A NEW ITALY IN A NEW EUROPE
PROVIDED THE TRANSITION IS GOVERNED

A ‘NEW’ PARADIGM EXISTS
BUT THE TRANSITION MUST BE ‘GOVERNED’

by
Marco Fortis
Alberto Quadrio Curzio

Translation of

INTRODUZIONE.
IL ‘NUOVO’ C’È MA LA TRANSIZIONE VA ‘GOVERNATA’

in *Una nuova Italia in una nuova Europa. Purché si governi la transizione*

di
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Alberto Quadrio Curzio

il Mulino

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PREFACE*

Italy has been able to respond relatively positively to the health, social and economic crises caused by the pandemic thanks to its production system, strengthened in recent years, especially in certain areas. Economic recovery has been extraordinarily driven by manufacturing and construction. It has also shown resilience and competitiveness in foreign trade. Long term solid growth is possible for Italy if the current economic policies continue and are consolidated and if the recovery plan for Europe is fully exploited.

Europe has adopted an unprecedented stimulus package to support and relaunch the EU's economy with Next Generation EU and national recovery and resilience plans. Within the context of European integration, for the first time 'Eurobonds', issued by the European Commission, have been introduced to finance reconstruction and recovery. In addition to reforms, these resources are crucial for transitioning to a 'new' paradigm based on innovation and investing in needed transformations which require critical raw materials that are scarce and clean energy in order for the EU to pursue equitable and sustainable development. While the EU is defending itself well in the crisis, it cannot yet be stated that it has consolidated its role in a world with two contending giants (US and China) and various oligopolistic monopolies.

Una nuova Italia in una nuova Europa. Purché si governi la transizione (Il Mulino, 2022), by M. Fortis and A. Quadrio Curzio, is the tenth book dedicated to the analysis of Eu-

* This essay is the Introduction to *Una Nuova Italia in una nuova Europa. Purché si governi la transizione* and was written before the Russian invasion of Ukraine

ropean and Italian current economic events and economic policies through newspaper articles written by the two authors, and the 34th volume of the Edison Foundation Series. It contains a noteworthy Introduction with an overview that contextualizes and assesses seventy articles written from October 2020 to early November 2021. The articles cover a vast range of issues on the ongoing health, economic and social crises and the myriad ramifications and opportunities created by the Covid-19 pandemic for the EU and Italy, as well as an initial assessment of how the Draghi government restored confidence at the European and international level by, among other things, tackling the vaccination campaign and developing Italy's National Recovery and Resilience Plan.

A 'new' paradigm exists, but the transition must be 'governed' is the English translation of the slightly revised Introduction, "Il 'nuovo' c'è ma la transizione va 'governata'", in *Una nuova Italia in una nuova Europa*. It is divided in three parts. Part 1 is co-authored, Part 2 is written by Marco Fortis and Part 3 is penned by Alberto Quadrio Curzio. The titles of the articles are followed by the date and newspaper in which the article was published, when relevant. An English translation of the Contents of the Italian volume, that includes the titles of the 70 articles, is provided at the end of the booklet. The full articles, all written only in Italian, are available in the Italian compendium.

The aim of this booklet is to provide a broader audience with an overview of the analysis of the current economic and political events at the European level and in Italy provided by the authors through their articles.

Marco Fortis
Alberto Quadrio Curzio

MARCO FORTIS AND ALBERTO QUADRIO CURZIO

A 'NEW' PARADIGM EXISTS BUT THE TRANSITION MUST BE 'GOVERNED'

PART. 1. *Continuity, Distinctiveness, Complementarity* by Marco Fortis and Alberto Quadrio Curzio

As the authors, we believe it useful to begin by mentioning the reason for the title of Part 1 and explain what we mean by maintaining continuity and distinctiveness along with complementarity since this approach is characteristic of the various volumes in which our newspaper articles have been collected. Given that Marco Fortis mainly writes on Italy and Alberto Quadrio Curzio on Europe, the two references often appear in the titles of our publications. While at times the boundaries might seem subtle, the distinction nonetheless remains. The same holds for complementarity. These volumes can be used as a reference tool for consulting past events, without us alleging to have interpreted all issues and policies correctly. We can claim, however, to have remained on the steady trajectory of continuity without allowing ourselves to have been excessively influenced by the contingencies of the moment and convenient interpretations conforming to the prevailing fashion.

Our analyses should be seen in the following context. In 2020 and 2021, Italy and Europe reeled, like all other countries, from the brutality of the pandemic and the con-

Part 1 is co-written by Marco Fortis and Alberto Quadrio Curzio, Part 2 by Marco Fortis and Part 3 by Alberto Quadrio Curzio. The essay, translated into English by Micaela Tavasani, is a slightly modified version of "Introduzione. Il 'nuovo' c'è ma la transizione va 'governata'" in M. Fortis and A. Quadrio Curzio, *Una nuova Italia in una nuova Europa. Purché si governi la transizione*, Fondazione Edison Series, vol. 34, Bologna, Il Mulino, 2022. Our thanks go to Nicoletta Oltolini and Giovanni Barbieri of Cranec and to Andrea Sartori of Fondazione Edison for his extensive editorial assistance.

sequent economic-social crises, to which they reacted with multiple interventions and policies. We have already assembled two other collections of articles published in various newspapers where we individually followed and interpreted events proposing strategies, options and policies.

The first is a Working Paper by CRANEC, the Economic Analysis Research Centre at the Catholic University of Milan, entitled *Europe and Italy in Covid-19. Healthcare data and economic emergencies. First reflections*; it groups together a selection of our articles published up to April 2020[1].

The second is book from the Fondazione Edison Series published by Il Mulino in 2021. The volume *Pandemic, Competence and Reconstruction. A necessary turning point for Europe and Italy* includes 45 articles that were published up to October 2020[2].

We do not believe to be overestimating the worth of the contributions provided in the latter compendium by noting, that in many ways, they were anticipatory of numerous events that occurred from October 2020 to October 2021. We thus believe it useful to summarize our views with the following excerpt from the back cover blurb:

Europe and Italy were progressively recovering from the double recessions of 2009 (triggered by the sub-prime mortgage crisis) and 2011-13 (sparked by the sovereign debt crisis). By 2019, however, the world economy started feeling the pessimistic effects of Brexit and the trade tensions between USA and China, which impacted Europe and strained the German automobile crisis. Then, in 2020 the world scenario plummeted unexpectedly and dramatically. Covid-19 engulfed national healthcare systems and the economies of the entire planet with its frightening toll of contagions and deaths, with lockdowns and the ensuing brakes on the production of goods and services, including, and in particular, transport and tourism. The EU reacted swiftly and effectively to mitigate the

[1] M. Fortis and A. Quadrio Curzio, *Europa e Italia nel Covid 19. Dati socio-sanitari e urgenze economiche. Prime riflessioni*, CRANEC Working Paper 02/20, Milan, Vita e Pensiero, 2020.

[2] M. Fortis and A. Quadrio Curzio, *Pandemia, competenza e ricostruzione. Una svolta necessaria per l'Euro-Italia*, Fondazione Edison Series, vol. 32, Bologna, Il Mulino, 2021.

effects of the coronavirus, unlike what happened in 2011. It flanked the ECB's (European Central Bank's) liquidity interventions with unprecedented measures and financing to support and relaunch the economy and employment. SURE (temporary Support to mitigate unemployment risks in an emergency), ESM (European Stability Mechanism) and Next Generation EU constitute an opportunity not only to reintroduce a positive economic cycle, but also to rebuild a Europe guided by competence and innovation thanks to investments in networks, digital technology and technoscience, education and training, a green economy and energy efficiency. Italy must seize this extraordinary opportunity offered by the EU to once and for all modernize its government, national economic system and public administration, with the necessary reforms that have been postponed for too long. The Recovery and Resilience Facility 'train' will not pass twice, therefore, this opportunity must not be lost.

The above volume and this essay, present two distinct, but complementary, analyses: Marco Fortis mainly focuses on Italy with European and international comparisons while Alberto Quadrio Curzio analyses more the role of the European Union and the eurozone with relevant references to Italy and the Draghi government.

Our readers, amongst whom we trust are also those public and private operators who often provided us with constructive feedback, can now judge the effectiveness of our earlier mentioned analytical approach of providing distinctiveness while maintaining complementarity. While the division of the topics (Italy and Europe) by the two authors has been a constant, the boundaries are not set in stone given that both of us are Italian-Europeanists and thus builders and not defeatists nor sovereigntists.

PART. 2. *Italy can Reconnect Europe. An opportunity not to be wasted* by Marco Fortis

It is my deep conviction that a 'renewed' Italy, with a stronger and more dynamic economy and with fewer sectoral and territorial divides, is finally possible in a 'new' Europe thanks to Next Generation EU. It is a conviction and a hope, as I have previously stated, that the extraordinary opportunity given to Italy is not wasted. In fact, a capable and effective implementation of the Italian National Recovery and Resilience Plan (NRRP), currently in the hands of Mario Draghi, is for Italy a crucial turning point in terms of reforms and modernising its government and national economic system.

Moreover, a season of courageous initial reforms and pro-growth economic policies, implemented despite limited spending margins, was sufficient to reverse, in the five years preceding the pandemic, the sharply negative economic trend that had marked Italy in the first 15 years of this new century. Italy currently has at its disposal (with its NRRP and reactEU), approximately €200 billion in European resources to use up to 2026 for implementing structural reforms, managing a green and digital transition and relaunching its economy. The progress experienced in the years prior to Covid-19 in industrial production, exports, tourism, agriculture, can be consolidated and further extended to lagging sectors and territorial areas (i.e., public administration, infrastructure, services, Southern Italy).

2.1. Italy before Draghi: growth in manufacturing

The initial progress seen in manufacturing output is at the core of the solidity of Italy's economic recovery in 2021, which surprised many precisely because they had not understood the extent of its impact. In fact, that progress has allowed Italy to emerge strengthened from the pandemic-caused recession. It is not a mere rebound (which would still be a novelty compared to the two previous economic and financial crises where there was none). It is a robust lightning-speed restart. What could slow down the economy, however, are exogenous shocks like gas price hikes or bottlenecks in the supply of components and raw materials for 2021, which could begin to stall by the end of the year or in the first part of 2022.

ISTAT's (the Italian national institute of statistics) preliminary estimates show that Italy's GDP in the third quarter of 2021 closed with a 2.6% increase compared to the second quarter. In other words, it is a 6.1% carry over of annual GDP growth, which is 6% more than the NADEF estimate.[3] Few would have imagined such an improvement at the beginning of 2021. Nonetheless, it confirms that since 2015 Italy has experienced a positive economic shift, and it is no longer at the 'tail end' of global growth.

I believe that the past 20 years have not all been equal, nor have they all been negative, for the Italian economy (as is often claimed simplistically). I have already expressed this in *Italy does not deserve a new crisis*[4] and in the previously mentioned volume *Pandemic, Competence and Reconstruction. A necessary turning point for Europe and Italy*. Despite multiple uncertainties and economic policy errors made by the Conte 1 Government, the five years prior to the pandemic represent the beginning of a significant turning point which permitted the Italian economy to return to a positive growth trajectory and significantly reduce the gap, that had been growing, with other countries.

