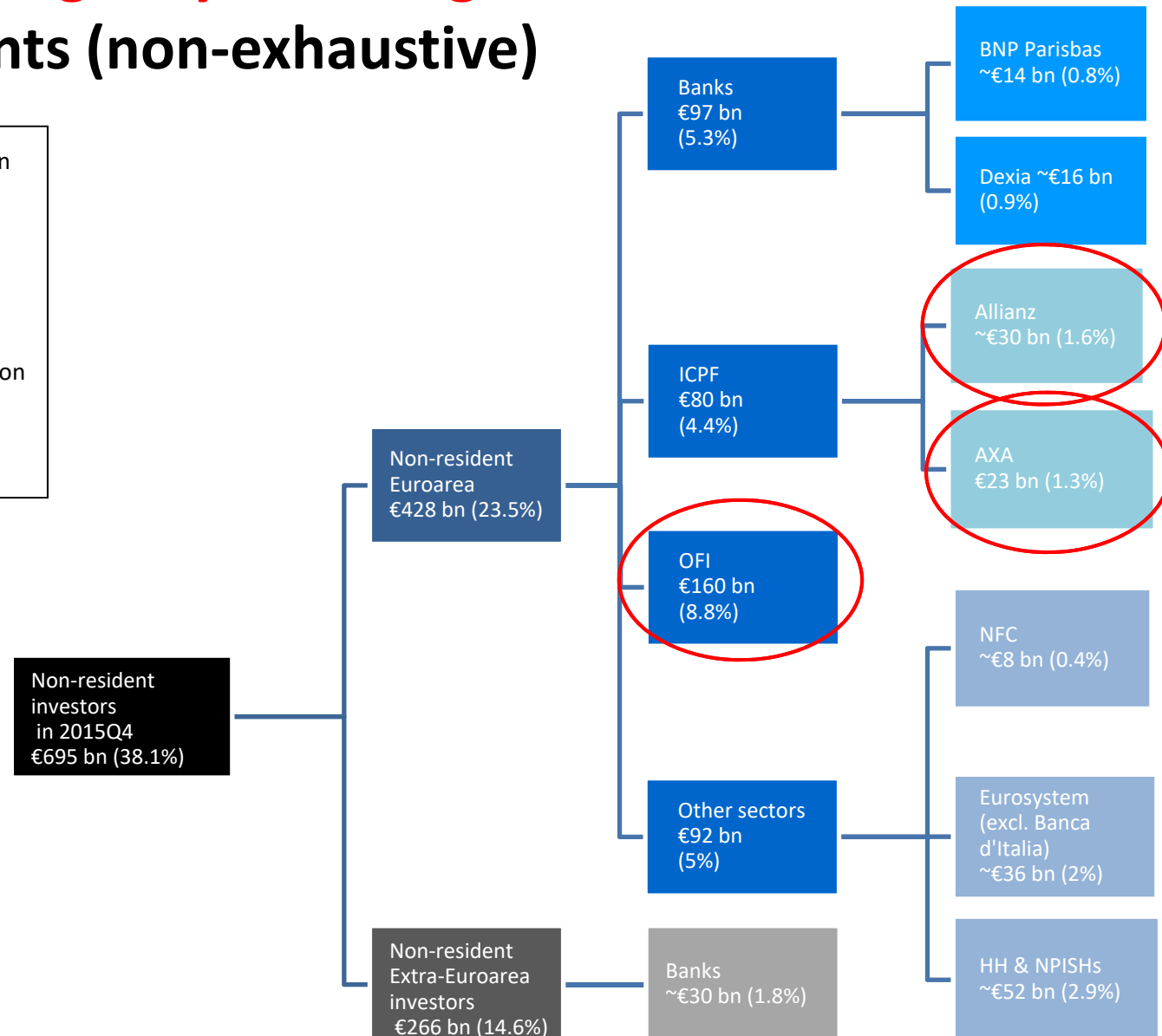
Non-residents (non-exhaustive)

