

Bruegel: Could Italian private wealth compensate for flight of foreign bondholders?

Italy's deputy prime minister is 'convinced' that Italians can help out their government in the face of a widening yield spread between German and Italian government bonds. So how feasible is relying on household wealth in Italy, and how important are foreign debt-holders? **By Jan Mazza and Silvia Merler from Bruegel**



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On the sidelines of the G6 meeting in Lyon, Italy's Deputy Prime Minister Matteo Salvini was asked about his government's strategy in case the spread between Italian and German government bond yields were to keep widening. Salvini pointed to the often-celebrated level of Italian private wealth, and said he was convinced that Italians would be "ready to help". A day later, Salvini was again on record discussing the idea of tax breaks for Italians investing in domestic government bonds.

[You can read the full article here.](#) Below are some key quotes:

"Total net wealth remains significant, however. Multiplying the mean net wealth by the total number of households (about 25 million in 2016, according to the Bank of Italy households survey data) we obtain a total stock of net wealth of €5.268 billion. The €121 billion-worth of redemptions that we estimate to be due to foreigners in 2019 looks very small in comparison. Even under the extreme assumption that the entire foreign share had to be rolled-over domestically and purchased by households, the total would amount to slightly less than 2.5% of total net wealth."

"But are things really that simple? Most likely not. First of all, wealth taxes or similar solutions are politically toxic. There are episodes when similar calls to national unity worked: for example, Belgium during the euro crisis asked its citizens to help the government refinance its debt obligations at a rate of 4% so as to apply downward pressure to then-rising market rates, and the call was successful. Even in Italy itself, the 'BTP italia' – which is constructed to be appealing to retail investors – was first launched in 2012, during the country's period of crisis. But in that case, it obviously was not an imposition. The last time that a similar solidarity effort was imposed was with the deposit levy by Giuliano Amato in 1992 – and that seems to still be a vivid memory that catalyses major opposition."

You can read the full article on [Bruegel](#)