Furthermore, I was convinced that the shift that had been made would withstand the dramatic effects of Covid-19 and Italy would re-experience vigorous growth as soon as the pandemic subsided, despite the initial, generally pessimistic, forecasts of weak growth for Italy in 2021. In support of this position, I cite in succession a series of excerpts from articles I wrote.

[3] NADEF is the Update of the Italian Economic and Finance Document which updates economic projections and public finance targets and takes note of improvements in growth and deficit indicators. It defines the public finance framework within which the measures of the forthcoming Budget Law is implemented with the aim of supporting the recovery of the Italian economy over the 2022-2024 three-year period, consistent with the National Recovery and Resilience Plan (NRRP). hiip://www.dt.mef.gov.it/en/news/2021/nedef_2021.html.

[4] M. Fortis, *L'Italia non merita una nuova crisi*, Fondazione Edison Series, vol. 30, Bologna, Il Mulino, 2019.

Even before Mario Draghi took office, and Italy was in an economic slump, in the midst of the second winter wave of Covid-19, and on the cusp of an irreparable Conte 2 Government crisis, I stated the following in *2021: economic recovery will start from the industrial sector* (30 December 2020), *Il Sole 24 Ore*:

The recovery of the Italian economy after Covid-19 will start exactly where the impressive 2015-18 expansionary phase left off; that is, from the industrial sector. Italy will be all the stronger the more it can prove capable of implementing Next Generation EU with both competence and efficiency, to upgrade its infrastructure and public administration with the same reformist-modernist spirit that characterized the innovative pre-crisis policies for the private sector.

I seem to have been prophetic given that in 2021 Italy's GDP growth was driven above all by industrial manufacturing and exports, as shown by my assessments in various articles.

My conviction that the Italian economy could see a strong upturn in 2021 was not dictated by general optimism, it was rationally based on the awareness that the reforms and economic policies implemented by the Renzi and Gentiloni Governments (*in primis* the Industry 4.0 Plan) had favoured, like never before in the 21st century, an overall strengthening of Italian industrial manufacturing. Furthermore, its consolidation would not be affected by the pandemic, on the contrary, it would allow us to pull out of the slump relatively quickly. Thus, in the same article I noted:

The Italian economy, thanks to a period of effective reforms, entered with unfurled sails the 2019 European economic slump and then the coronavirus abyss. Its driving force was industrial production and in particular, the record growth in the 2015-18 four-year period, despite the slowdown caused by economic policy uncertainties and errors in the second half of 2018. Italy's GDP increased at an average annual rate of 1.2%. Nothing similar had been experienced in the previous 12 years, since the adoption of the euro. The annual rate of per capita GDP increased by 1.3% (like Germany, and it was one decimal place more than France); per capita private consumption grew by 1.5% per annum (more than

Germany +1.3% and France +1%). Manufacturing, however, was what shined above all. In fact, the added value in manufacturing from 2015 to 2018 increased at an average annual rate of 2.7%. Nothing like this had happened in the last twenty years. Italy did better in that four-year period than any other G7 country and also better than Spain, a fierce competitor even in labour productivity growth. Its average annual growth was + 2.2%!

Therefore, while few realised it, the pre-pandemic period had already overturned the traditional catastrophic narrative on Italy, always judged as last in terms of economic growth. I concluded the article with the more positive statistics from 2015 to 2018:

The data literally sent up in smoke all the considerations on Italy's low growth, its weak industry, 'dwarf' companies and low productivity, that still circulate today almost unchallenged and represent the prevailing (uninformed) opinion. Certainly, low growth and low productivity characterised Italy at the beginning of the Third Millennium, but that does not make them inalienable historical truths: at least that has been the case for the past five years.

In another article I wrote for *Il Sole 24 Ore* entitled *Italy can again move forward like Germany* (17 January 2021), I stated:

during the 2015-2018 four-year period, all that was needed was a rational use of the flexibility granted by the EU (Padoan's 'narrow path') to implement targeted economic policy measures that allowed the non-financial private sector in Northern Italy to increase the contribution to its GDP growth more than the German private sector. The private sectors in Central and Southern Italy also grew significantly.

However, to increase Italy's overall GDP, in a post-Covid era, to rates closer to the German ones, it will not be enough for our private sector to regain economic dynamism. The NRRP must focus on significantly increasing GDP growth in the public administration and public services, construction and public and private infrastructure, especially in Southern Italy. [...]

Ultimately, the 'vision' that should imbue the Italian NRRP is a reduction in territorial disparities, modernisation, and creating efficiency and building infrastructures. But 'vision' alone is not *enough. What is needed above all is a precise timetable and the concrete capacity to carry out projects and create infrastructures which in Italy, where vetoes are common, it is not something to be taken for granted.*

In fact, as I shall demonstrate below, Italy's economic recovery in 2021 was literally driven by manufacturing, exports and private sector construction, even before the Italian NRRP, and turned out to be more solid than Germany's upswing, which was penalised by the prolonged crisis of the automobile sector that in turn was adversely affected especially by supply chain bottlenecks for components.

2.2. Draghi's Italy and leaving the pandemic behind

After the Conte 2 government fell, Mario Draghi took office as the head of the new government. The new Italian Prime Minister, with his intelligence, competence and authoritativeness, immediately increased confidence within Italy, in financial markets and international institutions. He tackled head-on the vaccination campaign, which was essential for returning the country to normal. An economic upturn with even stronger momentum seemed possible in this new climate.

I immediately noted that Draghi, in his inaugural speech to Parliament, presented a different vision and narrative for Italy, that I fully support. I acknowledge this in *Reform at zero cost for Draghi: proudly Italian* (10 March 2021) published in *Il Foglio*:

It is very encouraging that Draghi, in his speech to the Senate, made a clear break with the 'apocalyptic' and self-lamenting vision Italians have adopted regarding their own country, and focused instead on rebuilding a healthy sense of national pride. Draghi did this in two clear steps. First, by vindicating our pro-European stance when he stated: "we must be proud of Italy's contribution to the economic growth and development of the European Union." And then when he stated: "We are a great economic and cultural *power. I have often been astonished and a little saddened over the years to see how others tend to have a better opinion of our country than we do. We must be prouder, fairer and have a more positive attitude toward our country, and appreciate the many primacies, and the profound wealth of our social capital, like our volunteerism, that others envy".*

In the same article, I stress that the Italian economy:

is not irreversibly condemned to either stagnating or 'happily' shrinking.

Furthermore, I claim that:

if we use Next Generation EU's funds well, by implementing rational and targeted reforms and strategic investment choices, we could significantly raise our development potential.

The article's drophead provides the key summary:

There is an unappreciated country that the Prime Minister wants to promote. If Italy uses the resources from the European Recovery Plan well, it may even transform into a 'super' country.

This thesis is reiterated in a Report prepared in Spring 2021 (*G20 and the Italian Economy. Key Indicators to be Kept in Mind*, www.fondazioneedison.it); the key points and conclusions are summarised in *Manufacturing and sustainability: the two keys to Italy's economic growth* (3 May 2021), *Il Sole 24 Ore:*

Thanks to its NRRP and European financing, Italy has the opportunity to transform the tragedy of the pandemic into a historic turning point in its modernisation process: from its public administration, to completing and upgrading its infrastructure, to reducing the North-South devide. It is also an opportunity to strengthen and further advance its model of sustainable development, the substance of which is little known to the Italians themselves.

Several significant international comparisons illustrate how Italy's economy is becoming increasingly competitive and moving perceptibly more towards sustainable growth as compared to its major competitors.

However, the real surprise in 2021, which I anticipated well in advance, is that even before the NRRP (the impact of which is expected to show in 2022), the Italian economy demonstrated an above average degree of resilience and responsiveness compared to other major countries. I had already noted the trend in *First signs of exports picking up* (20 March 2021) published in *Huffington Post*[5], when I noted that Italy exported more than France or Germany.

In May, in *The (not lost) treasure of tourism: immediately regaining the resource* (13 May 2021), *Il Sole 24 Ore,* I discuss reviving tourism flows and state:

> *Italy's immense treasure, temporarily lost in 2020, must be recaptured without delay: it needs to regain its leadership position in the EU-27 for attracting foreign tourists. Eurostat data for 2019 show that, before the pandemic, Italy had the most overnight stays of tourists from Germany (58.7 million), the United States (16.3 million), Canada (2.7 million), China (5.3 million), Japan (2.5 million), Korea (1.9 million), Australia (2.9 million), Turkey (980,000), South Africa (315,000), Poland (6.2 million), Austria (9.5 million) and Greece (903,000); it ranked second for overnight stays of tourists from France (13.8 million), Spain (5.8 million), Czech Republic (4.1 million) and Brazil (2.5 million); third for tourists from Russia (5.8 million) and fourth for tourists from the United Kingdom (13.7 million) and the Netherlands (10.3 million), just to mention some of the most significant provenances of tourists. We clearly need to regain these flows, which are fundamental to our economy, as quickly as possible.*

ISTAT later published Italy's National Accounts report for the first quarter of 2021, which I discussed in *Construction and manufacturing are driving the Italian upturn, the Recovery Plan must do it next* (10 June 2021), *Huffington Post*; the data supported the stance expressed in previous articles (I hope the reader will excuse possible repetitions):

[5] Although in 2017 *Huffington Post* changed its name to *HuffPost*, we have kept the former name since it is still widely referred to in Italy.

in the first quarter of 2021, Italy took the lead in terms of growth in added value for manufacturing and construction industries compared to Germany and France. This is due to various reasons. First, Italian manufacturing has become more solid in recent years thanks to the Industry 4.0 Plan. In fact, in the pre-pandemic period, it had gradually overtaken Germany in terms of growth rate, and it had consolidated the best labour productivity dynamic of the G7 economies and Spain in manufacturing: a primacy that had never been achieved since the introduction of the euro. This highlights the increased competitiveness of our industrial sector, of which observers have not yet become fully aware. Even in the post-pandemic recovery phase, our country is now leading the eurozone's resilience in manufacturing and its quarterly value-added index is rapidly moving toward pre-crisis levels. Second, the added value dynamic in Italy's construction sector is stronger than in Germany and France due to the various stimuli introduced for the building industry.

By unique coincidence, over the summer months, Italy experienced, in parallel to its economic growth, a series of achievements in sports, the vaccine campaign, and its international image, which improved considerably with the Draghi government.

In sports, Italy won the UEFA European Championships at the legendary Wembley Stadium. Then, at the Tokyo Olympics, Italy achieved numerous successes in many disciplines including five gold medals in athletics (men's 100-metre dash, 4x100 relay and high jump, and both the men's and women's 20 km runs); for the first time it had the most gold medals second only to the United States (with 7 golds). We also excelled in many Paralympic sports. During the summer and autumn, Italy won both the men's and women's European Volleyball Championships and the European American Football Championship. It also came first at the EUC Road European Championships and at the time trials of the UCI Road World Championships, not to mention that the Paris-Roubaix race was epic in terms of weather and road conditions. Again at Roubaix, Italy distinguished itself at the UCI Track Cycling World Championships where the men's team won gold. Also, for the first time in the history of Italian tennis, a player reached the finals at Wimbledon, and another won four ATP Tour tournaments in one year.