ICPF = Insurance corporation
& pension fund

OFI = Other financial
institution

NFC = non-financial institution

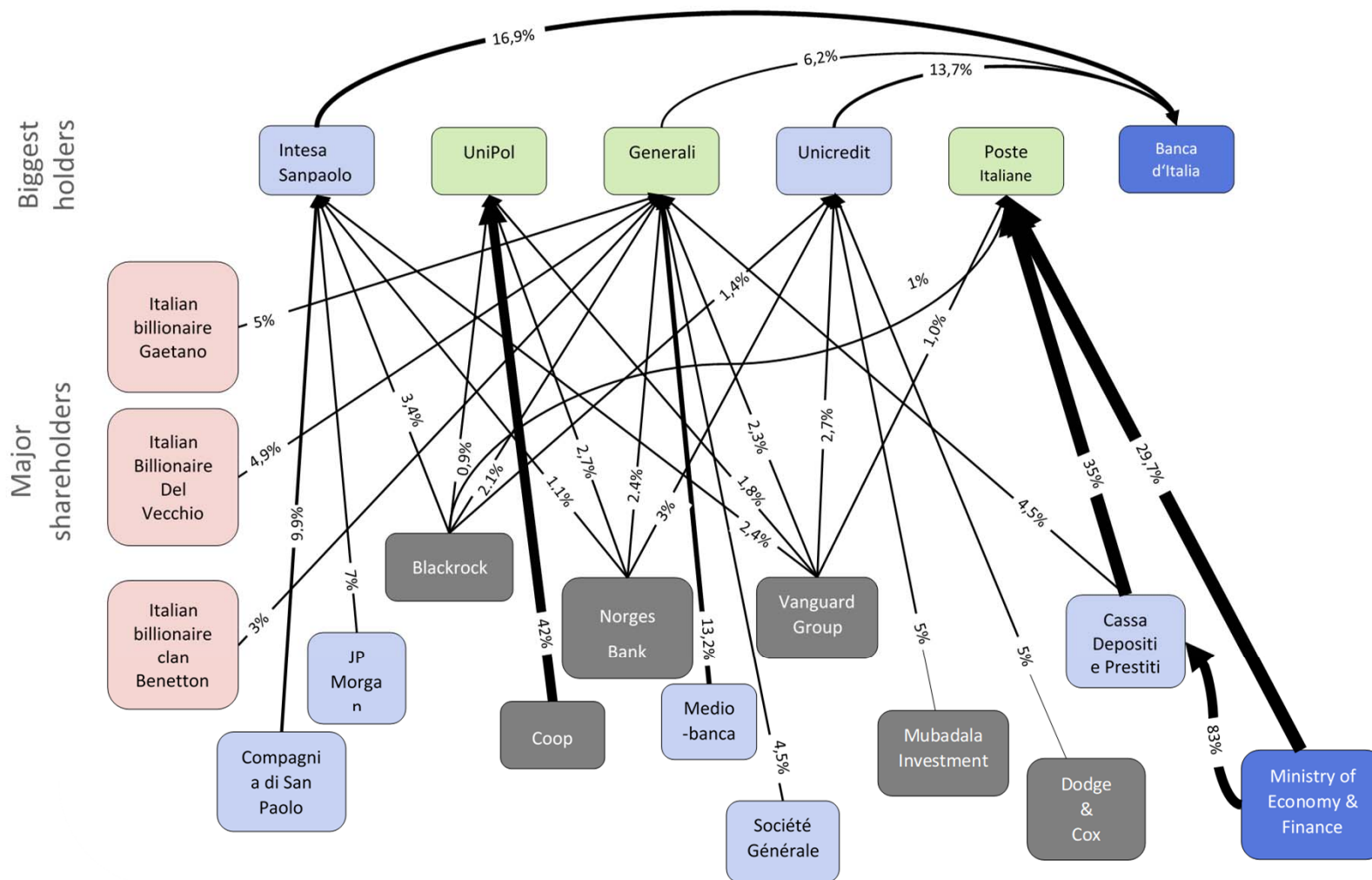
HH & NPISH = household +
non-profits



Sources: EBA; Mediobanca;
IMF; Banca d'Italia;
Bruegel; annual reports

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!

