INTERNET APPENDIX

Figure IA.I The 1996 tax reform

This figure reports the share of funding by liability type for Italian banks between 1990 and 2004. CDs or term deposits (light yellow) and bank bonds (light blue). Source: Ricotti and Sanelli (2008), p.275, Figure 4.

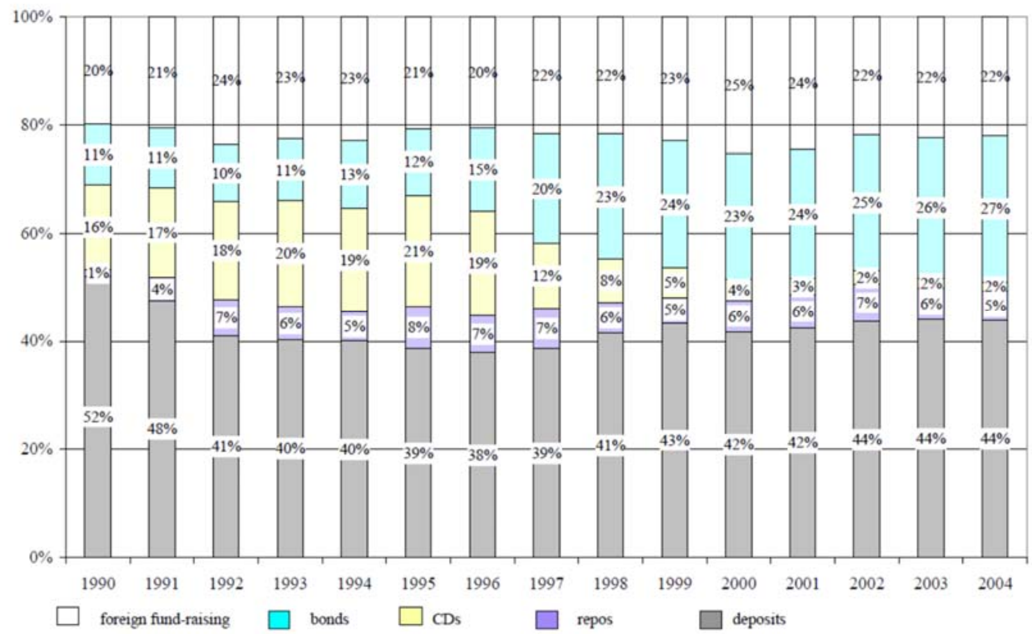
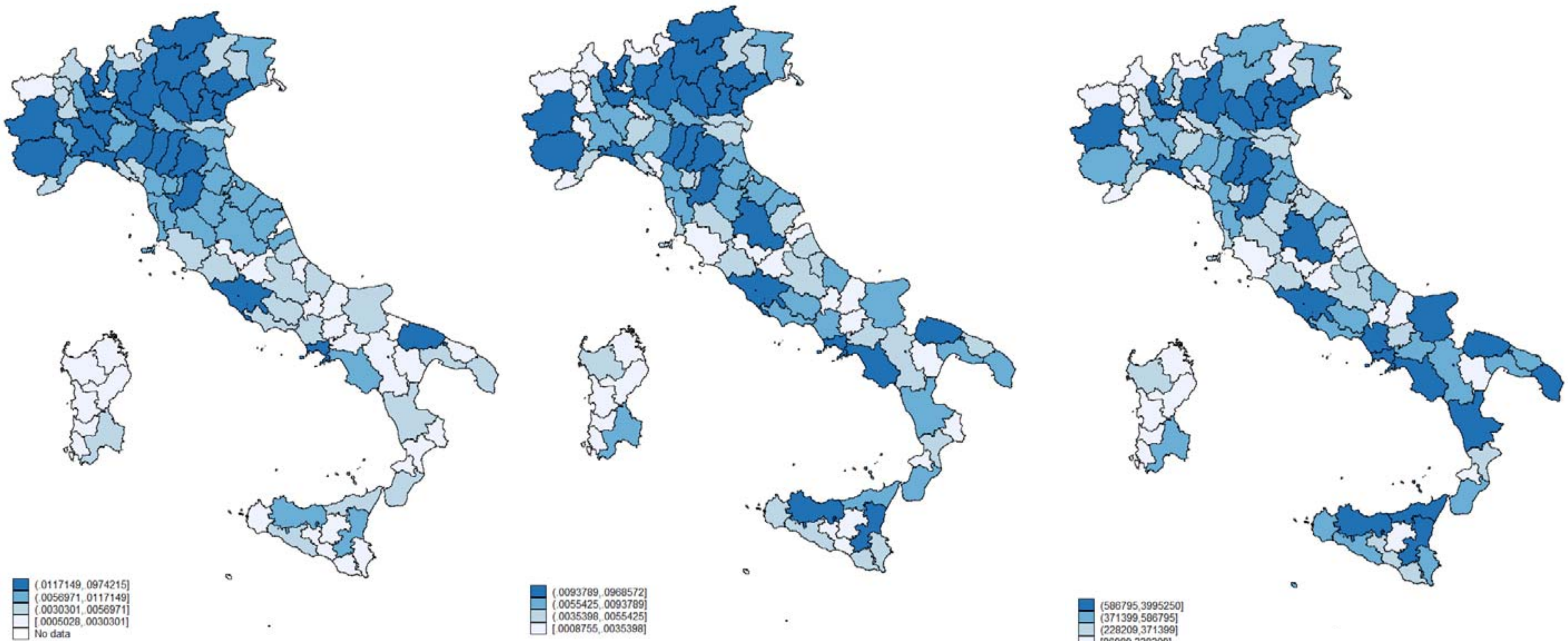


Figure IA.2 Bank bonds, GDP, and population by province

This figure shows three maps of Italy broken down by province. Figure A reports the share of bank bonds held by households in each province over total bank bonds held by Italian households across all provinces in December 2009. Figure B reports the share of GDP of each province over national GDP in December 2009. Figure C reports the population of each province as of 2012 (thousand head). Coefficient of correlations between the share of bank bonds and GDP or population are reported at the bottom of each figure.