The entire national football team led by Roberto Mancini, as well as other athletes like Filippo Ganna, Sonny Colbrelli, Matteo Berrettini, Jannick Sinner, Alessandro Michieletto, Paola Egonu, Gianmarco Tamberi, Marcell Jacobs, Massimo Stano, Antonella Palmisano, Lorenzo Patta, Eseosa Desalu, Filippo Tortu and many more have left an unforgettable Italian imprint on an amazing 2021 for sports.

I have made the curious link of Italy's progress and economic success with achievements in multiple ports in several 2021 articles, including *In the match for foreign trade, Italy creams England* (9 July 2021), *Huffington* Post; *Italy's furniture shocks the world, as do its athletes* (7 August 2021), *Huffington Post*; and *Italy's economy also wins gold. The unnoted primacies* (11 August 2021), *Il Foglio*.

More importantly, that same summer I claimed, in a series of articles, that the Italian recovery in 2021 was by no means a mere 'rebound', as many continued to assert, but something more. In *The Made in Italy boom is thanks to Industry 4.0 and its young entrepreneurs* (29 June 2021), *Il Sole 24 Ore*, I stated:

Few people have realised it, but the significant increase in Italian exports in the first quarter of 2021 (+19.8%) is not just the result of a simple leap compared to the first quarter of the previous year, which had been seriously affected by the pandemic and lockdowns. Rather, it is the result of a process of steady growth in exports and increased competitiveness of Italian companies that has been ongoing for more than five years.

In fact, in the first quarter of this year, Made in Italy exports increased more than German (+11.4%) and French (+10.8%) exports. More importantly, from a long-term perspective, it has grown much more than other major competitors in the euro area. […]

In my view, there are two main reasons for this structural change of pace in our exports. First, in 2015-16 reforms and economic policy measures were introduced, including super-depreciation and the Industry 4.0 Plan. Second, in recent years young entrepreneurs have taken over the helm of many companies and have interpreted the spirit of Industry 4.0 with vision and courage, modernising their organisations, manufacturing processes and products.

I return to this theme once again in *Made in Italy exports take flight* (16 July 2021), *Huffington Post*:

> *Few people appreciate the extent of the technological revolution in our manufacturing brought about by the Industry 4.0 Plan. In fact, thanks to the stimuli provided by this plan, the gross fixed capital formation of Italian manufacturing in real terms from 2015 to 2018 grew at an average annual rate of 6.1%, with average annual peaks of 8% in Veneto and Puglia, 8.6% in Lazio and 10.5% in Campania. These 'Chinese growth rates' reflect a considerable leap forward in our competitiveness.*

2.3. Italy's 2021 economic recovery surprised everyone

As the months passed, the second quarter data remained extremely positive; GDP increased (+2.7% compared to the first quarter), and research centres and international institutions started to gradually revise upward their forecasts for Italy's economic growth.

In early 2021, Italy was still considered the weak link in Europe's post-pandemic recovery. However, Italy surprised everyone. Table 1 shows the large upward revisions to the initial 2021 forecasts. The table provides a comparison of the forecasts made in January and October 2021.

It is interesting to note that among the major forecasters, only Goldman Sachs had credited Italy from the beginning of the year with a possible growth rate of +6.1% (higher than the Italian Government's NADEF forecast of +6%), which was similar to Confindustria Studies Centre's (CSC's) October forecast. Goldman Sachs later raised its already high estimate to +6.2%.

Deutsche Bank had initially projected a + 5.5% growth rate for Italy. But, curiously enough, it was later revised downward to 5.2%, despite the continuous positive signals from our economy and contrary to the trend of the other forecasters.

In general, rather modest expectations for Italy prevailed at the beginning of 2021. Italians were the first to not believe in the possibility of bright economic prospects for 2021.

TAB. 1. *Evolution of GDP growth estimates for Italy in 2021 and 2022 (percentage change on previous year)*

	January 2021		October 2021		Revision	
	2021	2022	2021	2022	2021	2022
Unicredit	2,8	4,4	6,1	4,2	3,3	–0,2
Banca Nazionale del Lavoro	3,0	3,4	6,0	4,3	3,0	0,9
IMF	3,0	3,6	5,8	4,2	2,8	0,6
Citigroup	3,8	4,5	6,3	4,5	2,5	0,0
OECD *(March and September 2021)*	4,1	4,0	5,9	4,1	1,8	0,1
Economist Intelligence Unit	4,2	2,6	6,0	4,4	1,8	1,8
Oxford Economics	4,5	4,5	6,2	4,8	1,7	0,3
European Commission (*February and July 2021*)	3,4	3,5	5,0	4,2	1,6	0,7
Consensus	4,5	3,6	5,9	4,2	1,4	0,6
Prometeia *(December 2020 and September 2021)*	4,8	4,1	6,0	3,8	1,2	–0,3
Intesa Sanpaolo	4,7	2,4	5,7	4,0	1,0	1,6
Goldman Sachs	6,1	3,5	6,2	4,5	0,1	1,0
Deutsche Bank	5,5	4,3	5,2	4,6	–0,3	0,3

Note: the economic forecasters are in order of the degree of revision to the 2021 GDP estimates.

Source: Fondazione Edison calculations based on data from the listed economic forecasters.

Between that spring and summer, forecasters began to highlight the extent and resilience of Italy's recovery. The Economist Intelligence Unit was one of the first to increase its estimate to +6% for 2021, and a sound +4.4% for 2022, suggesting an unusual degree of confidence in Italy, probably due to Draghi's credibility and the confidence in his ability to positively guide reforms and the NRRP.

Despite these facts, there was no shortage of highly sceptical opinions in Italy on the new and positive economic climate. Some considered it to be excessively euphoric, others offered controversial recommendations to caution, while others even attempted to minimise the GDP growth. This was especially true of Conte government nostalgists and super-pessimists specialized in politics and economics who often appeared on Italian news and talk-shows.

TAB. 2. *International monetary fund forecasts for GDP growth in 2021 (percentage change on previous year)*

Countries	January 2021 forecast	October 2021 forecast	Difference
Italy	3,0	5,8	2,8
United Kingdom	4,5	6,8	2,3
Canada	3,6	5,7	2,1
Russia	3,0	4,7	1,7
South Korea	3,1	4,3	1,2
United States	5,1	6,0	0,9
France	5,5	6,3	0,8
China	8,1	8,0	–0,1
Spain	5,9	5,7	–0,2
Germany	3,5	3,1	–0,4
Japan	3,1	2,4	–0,7
India	11,5	9,5	–2,0

Source: Fondazione Edison calculations based on IMF data.

I expressed my views in two *Huffington Post* articles *Desperately seeking a flop. Data refuting the pessimistic outlook on the Italian economy* (27 August 2021) and *The Economist forecasts Italy's GDP at +6% …. doomsayers hush*.

In the former I stated:

it is not surprising that amongst them are those who seem to openly cheer for the economic recovery and even Draghi to fail. This attitude destroys our sense of national unity and the commitment of institutional representatives, along with businesses and workers who, as the President of the Republic expressed with confidence, are all striving to emerge from the worst crisis since WWII.

By early autumn, the prevailing mood had drastically changed. A large part of the updated forecasts on Italy's GDP for 2021 were gradually aligning around +6%, and multiple forecasters also adjusted their estimates upwards for 2022 after the Economist Intelligence Unit published its forecast. In fact, the IMF in October sharply improved its forecast compared to January, as shown in Table 2. Meanwhile, quite a few people who had originally joined the ‘pure-rebound bandwagon’ were quicky scrambling to the side of those who believed Italy was experiencing ‘solid economic growth’.

That summer, I explained several times in various articles and interviews the reasons for Italy’s consolidated economic recovery, noting that in the first half of the year it had recorded the highest growth rate in the eurozone in terms of added value in manufacturing, construction and bulk exports. In *The four pillars of Italian growth* (30 July 2021), *Il Sole 24 Ore,* I sustain:

> *It is a fact that a ‘renewed Italy’ is slowly emerging from the pandemic with a stronger economy, and it is experiencing a major upswing. […] Manufacturing, building incentives, the timely implementation of the NRRP and Draghi’s credibility are all win-wins. […] Draghi, in the eyes of the world today, represents a source of certainty, allowing Italy to enjoy a considerable degree of international prestige, and confidence that public affairs are in capable hands. This is a significant factor for an economically sound country like Italy, which nevertheless has the second highest public debt-to-GDP ratio in Europe.*

As the preliminary GDP estimates for the third quarter of 2021 are coming out for Italy, we are sending this volume to press. I write on the new data in *Already more than 6%. Italy’s calling card for the G20* (20 October 2021), *Huffington Post.* The data clearly indicate what I have argued throughout 2021: Italy’s economic recovery is not a simple rebound after a sharp drop in GDP in 2020, but rather, it is something new and very different from the weak growth, that characterised it for the first fifteen years of the 21st century. It is a vigorous economic expansion that seems to be the continuation of the one that was underway in 2015-18 and was temporarily interrupted by the pandemic.

Figure 1, based on preliminary estimates, clearly shows that France’s and Italy’s GDPs grew more in the first three quarters of 2021 than in any other major OECD country. This is due to further significant growth in the third quarter, up by +3% and +2.6%, respectively, following the progress

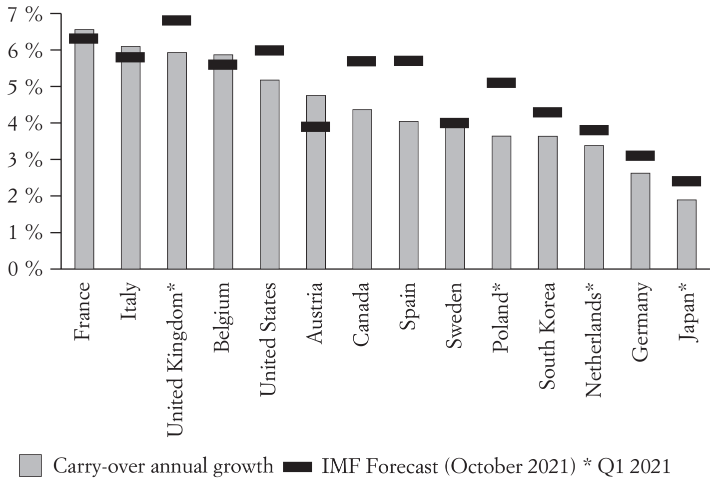

FIG. 1. Carry-over GDP growth for quarters I, II, III 2021 vs. IMF forecast for 2001 (% change with respect to 2020)

Source: Fondazione Edison calculations based on OECD and IMF data.

already made in the second quarter (+1.3% and +2.7%, respectively).

These encouraging results stand out against the recent slumps in GDP experienced in third quarter 2021 in China (+0.2%) and the United States (+0.5%); while Germany's limited GDP growth (+1.8%) compared to France's and Italy's was mostly due to the international supply chain crisis.