- Ownership \neq overall distributional effect \rightarrow depends on use of money
- Significant beneficiary is governm. itself
- Ownership and beneficiary structure biased in favor of financial institutions, the wealthy & other financial institutions
- Public debt gives them “safe asset” to store value and to trade with
- A new (financial) rentier class?

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Can we change this?

- Distribute government bonds more equally → break structural power of finance?
- If wealth is unequally distributed, so will government bonds be
- BUT doom loop has upsides in times of crisis (ECB, 2018)
- Let central banks continue (non-inflationary) monetary financing past 30% rule or at least proper financial repression (e.g. enforce low interest rates)



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THANKS!

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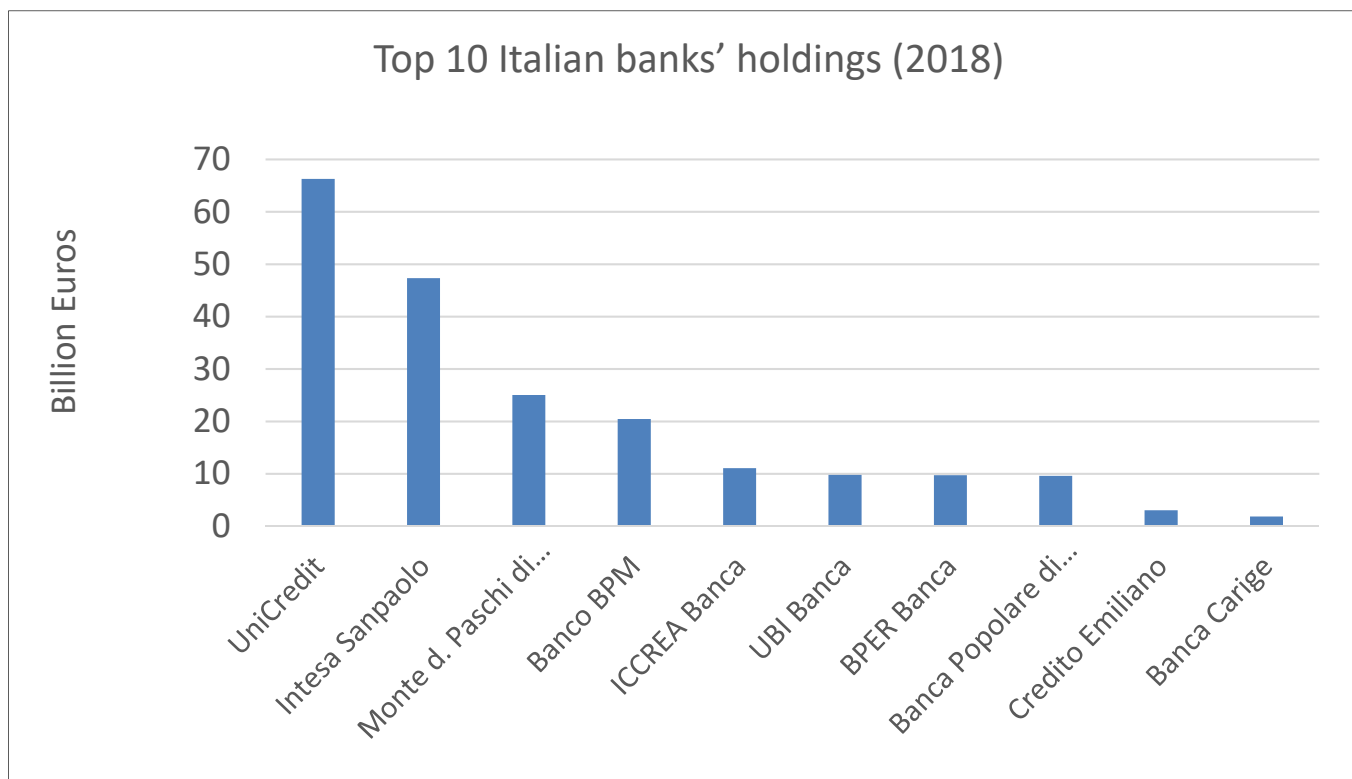
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For full data sources and methodology → MPIfG Discussion paper coming out in October; will be shared on  @tobyarbo