A. $BB_{p,2009}$ B. $GDP_{p,2009}$ C. $Population_{p,2012}$



$\rho_{BB,GDP} = 0.89$ $\rho_{BB,Population} = 0.77$

Table IA.1: Mean characteristics of bondholders before and after the reform

This table provides a comparison of bondholders' characteristics before and the reform. The data come from the Survey on Italian Household Income and Wealth (SHIW), conducted biennially by the Bank of Italy. SHIW includes information about the financial wealth and assets of about 8,000 households in Italy and includes information on the head of household such as gender, age, education, type of employment, income, and wealth. Using the available information in the SHIW we identified households who indicated that they have invested in bank bonds ("Bonds issued by Italian banks") and examine their characteristics before (2010) and after the reform (2014).

	Before (2010)	After (2014)	Difference (t-stat)
Age (years)	58.43	61.58	3.14
			(6.28)
University Degree (=1)	0.235	0.265	0.029
			(-1.77)
Income (€)	52,757	51,457	-1,300
			(-1.05)
Wealth (€)	562,497	495,660	-66,836
			(-2.44)
Male (=1)	0.653	0.638	-0.015
			(-0.84)

Table IA.2: $PerCapitaBB_{p,2009}$

This table provides the estimates for the effect of the reform on bank deposits held by households (equation (1)). The dependent variable is the time averaged monthly log or log-change in deposits at bank b in province p in twelve months before the announcement of the reform (September 2010 to September 2011) and the twelve months after the reform came in effect (January 2012 to December 2012). $PerCapitaBB_{p,2009}$ is the standardized bank bonds per capita in province p n 2009. $Post_t$ is a dummy equal to one for the twelve months after the reform and zero before. Standard errors are clustered at the province level. T-statistics are reported in parentheses.

	log(Total Dep)		log(Demand Dep)		log(Term Dep)		Δ log(Total Dep)		Δ log(Dem Dep)		Δ log(Term Dep)	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
$PerCapitaBB_{p,2009}$	0.009	0.007	-0.016	-0.012	0.127***	0.095**	0.238*	0.173	0.131	0.111	0.272***	0.392***
$\times Post_t$	(0.77)	(0.51)	(-1.18)	(-0.81)	(2.88)	(2.40)	(1.73)	(1.19)	(0.87)	(0.70)	(4.10)	(5.04)
$Post_t$	0.092***		-0.033		0.714***		0.336		-0.387		1.010***	
	(3.98)		(-1.37)		(9.30)		(1.38)		(-1.37)		(8.64)	
Fixed Effects												
Province	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Bank	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N
Bank-Time	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y
Observations	29190	29169	28517	28494	19827	19795	29045	29026	28360	28338	19592	19558
R^2	0.497	0.500	0.488	0.491	0.363	0.375	0.172	0.212	0.093	0.132	0.405	0.529
No of provinces	107	107	107	107	107	107	107	107	107	107	107	107
No of banks	520	520	520	520	503	503	519	519	518	518	501	501

Table IA.3: Robustness: Potential outliers and other province characteristics

This table provides robustness checks where we introduce additional province characteristics and exclude potential outliers. $BB_{p,2009}$ ($GDP_{p,2009}$) is the share of bank bonds held by households in province p (GDP of province p) over total bank bonds held by Italian households (total Italian GDP) in 2009. $Log(Population)_{p,2012}$ is the log of population in each Italian province as of 2012. We interact $GDP_{p,2009}$ and $Log(Population)_{p,2012}$ with the $Post_t$ in column (1); include Region × $Post_t$ fixed-effects (a region is a collection of provinces, there are 20 regions in Italy) in column (2); exclude the three largest provinces by bank bond holdings (Milan, Rome and Turin, with a combined share of 18.3% of total bank bonds in Italy) in column (3); exclude cooperative banks (around 400 banks) in column (4) and finally restricting the sample to provinces where banks have at least €500,000 (75th percentile) in deposits in column (5). Standard errors are clustered at the province level. T-statistics are reported in parentheses.

	Household Term Deposits				
	Province Charact. × Post	Region × Post	Excl. MI-RO-TO	Excl. Cooperative Banks	Dep >500K
	(1)	(2)	(3)	(4)	(5)
$BB_{p,2009} \times Post_t$	0.271***	0.271***	0.503***	0.446***	0.228***
	(3.67)	(7.17)	(3.92)	(3.82)	(3.74)
$GDP_{p,2009} \times Post_t$	-3.256				
	(-0.61)				
$Log(Population)_{p,2012} \times Post_t$	0.133				
	(1.14)				
Fixed Effects					
Province	Y	Y	Y	Y	Y
Bank-time	Y	Y	Y	Y	Y
Region-time	N	Y	Y	Y	Y
Observations	19509	19558	17757	10353	9013
R^2	0.530	0.530	0.542	0.632	0.728
No of Provinces	106	107	104	107	107
No of banks	508	508	506	130	426