When compared to first quarter 2021, Italy's GDP grew by 5.3% in six months (April-September 2021). It was the biggest increase for that period among the world's major economies for which up-to-date data was available at the time of writing (Figure 2). Perhaps only the UK could fare better than Italy if the initial estimates for the second quarter are confirmed and good progress is maintained in the third quarter. In any case, Italy has moved well beyond the third quarter 2020 upswing, following a drop in the first two quarters of last year, caused by the coronavirus. In fact, the April-September 2021 quarters reported very solid growth

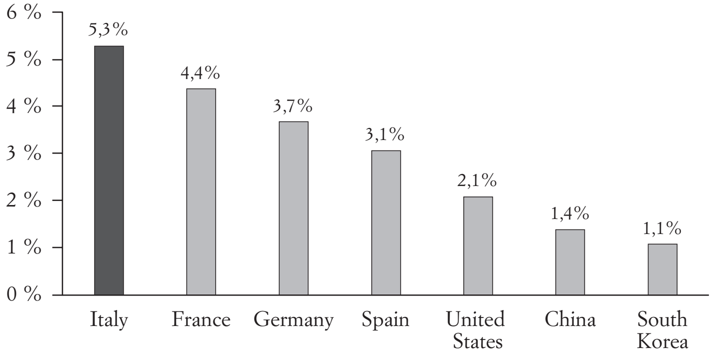

FIG. 2. GDP growth of a selection of large economies April-September 2021 (seasonally adjusted data; % change from Q1 2021).

Source: Fondazione Edison calculations based on OECD data.

for the Italian economy, which is indicative of structural resilience and increased competitiveness.

Overall, compared to the IMF's October forecasts, the expansion experienced by France and Italy in the first three quarters of 2021 have already placed them beyond their growth estimates for the entire year. Austria, Belgium and Sweden are also doing well. On the other hand, the United States, and especially Spain, Canada and Poland are below the IMF's projections (the growth figures for Poland refer to the first two quarters).

Moreover, fourth quarter 2021 started off well for Italy. It appears to be weathering global difficulties in sourcing semi-finished goods and components better than other major economies. ISTAT reported that business confidence in Italy, driven by manufacturing and construction, grew in October. The findings of Markit Economics indicate that Italy was the G20 country with the best manufacturing performance in October. In fact, Italy's Manufacturing PMI was one of the few to improve from September and the only one to go beyond the threshold of 60 (i.e., a very high level). The >50 threshold indicates growth compared to the previous month.

2.4. The renewed strength of Made in Italy

As already mentioned, Italy's robust post-pandemic recovery is underpinned by a number of factors, in particular by the growth of its manufacturing industry and of exports.

More specifically, Italy's exports grew significantly. From January to August 2021, they increased by +4.9% compared to the same period in 2019, before the coronavirus. In 2021, exports showed a dynamic that was clearly better than German or French exports, thus continuing the positive trend begun in 2015; they reflect a structural shift in *Made in Italy* products that few noticed (Figure 3).

Seen with more disaggregated data, the five-digit ATECO classification – Italy's foreign trade products broken down to maximum detail – 197 out of 352 products had already returned to or exceeded pre-crisis export levels (January-July 2019), often with double-digit growth. The export value of these 197 products, to provide an indication of their significance, amounted to €175.5 billion in the first seven months of 2021.

According to the Economist Economic Indicators, in 12 months (August 2020-August 2021), Italy accumulated a foreign trade surplus of €78.6 billion, which places it fifth in the global ranking after China, Germany, Russia and Australia.

The many exports that have already surpassed pre-pandemic levels include furniture, motorboats and yachts, motorbikes, food products (cheese, cold cuts, chocolate), fruits and vegetables, wines and spumante, knitwear, commercial refrigeration, chemicals, valves, pumps, agricultural machinery, mechatronics engineering, medical equipment, household appliances, tiles. In short, it is an authentic mini boom.

Made in Italy products have made an impressive comeback. Yet for many years they were heavily criticised even at home and considered to be at risk in the new global context, triggered by the pandemic. Many, who do not have a proper grasp of Italy, its companies and economic data, often claimed that Italian manufacturing is in decline, its

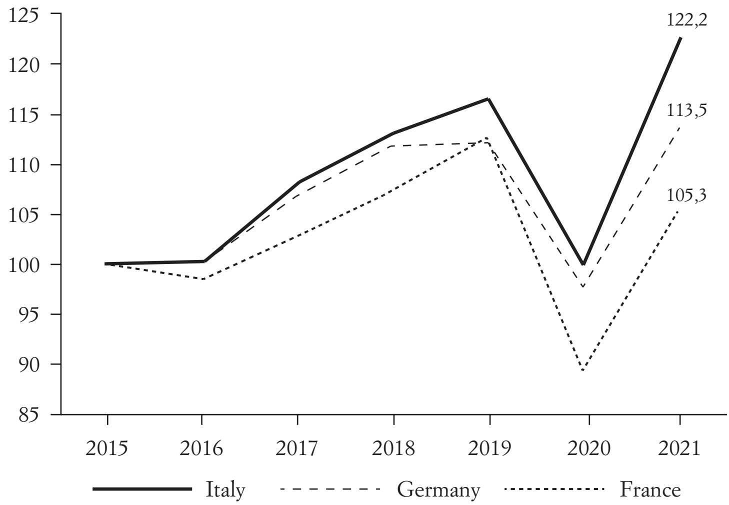

FIG. 3. Exports (January-August) 2015-2021 (Values, index Jan-Aug 2015=100).
Source: Fondazione Edison calculations based on Eurostat data.

structure is too fragile due to the high number of SMEs, it does not conduct enough research and development, thus it has no future in the new global arena.

These are unfounded platitudes. Italian manufacturing is still very much alive. It has survived the impact of globalisation and asymmetric competition from China and emerging economies since the early 2000s, as well as two terrible world and European crises, in 2009 and 2011-13. In the sectors where it is strong, plenty of research is carried out; for example, in mechanical engineering it is second only to Germany in Europe in R&D spending. In addition, in recent years Italian companies have broken into high-tech sectors like pharmaceuticals, where Italy has become an important net exporter. Moreover, SMEs represent a strength and not a weakness for Italy. This has been demonstrated in numerous analyses. Excluding micro companies with less than 20 employees, Italy has higher labour productivity and export levels than Germany in both small enterprises with 20-49 employees and medium-sized firms with 50-249 employees.

Thus, Italy's manufacturing system is holding up well. Today, Italian manufacturing is proving to be more resilient than others to the effects of price hikes in raw materials, energy and transport and to supply chain bottlenecks of components and semi-finished products, caused by Covid-19, which affected recovery in various areas around the world, including Germany. Today, many of its former critics are quietly becoming *Made in Italy* fans.

I have assessed this in *Diversification, short supply chains and Industry 4.0 drive Italian post-Covid exports* (3 November 2021), *Il Sole 24 Ore*:

Today, in the chaos of a globalised world that the major G20 countries are struggling to govern and with international transport, supply and trade networks completely disrupted by the coronavirus, the advantages of a manufacturing system like Italy's are becoming increasingly clear. Its system is not dominated by a few large, mass-produced, goods and a handful of huge companies. It hinges on hundreds of world leading products in niche sectors and on a strong structure of medium and medium-large companies supported by a precious multitude of smaller companies within supply chains and clusters. This system of capillary internal supply networks is less vulnerable than global networks and provides access to myriad technical skills that were never abandoned, not even during the relocation euphoria.

2.5. Italy's NRRP, a momentous opportunity to build a 'new' Italy

Italy should not be satisfied with having astounded the world in 2021 with a robust economic recovery, an effective vaccination campaign, launched by the Draghi government, or even with its sporting successes. It now faces its most critical challenge: transforming the economic progress achieved in the pre-pandemic period and in 2021 into a sustained, constant and homogeneous dynamic that embraces all sectors and is at least partially capable of reducing the chronic territorial disparities between the North and South.

Bureaucracy; resistance to reforms (fiscal and competition rules, legal system); vetoes by political parties and territorial interests; paralysis and inadequate technical (assistance) offices for local public agencies, especially in the South; the wishful thinking of trade unions and unjustified street protests are the major dangers that could hinder the effective implementation of the Italian NRRP and the much-needed state reforms. If such dangers prevail, Italy will have thrown away a one-off historic opportunity.

Every intervention and investment by the NRRP require the type of 'competence' also described in the previously mentioned volume (*Pandemic, Competence and Reconstruction. A necessary turning point for Europe and Italy*), and which Italy has often lacked in recent times. The public administration must make a qualitative leap towards greater digitisation as well as simplify its bureaucratic and authorisation procedures, and implement more effective investment policies. Moreover, it is essential that political parties, trade unions and local authorities curb their 'thirst' for spending to gain personal support and work together to ensure that national interest prevails in the allocation of investments rather than self-interest at this decisive moment in the history of the Italian Republic.

I shall finish by quoting the conclusion of my article *First in the eurozone for carry over annual GDP growth, let politics now not get in the way* (18 August 2021), *Huffington Post*:

> *Italy entered, but is now quickly leaving, the Covid-19 pandemic without having cracked. It has a stronger and more competitive economy than in the past, even if in the last decade it had access to only a fraction of the 'intelligent' public spending that is now available with Next Generation EU. Draghi is at the helm and has complete control of the reform and modernisation process. He has reassured financial markets and our entrepreneurs with his competence and authoritativeness, while Europe has provided us with substantial 'fuel'. The hope is that the propensity of some toward parasitic behaviours and procrastination, will not disrupt this momentous opportunity for Italy, which absolutely cannot be wasted, because it will not come again.*

PART. 3. *EU-Development and EU-Democracy. Innovation, investment, internationality* by Alberto Quadrio Curzio

The title of this section might appear too ambitious. In reality, it regards conceptual terms that represent a multifaceted lexicon in its various forms and can go to the extreme of multiple meanings. Hence, the connotation attributed to each term emerges only within a specific context, based on a series of initial criteria that enable the reader to follow the logical reasoning. As was explained in Part 1, this work should be regarded as a continuation of *Pandemic, Competence and Reconstruction. A necessary turning point for Europe and Italy* by Marco Fortis and Alberto Quadrio Curzio. While the Cranec Working *Paper Innovation: Europe is moving forward, and Italy? 2018-2019. A view from the Huffington Post columns*[6] is a collection of other articles I wrote from beginning 2018 to end 2019.

3.1. Criteria: facts and assessments

The first criterion that characterizes this compendium of articles[7], is their *chronological order*, with a commentary on the events as they unfolded and with evaluations and proposals, followed by the 'story' they tell which in and of itself represents a crucial criterion for understanding each distinct event.

The second criterion links together *history and themes* and concerns that part of this work where periods and the prevailing topics are summarized as well as the overall themes in articles from other periods. It is a hybrid criterion, where themes prevail over chronological sequence.

Let me offer some clarification of this section's title, which incorporates interpretive 'paradigms'.