Disaggregating Italy's holding structure

Residents: banks



Source: EBA Stress test

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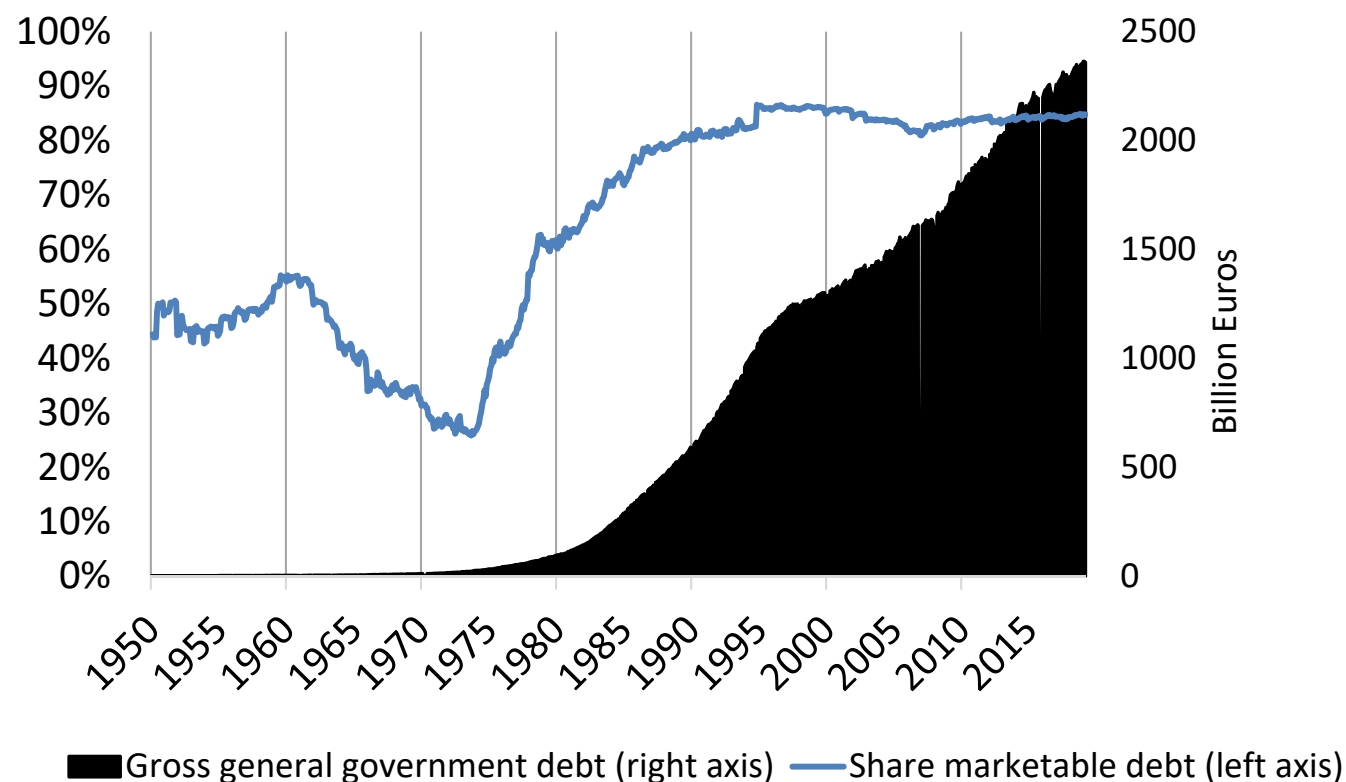


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Marketization of public debt

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



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