[6] A. Quadrio Curzio, *L'Europa innova, e l'Italia? 2018-2019. Uno sguardo dalle colonne di Huffington Post*, CRANEC Working Paper 07/20, Milan, Vita e Pensiero, 2020.

[7] All the articles mentioned in Part 3 were published in *HuffPost* (the Italy edition), in the text referred to as *Huffington Post* (see fn. 5).

The first part of the title is *EU-development and EU-democracy*. This means that I mainly emphasize economic aspects, while also considering institutional characteristics, taking into account that the European model of democracy differs profoundly from that of other major democracies, most notably from the United States, and this is reflected in its economic model.

The thesis I have developed in many writings, quite a few of which can be found in the Edison Foundation Series, is well known. It regards constructing Europe on principles of solidarity, subsidiarity, and development, which are characteristic of the distinctive qualities of liberal solidarity (or social liberalism) in establishing a balance between institutions, society and the economy. EU-Democracy incorporates federalism, confederalism and functionalism within its European structure and in its relations with Member States. The latter is a complex arrangement that sometimes (often) creates overlapping challenges reducing the EU's impact, an aspect I frequently address.

I wish to underline that my interpretation of European democracy and European development are different from the typical German 'social market economy' model that in my opinion is referred to excessively in the European Treaties.

The reader will note that I do not make 'doctrinal' use of the criteria, even if I use the paradigms to assess the progress made in European integration.

Europe's development and democracy are now pivotal aspects of Next Generation EU (NGEU) and the Recovery and Resilience Facility (RRF). They are the backdrop to much of my analysis; however, I will not go into the latter since my views are well known and I have already broached them in the past. Only with the European Council of July 2020 was there a major turning point (to place it within the EU's historical context). In short, an agreement was made on a comprehensive package to stimulate '*sustainable, uniform and equitable recovery*' and the Commission was entrusted to emit 'Eurobonds' on the global financial markets. In other words, the NGEU will be financed by the emission of bonds backed by the EU budget and its headroom. The NGEU, thanks to bond emissions, which mature between 2028 and 2058, could raise up to €750 billion (in 2018 prices): €385.8 billion in loans and €338 billion in grants (in current prices) to support Member States in their reforms and investments.

ReactEU (Recovery assistance for cohesion and the territories of Europe) is a new instrument under NGEU with a budget of €50.6 billion split into the European Regional Development Fund (ERDF), European Social Fund (ESF) and Fund of European Aid to the Most Deprived (FEAD). Other minor instruments available in NGEU are Horizon 2020, InvestEU, European Agricultural Fund for Rural Development and Just Transition Fund (JTF). NGEU is part of the 2021-2027 EU Multiannual Financial Framework (MFF) which has a budget of more than €1 trillion.

The NGEU has three main investment areas or three specific 'transitions': digital, green and socio-territorial cohesion. The EU Regulation governing the operation of the Recovery and Resilience Facility (RRF) stipulates that each country must earmark at least 20% of its resources to digital transformation and at least 37% toward green transition. These are real economy plans.

The second part of the title (or subtitle) *innovation, investment, internationalisation* might seem more conventional.

Innovation pertains to the institutional aspect of reforms and also to the economic and financial features of the new 'Eurobonds'.

Investment mainly regards the economic scope of functional European entities, conglomerates and the technoscientific sector, without which the EU will always remain dependent on others and vulnerable.

Internationalisation relates to the above two aspects mentioned, but not necessarily primarily to them, as well as to the EU's geopolitical role. From this viewpoint, critical aspects to consider are the importance of scarce raw materials, a common defence policy and other revealing elements of the EU's considerable vulnerability.

On this point, a clearer picture of what the titles of the articles mean will emerge as I discuss their content, where possible also at the Member State level and more particularly for Italy, which remains constantly, but certainly not prevalently, in the backdrop.

Thus, the period from October 2020 to October 2021 has as one of its running themes EU policies in response to the pandemic. I try, however, to not neglect the role of long-term choices. Innovation and investment have been very much at the heart of the response to the pandemic. The degree of their impact and coherence is assessed in the context of their capacity to consolidate European democracy and development. When it comes to global aspects, the pandemic has revealed the EU's and EMU's strengths and weaknesses. This means that without a sufficiently large technoscience sector, the EU will remain ever dependent on others.

Finally, it cannot be ignored that political leaders and heads of institutions are the obvious ingredient of Europe's future. That is why I often refer to the President of the European Commission, Ursula von der Leyen, the former Chancellor of Germany, Angela Merkel, the President of the French Republic, Emmanuel Macron and the Prime Minister of Italy, Mario Draghi. Merkel and Draghi, albeit from different sides (Chancellorship and ECB Presidency), have a longstanding 'pro-European' stance. Draghi since February 2021 is Prime Minister of Italy, but it will have to be seen if and how he can govern a country ripe with political strife.

Macron represents a solid Presidential Republic, that has always had strong intergovernmental cooperation with Germany.

The President of the European Commission von der Leyen has been in office for approximately two years and her political ability still needs to be confirmed, although it is already clear that she is an innovative President with great courage.

As regards Italy, I would like to underline that, although it is not a Presidential Republic, Sergio Mattarella has increased the prestige of his role over the past 7 years; he has been a strong stabilising factor during this period in which the government changed 5 (five!) times.

3.2. 2020-21: four periods in 12 months

The first period goes from 22 October 2020, when the first 'Eurobonds' (SURE social bonds) were issued, to 19 February 2021. It comprises the swearing in of the Draghi government, the launching of the Italian NRRP and the role played by Paolo Gentiloni, European Commissioner for Economy.

The second period goes from 27 February to 20 April 2021 and covers both Draghi becoming the President of the Italian Council of Ministers with Europe as his essential point of reference, the EU's difficulties in supplying vaccines, and the need to regain control of this and other issues. Some indications are given to the importance of a 'Franco-Italian axis.'

The third period goes from 28 April to 15 July 2021. In this period, the Member States' National Recovery and Resilience Plans are approved. Schäuble highlights Germany's first explicit warning to avoid excessive financial risks. I argue in favour of the EU's approach, as demonstrated by the success of the 'Eurobonds', while obviously avoiding the risk of any sort of gamble.

The fourth and last period covers 24 July to 30 October 2021. Articles emphasize the challenges that Next Generation EU and the NRRPs could face due to rising commodity prices and an inflationary upswing. They underscore the fragility of the EU on this point and on other fronts in the global economy.

One of my conclusions, which comes out increasingly clearly, is that the Commission (in fact, all the leading EU institutions) needs to consider extending the duration of the NRRPs as quickly as possible: 2026 is in fact much too soon for many reasons, including inflationary dynamics.

At the same, it is also important to move toward a stronger and more functional Europe as we wait for the birth of a truly Federal Europe, which will require considerable time due to the mandatory unanimous vote needed for many European deliberations.

I present a historical, all the while modern, conclusion in *Luigi Einaudi's idea of a Federalist Europe is still contemporary today* (30 October 2021). The article was written on the day marking the 60th anniversary of the death of this great European planner. He was a convinced federalist, but he was also keenly aware of the importance of timing and the need to move forward cautiously; thus, when necessary, he became a functionalist or confederalist.

The four periods are linked chronologically and transversally by a series of meta-themes or paradigms that are developed within the framework of EU-Democracy and liberal solidarity with the aim of fostering economic growth, and within which public-private partnerships play an important role.

3.3. Three EU-Paradigms, investment, innovation, internationality, seen over 12 months

The reference to European paradigms for investment, innovation and internationality spread over 12 months may seem a bit ambitious. I would like to clarify that in my articles, I often focus on issues that are contingent to a period in time, since if we do not write about events there is no history and without history, paradigms cannot be built or verified. This is my approach to working-out paradigms, but it is certainly not with the intention of diminishing single events or journalistic reporting. To further illustrate these '3-Is', which are necessary for European democracy and integration, I wish to state that the 12 months considered have made it increasingly evident that the EU and EMU will be at great risk unless some form of 'hybrid cooperation' or 'concentric cooperation' is introduced to provide them with a position of strength and stability at the geo-political and geo-economic levels. The time has come to move beyond dogmatic paradigms, to which small states cling, and join the major league.

3.3.1. EU-Innovation (which Eurobonds?)

Let's begin from my article *What does the success of SURE bonds reveal?* (22 October 2020). In the wake of the severe blow to employment as a consequence of the pandemic, the European Commission on 20 October 2020 issued its first 'social' bond generating demand ten times greater than supply. I state:

we must once again remember that we are not dealing with some 'episodes'; Next Generation EU is a programme of investments and innovations, for one (or rather at least two) five-year periods in the areas of environmental compatibility, digital hyper-engineering and biomedicine. At the same time, it maintains a strong balance between the economy-financial markets-competitiveness on the one hand and social fairness and equal opportunities on the other, not only to ensure economic growth, but also to foster the development of civil society as never seen before in other major democracies.

It all comes down to stability and structural growth.

The Reader should not be surprised if I begin by discussing 'Eurobonds'. I have been promoting them for almost 20 years and co-authored two articles with Romano Prodi in 2011 and 2012. An in-depth analysis can be found in *Eurobonds for EMU Stability and Structural Growth*[8]. 'Eurobonds' are not only financial instruments, they are also crucial tools for the stability and structural growth of EU economic policy. However, the EU will need more than a single currency if it is to become 'sovereign'. To witness the EU issuing 'Eurobonds' worth more than €700 billion from now until 2026, some with a duration of up to 30 years, is indeed an impressive innovation. It will be an overall success if at least two complementary conditions are met. First, the EU Member States receiving the loans and grants, thanks to the 'Eurobonds', must successfully complete their National Recovery and Resilience Plans (NRRPs). And second, which

[8] A. Quadrio Curzio, "*Eurobonds for EMU Stability and Structural Growth*" in I. Cardinale, D. Coffman, R. Scazzieri (eds.), *The Political Economy of the Eurozone*, Cambridge University Press, 2017, pp. 395-434.

depends on the first, 'Eurobonds' should become permanent financial instruments.

Shifting from commenting on apparently 'current' events to the underlying dynamics of the events is not simple, but nevertheless necessary.

What I mean is that the current step forward cannot allow for attitudes of triumphalism. I have been pointing out since 6th November 2020, as the title of my article reflects, that *Europe has firepower, but without speed it's ineffective*. I mention the asynchronism between the speed with which the ECB makes decisions on monetary policy and the relative slowness with which the decision-making processes takes place in the EU institutions, due to their complex interactions with the Member States on their NR-RPs. I point out that one must:

take into account the timeframe for funding; the requests of beneficiary countries for subsidies, but not for loans; the (ex-ante, ex-post and rightful) funding oversight in the beneficiary countries. [...] Therefore, despite the formidable preparation of the Commission's technical structure, its overload of commitments will become enormous, since it will also have to implement its 2021-2027 budget and govern the political-institutional functions of the EU, which are not always easy due to the excessive veto powers of its Member States.

In my article *Europe cannot wait for those who lag on the Recovery Fund* (21 November 2020), I return to the many challenges with a specific emphasis on Italy, and in more general terms on the other countries in the process of elaborating their NRRPs. I focus on the consideration that, given 'Eurobonds' will be issued for implementing National Resilience Plans, operational and institutional lags could undermine the three foundational pillars. I already assessed the first when I discussed Next Generation EU and the Recovery and Resilience Facility (RRF). Two more will now be considered.

First: *the European Semester and the RRF are intrinsically linked. This is an aspect that is too often neglected, especially in Italy. The NRRPs will be assessed in relation to the European Semester and on the basis of specific recommen-*

dations for each country and the adherence to the outlined sustainable growth strategy, based on the Green Deal, at the beginning of the European Semester of this year. They will also be linked to the 'new' Stability and Growth Pact, which has been suspended for the time being; but, let us not forget that it has not been cancelled.

Next: *Member States are 'encouraged' to present their reform programmes and their National Recovery and Resilience Plans in a single integrated document, which presents, in line with the objectives of the RRF, an overview of the reforms and investments the Member State has planned over the coming years.*

On this see my article *The Gentiloni Agenda established what, the issue is how and when* (5 January 2021) where I mention his views on the reforms of the European Treaties and Pacts:

> *Gentiloni points out that in 2022 the eurozone will still have a debt-to-GDP ratio of around 100%, compared to the 60% prescribed by the Treaties and the European Pacts. He mentions this situation by noting, however that the OECD average is 130%. [Furthermore] he points out that "we will need a discussion on the new fiscal rules and the transition phase to get there. It will not be an easy discussion among the EU countries, but it is necessary: we are no longer in the circumstances of the Maastricht Treaty era". [He goes on to say that] "the issue is high debt and how to introduce more realistic rules to manage it and foster growth. Nevertheless, the Commission cannot ignore the Treaties". Gentiloni's vision of Euro-democracy is that it must be innovate, and without exemptions.*

This brings us to Italy's role in the EU and the risks it could create, obviously also to itself, if its NRRP were to fail. Let me stress that when I refer to Italy, I do not assess the specific situation of my country, I only consider its weight and position within the EU.

Today, in 2021, Italy's debt-to-GDP ratio is around 160% and therefore it is 'centred' around the success or failure of NGEU and RRF. In my article *Italy has not yet found a new class of politicians* (5 January 2021) I state that: *In the past, even though there was an 'anomalous continuity* *in the discontinuity' of governments (Amato, Ciampi, Dini, Prodi), Italy moved forward. It is not a question of looking for 'saviours' but for people, even young, with the skills and ideals that are based on a reconstruction that is pro republic and pro Europe.* I continue in *Announcing reforms is easy, but useless without a timetable* (25 January 2021), that: *In the past, Italian governments justified necessary but unpopular choices by claiming that 'Europe is asking us to'. This time, with the Recovery and Resilience Plan, the whole EU is investing in Italy, but in order to enact the reforms, we need a plan that is well structured and properly governed.*

This brings me to *Draghi is crucial also for the EU (which is losing Merkel)* (5 February 2021) where I note that: *he has demonstrated great courage by accepting an unwarranted and unnecessary risk to his 'cursus honorum'. It is up to him to put Italy back on a path of lasting socio-economic development and to be a guide for Europe in the reform process.* I then write: *President Mattarella, in his Address to the Nation [on 2 February], has written a page of history, which is not only institutional and political but also constitutional, for the Republic. He has in fact shown that as a consequence of the 'current healthcare, social, economic, financial emergencies', faced with the choice of 'immediate early elections' or 'immediately creating a government capable of dealing with the gravity of the situation', the latter was the only possible choice.*

In the next group of articles, I assess the Draghi government on two aspects: Italy in particular and Europe above all. This is not only because Italy must answer to Europe, but also because Draghi could, if he wanted, continue the work undertaken by other Italians in the construction of Europe. This obviously does not mean that he will.

I often dwell on Draghi's European side. In *Draghi between Europeanism and pragmatism* (22 March 2021), I note: *Draghi stated at the press conference that when it is not possible to operate at the EU level, one must proceed otherwise, with pragmatism. He furthermore stated that the Stability Growth Pact should be modified, since public debt is rising in all European countries and that in due course what to do about it needs to be addressed. It seems clear to* *me that he wants a stronger and more independent EU capable of pulling itself out of this terrible crisis by relaunching development and innovation, and not a dogmatic EU based on outdated rigid rules.*

In the policymaking process for NGEU and EuroRecovery, in the run-up to summer 2021, there were several initiatives (which I discuss in section 3.3.2 below) that were important, but also a symptom of political instability. I point this out in *No time for a chaotic Europe in these crucial months* (10 May 2021) where I discuss the Global Health Summit in Rome. I express that: *To get out of the pandemic, Europe must also strengthen its own identity [...]. At present, various initiatives are moving in that direction.* I state that: *the official launch of the 'Conference on the Future of Europe' (postponed in 2020 because of the pandemic), which will last through 2022 has the aim of making the EU a more participatory and resilient democracy*. It seems to me that the conference is overly ambitious, in fact, concrete criticisms are already emerging. These include attacks by the former German finance minister and then President of the Bundestag, which I discuss in *Wolfgang Schäuble's dangerous recipe* (22 May 2021). Schäuble acknowledges that the *measures to counteract the economic and social effects of the pandemic were necessary. That includes states increasing public deficits and debts, the ECB purchasing government bonds, the launching of Next Generation EU and the issuance of European bonds (never called Eurobonds!). Schäuble points out, however, that injecting huge amounts of money into the economy could lead to inflation, the signs of which are beginning to show, and could become dangerous if the level of public debt in various Member States becomes too high. In his view, the fact that the eurozone's monetary base increased from €1 trillion in 2009 to €6 trillion by June 2021 represents an extreme situation that will soon confront the ECB with the dilemma of putting on the dangerous but necessary 'brakes', given its 2% inflation target. His conclusion is that the burden of public debts must be reduced to prevent the 'Covid-19 pandemic' from turning into a 'debt pandemic' with dramatic consequences for Europe.*

I immediately come back to this subject in *Wolfgang Schäuble's issue* (7 June 2021) where I note that he implicitly distances himself from Merkel and von der Leyen and, in addressing Prime Minister Mario Draghi, argues (my summary): *that he himself was against the 'moral hazard' of excessive public debt [...]. If Member States do not do it, then the European institutions must have the power to compel them, since it is not acceptable to mutualize excess debt. Schäuble thus proposes a debt redemption fund guaranteed by gold reserves (or equivalent) for states at risk. The nudge to Italy, a large holder of gold reserves, is clear.*

Schäuble has misunderstood the role gold reserves could play. I have argued in several of my works that since the total gold reserves of EMU member countries is approximately 10,000 tonnes, they could be used to make resilient 'Eurobonds'.

In *First positive test. Why insist on Eurobonds* (16 June 2021), I comment on the emblematic importance of the debut of 'Eurobonds' and clarify that it is too early to celebrate the issuance as a historic success. Notwithstanding, Schäuble's concern, in my opinion: *is clearly refuted in the short term by the enormous success of the first emission of Eurobonds (after SURE social bonds) by the Commission with a demand of €142 billion against a supply of €20 billion*.

I argue: *the success of 'Eurobonds' is, however, closely linked to the success of implementing Next Generation EU and the National Recovery and Resilience Plans. If they boost sustainable growth and innovation in the EU, then the 2026 Eurobond deadline could be exceeded. This is where Italy becomes the real crux of the matter*.

More generally, I pose the problem and difficulties of using a single federal instrument with a short (2026) deadline for financing the NGEU and the RRF, which are confederative tools, i.e., coordinated at the Member State level, but constructed for the funding of clearly sectoral investments and proposed reforms which are analysed *ex-ante*, monitored throughout and reassessed *ex-post*.

3.3.2. EU-Investment (and functional entities for Europe)

The NGEU, RRF and NRRPs all focus on investments in the macro areas of green and digital transition. This great innovative approach also has its problems. I offer suggestions for overcoming them in order to make the programmes more solid and functional and provide continuity. I present them below in a very simplified form.

The NGEU entrusts individual Member States with creating and implementing the RRF-funded programmes and associated reforms approved by the Commission *ex-ante* and evaluated throughout the various stages, before subsequent funding is provided. In general terms, it is a mixed system (a hybrid: Centaur? Hircocervus? Mermaid?) in which federal qualities ('Eurobonds' limited in time!) are mixed with national systems that have a certain degree of inconsistency between them. It is therefore a very complex system, quite different from that of the ECB, which for the EMU is decidedly federal. NGEU also has a very rigid deadline (2026) that could become problematic especially for economic factors that occurred after it was enacted, for example, inflation.

My proposal for strengthening the NGEU and speeding up governance is to flank it with functional structures dedicated to planning and implementing some of the major UE investments in various fields like healthcare, pharmaceuticals, hyper-engineering and green transition. In others (but even in these), it is a question of creating, through mergers and consortia (like the Airbus model), entities that have the capacity to provide the EU and EMU with the necessary autonomy capable of facing the two trade giants, US and China, which, thanks to a few scientific-technological-productive entities are geographic-oligopolistic-monopolistic superpowers.

There are already a number of European, mainly financial, organisations that are federal and functional in nature. These include the European Investment Bank (EIB), the European Investment Fund (EIF), the European Bank for

Reconstruction and Development (EBRD) and the European Stability Mechanism (ESM). These bodies already issue different types of Eurobonds to finance their missions.

My proposal is to create several functional organisations for EU joint investments, which can only achieve the necessary results if they have the right size and organisational structure. This broad category could include large manufacturing conglomerates that can withstand global competition. I have often cited the case of Airbus, while other attempts, albeit with different legal statuses but with similar aims, have been blocked due to the existing competition rules. My proposal aims to strengthen the NGEU which is too decentralised.

I may mention some points presented in my articles that in no way substitute my overall analysis.

I often discussed the need for *instrumental financial institutions for Eurobonds*, or rather for EuroUnionBonds. Thus, in *Europe has firepower, but without speed it is ineffective* (6 November 2020), the national NRRPs can be implemented more quickly with a new ESM and EIB. More precisely, I argue that: *The urgent need to launch interventions [RRF and NRRPs] requires various innovations (especially at the initial phase) using the existing, appropriately modified, European bodies. Regarding the impact and speed of the interventions, it would be useful to reflect on the existing asymmetry between the ECB and other instrumental European organisations to ensure that the impressive innovation, i.e., the 'Eurobond' (issued by von der Leyen and Merkel), can achieve its full potential.*

I begin by considering the ESM. I shall mention it only here since it seems to have been well established that it has been put on hold for the time being. I have often discussed the ESM, in the hope that it would not become a useless instrument, in various articles in addition to the ones in the present volume (19 November 2019, 22 March 2020, 17 April 2020, 27 August 2020, 15 March 2021).

In *Europe has firepower, but without speed it is ineffective* (6 November 2020), I state: *the ESM could be used [...] since it is a supranational financial entity with the eurozone* *countries as its shareholders. The ESM's decision-making process is simpler than the one of the European institutions, which are responsible for the European Recovery Plan. The ESM has capital underwritten by 19 states for almost €700 billion, €80.5 billion in paid-in capital, with the possibility of issuing bonds and making loans for a total of €500 billion. Thus far it has loaned approximately €130 billion. It is clearly under-utilised, even if, thanks to a preliminary adjustment (mostly due to Commissioner Gentiloni) it can issue loans to Member States to cover healthcare costs; however many are making the mistake of not using it.* Fearing that this would happen, I advanced another suggestion: *By possibly making changes to its statutes, we could presuppose that with each variant, the European Commission could become a 'heavily invested' shareholder of the ESM by providing a mix of loans and guarantees. Thus, part of the Eurobond issuance for the European Resilience and Recovery Plan could also be done by the ESM, which would be responsible for providing Member States with the financing for their national plans.*

I go on to speculate that the EIB could be one of the instrumental bodies that supports NGEU given that: *The EIB is a highly competent and experienced institution. Its shareholders are the 27 EU Member States, its subscribed capital is €243 billion, and its paid-in capital is €21.7 billion. It has €553 billion in assets and has issued €449 billion in loans. Now it needs to become more. The EIB has long-standing links with National Promotional Banks (NPBs) in most EU countries and certainly in those of the major beneficiaries of the European Recovery Plan (Italy, Spain and France), where they are very well established, or are established as an association of the Marguerite Fund, as with KfW (German national promotional bank). NPBs could become the main intermediaries between their governments on the one hand and the EIB on the other, the latter could in turn liaise with the European Commission.*

Lastly, I note that tools like the EIB and the ESM would have greater synergy if they were more independent like the ECB. This hypothesis, which is not without its problems, is summarised as follows: *The ECB has purchased bonds belonging to eurozone governments and to supranational European bodies; it now owns around 30% and has performed a meritorious and crucial function. The pandemic could lead it to own 40% in a few years if it buys Recovery Bonds. However, if the EU's economic recovery is delayed and some countries face economic and financial crises, the situation could become more complicated. […] The ESM and EIB could be used to speed up recovery and make it efficient and effective at the Member State level, thus avoiding certain States accumulating too much debt.*

While my analysis on innovative European investments started long ago, I recently addressed the issue in *The European Recovery Plan, not all investments are the same* (24 December 2020) and in *The Gentiloni agenda set out what, the issue is how and when* (5 January 2021).

In the latter, I describe Gentiloni as a concrete innovator and reformist because: *he introduced a proposal on how the EU should react to the pandemic to avoid the economic collapse of Europe*. His informal proposal was: *based on two criteria: first, no European country should be 'left behind' in the crisis and all Member States should have 'fair access on similar terms to the debt needed to finance their plans'; and second, 'a European Fund expressly designed to issue long-term bonds should be created with the needed governance to avoid any moral hazard and, for this reason, aimed above all at joint investments. [...] With the European Recovery and Resilience Plan and the issuing of Recovery Bonds, an institutionalised 'response' was given to these requests.*

However, I do not hide my concerns regarding the reality of the situation, in fact, in the same article I state: *it is difficult to perceive the 2026 horizon, date by which all investments of the European Recovery and Resilience Plan have to be made, without immediately reflecting on the reforms made by European Commission to the European Treaties and Pacts.*

I investigate these concerns and provide suggestions to overcome them with greater complementarity between federalism, confederalism and functionalism. To this end, I consider two cases: healthcare and green transition, but I could cite many more.

The issue of *EU-entities in the healthcare sector* is one to which I often return, and in many ways it is emblematic since it involves supervisory and validation bodies, science and technoscience organisations, and pharmaceutical giants. The issue is clearly not addressed adequately enough, but this is the only way for the EU to boost the impact of its investments and resilience in a global context.

I discuss this in *European Health Union: brining HERA to Italy* (12 November 2020) and return to the matter often, like in *Europe needs EuroVax, an 'Airbus' vaccine* (27 February 2021). In fact, it is hard to understand why Europe has Airbus but not a EuroVax equivalent, which could be promoted as: *a European consortium of industrial leaders with technological and scientific production capacity in the pharmaceutical and biomedical fields. It would certainly be a difficult endeavour, but it could find financial support from the European Investment Fund (EIF), the European Investment Bank (EIB) and/or a targeted emission of 'Eurobonds'*.

I come back to the issue in *Giving the ESM a useful purpose: have it finance Eurovax and BARDA* (15 March 2021). I outline a renewed role for the European Stability Mechanism (ESM) to finance the Health Emergency and preparedness Response Authority, the European HERA (similar to the American BARDA), i.e., a European body for the research and production of vaccines, EuroVax for short.

I often return to this, not least because it is a paradigm that can be applied to initiatives in other areas, for example, from strengthened cooperation between France, Italy and Germany, when deeper broader cooperation is difficult or even impossible. Thus, in the article *Draghi between Europeanism and pragmatism* (22 March 2021), I note that: *the problem of the EU's dependence on vaccines against Covid-19 and its variants remains. I have often proposed a EuroVax, i.e., a large European scientific-technological-industrial-healthcare consortium which revolves around Germany, France and Italy. This would create two positive results. First, it would* *strengthen and make HERA (the new European Health Emergency Preparedness and Response Authority) fully functional sooner. This crucial Commission initiative, which for now is in the pipelines, has the aim of creating a stronger European Healthcare Union and integrating the existing organisations, namely the ECDC (European Centre for Disease Prevention and Control) and EMA (European Medicines Agency). To this end, [we should abandon] the obsolete market view, and the source of the EU's dependency on countries like the US and China that have the world as their playing field, whereas Europe's is within itself.*

As for *Euro-GreenBonds*, in *The future of Europe depends on Eurobonds (but beware of calling them that) (12 October 2021)*, I argue: *the Commission is embarking on a sectoral strategy for 'Eurobonds'. The first emission of Green Bonds, that by 2026 should generate €250 billion, which is equal to 30% of Next Generation EU's overall budget. With this programme, the EU will become the world's largest issuer of GreenBonds, which must be assessed both technically and politically.*

Technically, the programme has been developed in accordance with the International Capital Market Association's Green Bond criteria, [...] reviewed by Moody's ESG Solutions rating agency and has met the criteria for sustainable development bonds.

Politically, the programme follows the protocol drafted by the Commission and approved by the European Parliament and Council. And, thus, it will be used to monitor the rigor with which Member States comply with the conditions of the funds allocated to them under the NRRPs, of which at least 37% must be earmarked to green transition related investments (from energy to transport). Member States that receive funds will have to adhere to protocols and schedules.

I conclude by raising an issue, namely that we are proceeding with mirky: *hybrid Eurobonds, i.e., that are federal, confederal and functional*. I call for a closer examination of the relationship between sectoral Eurobonds and structural policies as well as the role of the EU bodies, matters on which I have already written.

Thus, we return full circle to the need for EU organisations or agencies or corporations that perform a functional role in reviving the whole EU and its global pursuit.

European Franco-Italian structuralism is something to ponder more thoroughly. Since the timeframe of the NRRP is too short, I have often considered intermediate solutions for deepening relations based on solid interactions between one or more Member States and the importance of EU-governance. On numerous occasions, I have noted the considerable consensus between Commissioners Gentiloni and Breton, which I point out in *The Franco-Italian 'structuralist' axis provides the EU with the right approach* (4 March 2021) and *Relaunching investments, the Recovery Plan should include Franco-Italian ventures* (20 April 2021) where I note that the Commission, in the NRRP guidelines, expresses a preference for intercountry joint investments in digitization, transport and energy networks as well as many other sectors. In my opinion, the recommendation stems from the structuralist approach of Commissioners Breton and Gentiloni, to which I would like to add: *Franco-Italian agreements, given the many existing financial and entrepreneurial partnerships and exchanges between the two countries. Bruno Le Maire, the French Minister for the Economy, recently referred to cooperation in the hydrogen and electronics sectors. There are also many other opportunities that should, however, be part of a broader design, of which the Stellantis initiative is an important precursor.* I refer to the conclusions of the Franco-Italian summit in Lyon of September 2017 with Macron and Gentiloni, and express the hope that it will be revised in light of the changes brought about by Next GenerationEU. I conclude stating that: *Draghi and Macron have significant institutional and economic affinities that can further amplify the recovery and resilience of the whole EU, also because the 2019 Aachen Treaty, an example of Franco-German cooperation established in 2019, will now suffer from Chancellor Merkel's departure*. While I do not claim to have had any predictive ability, I shall mention that the "Quirinal Treaty" between Italy and France took place on 26 November 2021.

3.3.3. EU-International (hybrid, concentric, strengthened) cooperation

This aspect intersects with the last point mentioned above. For example, the EU's role in international cooperation can become extremely tricky if Lithuania is placed at the same decision-making level as France. In any case, the intent is to maintain a strong pro-European stance, all the while knowing that the unanimity needed for certain votes will keep the EU weak and could even lead it to the brink of collapse.

The title therefore implies that even if the EU has a strong economy, it will remain vulnerable without a corresponding geo-political role. Greater cooperation can range from bilateral and/or multilateral agreements between EU states for example, the Franco-Italian and the Franco-German agreements, which if joined together, could foster greater intra/extra-EU growth. To achieve this, global entities, organisations and conglomerates are needed as well as EU policies for the supply and storage of raw materials, for technoscience and energy as well as for foreign and defence policies. While the EU must have strong internal cohesion, it is not a sufficient condition to carry weight internationally, even within a powerful but independent multilateral context.

I have already discussed 'Eurobonds', thus here I shall only add that the EMU and the EU are still a long way from having the clout of US Treasury bonds, not least because the latter are backed by the U.S. government. In 2021 government spending was 30% of GDP (and it is likely to increase in the years to come). Instead, the EU's budget is 1% of its GDP. I have also discussed global entities (organisations and firms). Next, I shall consider crucial aspects for the EU: critical raw materials, a common defence policy and relations with Africa.

In three articles *The danger of lacking 'critical raw materials' for Europe* (24 July 2021), *Raw materials, a question of dependency for Europe* (3 August 2021) and *Our raw material vulnerability: putting the euro into play* (16 August 2021), I express my grave concerns on the EU's almost complete dependency on imports, a situation that will intensify with the green transition and the growing need for "rare earth elements". The entailing risks of price hikes and shortages of raw materials will affect both manufacturing output and inflation.

That is why in *The danger of lacking 'critical raw materials' for Europe* (24 July 2021) I note that: *while China, endowed with raw materials and* rare *earth elements, is planning (even mortgaging) its sourcing on a global scale, [...] the EU [is] lagging far behind. That is why a new EU policy for Africa could serve three purposes: reduce migration, foster the development of a continent with explosive demographic growth, and secure the supply of raw materials without neo-colonialist deviations. [...] Next Generation EU, [suggests] a need that cannot be delayed and for which we must also prepare with a new global policy that promotes sustainable development*.

In *Raw materials, a question of dependency for Europe* (3 August 2021), I once again address EU-Africa relations, which are based on fair multilateral cooperation, and then focus on the raw material policies (or to be more precise, projects). I welcome the fact that at the end of 2020 the Commission published "Critical Raw Materials for Strategic Technologies and Sectors in the EU. A Foresight Study" on the critical raw materials needed for the transitions mentioned and for its strategic sectors with a view to 2030 and 2050. I note, however, that it is not *sufficient to point out that since 2011, every three years the European Commission identifies 'critical raw materials' based on their non-substitutability in European production and for which dependency on foreign countries is very high, with the consequent risk of supply disruptions. This risk increases when the global supplier is a de facto monopolistic producer. All of this, I reiterate, has been accentuated by the pandemic both due to the decrease or interruption of supply and by maritime transport problems*.

Faced with this situation, the EU Commission has drawn up a complex Action Plan on Critical Raw Materials, divided into various strategies and action programmes, that can be grouped in two broad categories: intra-European and extra-European.

The European Raw Materials Alliance (ERMA) was emblematically launched to improve cooperation between producers and users, for innovation in both extraction and re-use and for other initiatives including using 'Copernicus' – the global monitoring for environment and security programme – for resource exploration and site operation. They also call for more international partnerships for sourcing critical raw materials. In my view, however, the EU's gap remains quite serious.

In order to increase the speed with which the EU can bridge the gap, I return to my proposal (already mentioned in multiple contexts) of coordinated interventions by the EU and individual Member States (not only) in Africa for: *greater cooperation between the Multilateral Development Banks, including the two European Banks (EIB and EBRD) and the Chinese Asian Infrastructure Investment Bank (AIIB), which has an impressive number of shareholders including France, Germany and Italy. Europe should always support a form of multilateralism that upholds the UN and its Sustainable Development Goals. In this way, we can avoid sliding from declining neo-liberalism to rampant neo-protectionism or disguised neo-colonialism, when promoting co-development in Africa, which is crucial for the EU.*

Turning now to the prices of raw materials, I may point out that they clearly depend on scarcity, but also on market fluctuations, speculative pressures and the currency in which they are fixed, i.e. the US dollar (USD). Hence, there are many factors that need to be considered: scarcity of raw materials, few sources, dependency on the USD, too little foreign policy.

That is why in *Our raw material vulnerability: putting the euro into play* (16 August 2021), I argue that: *if Europe is going to actually start many partnerships with producer countries, it should set prices in euros and thus take our currency one step further in making the EU the third global political and economic player. China is doing this with partnerships in kind (infrastructures or loans against raw materials) and it is* *also clear that it will try to make the Renmimbi the currency of the 'Global South'.*

The EU is quite vulnerable and 'is demonstrating' that it does not have (or does not want or does not know how to manage) its own sovereignty when it comes to matters of having a unified policy to support the development of countries from the 'Global South', international security or defence.

On the first point, in *G20 and development banks so as not to abandon Afghanistan* (25 August 2021), I sustain that it was a mistake to abandon the decades of effort invested toward that country's development, which had brought obvious results because: *over the past twenty years there have been significant interventions by the United Nations, the World Bank and the EU itself to create the foundation for lasting socio-economic development, even if it was not yet self-sustainable*. I once again wish to stress that the EU has a number of powerful development banks that could be further strengthened to assist it also in terms of foreign policy.

Regarding the second point, in *A common defence policy. Why the EU pays so much but counts so little in NATO* (2 September 2021), I state: *the EU will find its rightful international role only if its vision and actions are complementary to development cooperation*.

Looking at costs: *NATO costs around $1.1 trillion which is equivalent to 56% of global military spending ($1.9 trillion annually). The United States, the United Kingdom, Germany, France, Italy and Canada together account for 90% (about $995 billion) of total NATO spending and 50% of global military spending. The EU-27's total expenditure (including non-NATO expenditure) was $232.8 billion. Therefore, both directly and indirectly (since 'NATO control' is almost always present!) their input is considerable, even if not comparable to the US's, which is $778 billion. Various estimates forecast that a greater degree of integration of military expenditure, in particular by France ($53 billion), Germany ($53 billion) and Italy ($26 billion) – which account for 58% – would considerably* *reduce costs linked to duplications for the same collective defence (from $25 billion to $100 billion!).*

The EU lacks coordinated defence spending, which includes managing industry and technoscience for this purpose, which has, among other things, a strong civilian spin-off. While there are various defence cooperation initiatives at the institutional level, unfortunately they are small. Nonetheless, their qualitative aspects are important since the aim is to stimulate investment in the European defence industry and R&D, even for SMEs.

In February 2021 the EU adopted an important initiative, the 'Action Plan on synergies between civilian, defence and aerospace industries'. This initiative aims to promote European innovation by identifying and exploiting new critical technologies in common areas of interest to civilian, defence and aerospace industries.

There are cases of 'misguided' government opposition (which caused, for example, the naval sector merger between STX of France and Fincantieri of Italy to fail), but also of positive examples: *such as the French conglomerate MBDA, world leader in missile systems, which includes the Airbus group (37.5%), BAE Systems (37.5%) and Leonardo of Italy (25%). Only a European vision and approach complementary to its development cooperation initiatives (which Prodi mentions with regard to the African Union) can provide the EU with an international role consistent with the size of its economy.*

3.4. Problematic Conclusions: observations, innovations, challenges

I have repeatedly expressed my great appreciation for the EU's innovative approach in responding to the pandemic; nonetheless, I have also highlighted a series of challenges that need to be clarified and addressed with both existing and new tools. I indicate three strategies to which I will return in another context for a more thorough evaluation.

The first strategy concerns *hybrid cooperation*, intended as a precursor to, and not a sub-category of, strengthened cooperation. According to the EU Treaties, enhanced co-operation is permitted if at least nine EU Member States join for the purpose of enhanced integration in general or in a specific area, when it becomes clear that the EU is unable to pursue it within a reasonable timeframe. The currently needed hybrid cooperation could get underway with bilateral treaties between France and Germany and France and Italy. I have often discussed this since 'hybrid' aggregation in terms of GDP represents 64% of the EMU (55% of the EU) and in terms of population 61% of the EMU (47% of the EU).

The second strategy regards *functional entities* (agencies, organisations, enterprises), some exist and have been successful (like the EIB), while others need to be created (or transformed). In a global economy made up of oligo-monopolistic giants, the idea of competition rules being dogmatically applied by representatives of small European states is completely out of touch with the challenges of the 21st century. Significant investments and large-scale enterprises are needed in specific sectors such as healthcare, technoscience (where the EU already has some big 'platforms'), energy and hyper-engineering. Functional entities in strategic sectors like defence, raw materials and energy could also be backed by large public-private holdings. Conglomerates, similar to Airbus – a worthwhile even if a bit 'outdated' structure – could be established.

A third strategy concerns *EuroUnionBonds*. The 'Eurobonds' issued by the Commission are a great innovation but have at least three weaknesses. First, they are limited in time (issuance ends by 2026, but they can have up to a 30-year duration). Second, they are only used to finance the NRRPs, whereas they could be used to finance functional or sectoral investments, especially for the EMU. Third, they are only guaranteed by the European budget and not also by their own revenues and paid-in capital. To overcome these weaknesses, the official gold reserves could be used as collateral. The sum of the German, Italian and French gold reserves is 8,247 tonnes. This significant amount corresponds to approximately 80% of the EMU members' total gold reserves (10,265 tonnes) and it is more than what the U.S., the world's leading nation, holds (8,133 tonnes). It would give the ECB a greater degree of freedom since it is currently overloaded with government bonds that could be substituted by 'Eurobonds'. The issue of gold reserves has a unique history and could beg the question of why a considerable amount of Europe's gold ingots are physically held in the United States.

A last strategy concerns *common defence* policy which, combined with the previous strategies, could transform the EU into an independent player within the existing multilateral framework and help depolarize the confrontation between the US on the one side and China and Russia on the other. This theme should be explored further also in connection to EU-Africa relations, which is crucial for the supply of raw materials – a critical area in which the EU is severely deficient.

My preliminary conclusion could be seen as a cultural provocation. In my article *Luigi Einaudi's idea of a Federalist Europe is still contemporary today* (30 October 2021), I pay tribute, on the 60th anniversary of his death, to a great man, scholar, statesman, former President of the Italian Republic and leading pro-European since 1897. Einaudi was a federalist, but also a confederalist and a functionalist. He was well aware that European integration represented an epochal transformation. Therefore, a non-opportunistic and pragmatic approach was needed to build, with the right timing, a European democracy as the new model for European development.

Luigi Einaudi, even when President of Italy (1948-1955), never lost sight of the importance of rebuilding post-WWII Italy on the foundation of European integration. This great man bolstered Article 87 of the Constitution, that states: "The President of the Republic is the Head of State and represents national unity". And President Sergio Mattarella fully embodied the article during his seven-year term from 2015 to 2021.

A number of Italians have held European institutional roles in the 21st century with an Italo-European mindset. The main ones are Romano Prodi and Mario Draghi. Prodi, during his presidency of the European Commission saw the Euro introduced as Europe's single currency and the EU's eastward enlargement, while the adoption of a 'European Constitution', backed by significant support from Giuliano Amato was not successful. Draghi, as President of the ECB, built the EU's monetary policy during its worst economic and financial crisis.

This third decade, which has just begun, presents a very challenging scenario, not simply caused by the pandemic, but also due to the authoritarian inclinations of various countries in Eastern Europe and the structural problems underlying the EMU, the EU's economy and its institutions. Furthermore, the growing tensions between the United States on the one hand, and Russia and China on the other must be taken into account. A strong and independent Europe does not yet exist, and the two macro-poles are aware of this and may not wish to see it strengthened, which could potentially lead to very dangerous consequences for the EU and EMU.

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[1] Although in 2017 *Huffington Post* changed name to *HuffPost*, we continue to use the former name with which it is generally referred to in Italy.

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Finito di stampare nel mese di aprile 2022
presso Tipografia Casma, Bologna

Italy responded relatively positively to the health, social and economic crises caused by the pandemic thanks to its production system, strengthened in recent years, especially in certain areas. Europe has adopted an unprecedented stimulus package to support and relaunch the EU's economy with Next Generation EU and national recovery and resilience plans. Within the context of European integration, for the first time 'Eurobonds', issued by the European Commission, have been introduced to finance reconstruction and recovery. However, more is needed to guarantee equitable and sustainable development and consolidate a place at the table with the two contending trade giants. *A 'new' paradigm exists, but the transition must be 'governed'* is the English translation of the slightly revised Introduction found in *Una nuova Italia in una nuova Europa. Purché si governi la transizione*. It provides a summary of the in-depth assessment of European and Italian current economic events and economic policies provided through more than 70 analytical newspaper articles written by Marco Fortis and Alberto Quadrio Curzio from October 2020 to early November 2021. The articles cover a vast range of issues on the ongoing health, economic and social crises and the myriad ramifications and opportunities created by the Covid-19 pandemic in the EU and Italy, as well as an initial assessment of how the Draghi government restored confidence at the European and international level by, among other things, tackling the vaccination campaign and developing Italy's National Recovery and Resilience Plan. The aim of this booklet is to provide a broader audience with an overview of the analysis of the current economic and political events at the European level and in Italy provided by the authors through their articles.

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ISBN 978-88-15-29974-1

9 788815 299741

€ 8,00