

# Italy 2030: how to stop the decline of the country

(proposal for fellowship research program at the Harvard Kennedy School of Government)

## Premises

Despite the great potential of the country and its people, current Italian landscape is characterized by the following:

- politicians with very short-term horizon, focused on next election only
- political debate has gotten “personal”; not addressing issues of national interest
- politics and politicians lost credibility; unprecedented lack of leadership
- past mistakes and current crisis, together with globalization process, raise several economic challenges and severely undermine future of young generations
- key economic trends are not promising: rising public debt, slow growth, increasing unemployment (specifically youth), aging population, poor infrastructure, increasing gap North/South, low social mobility, negative balance in global competition for talent
- widening gap between politicians’ actions and economists’ recommendations
- young generations are increasingly frustrated and disaffected with politics; politically less organized than older generations, their aspirations are not protected by politicians
- young generations have no dreams on their future, which reveals a society in decline

*There are premises for a political vacuum and unprecedented and fertile ground for change*

## The project

Focus on key economic topics and main reforms needed to stop the country’s decline by:

- gathering and analyzing the necessary economic and statistical data
- interacting with economists, government and business leaders, to collect their views
- summarizing existing issues, making them simple to understand and communicate
- understanding and explaining what prevented politicians from taking effective actions
- explaining long-term importance of addressing issues, although it may be unpopular
- providing possible solutions/policy advice and outlining strong and logical arguments in order to create broad consensus around them and facilitate implementation

## Key areas of analysis

**Public debt and deficit:** public debt and deficit, respectively 119% and 4.6% of GDP in 2010, drag economic growth and undermine future of young generations. Recent international financial crisis and increasing pressure on Eurozone make debt/deficit issues even more compelling.

**Labor market:** unemployment rate of 8.7% rises to 29.8% in 15-24 age group and to 42.2% among women in the South. Politicians have favored older generations - better organized politically - over young ones: ratio between unemployed in the 15-24 and 25-64 age groups is the highest in Europe (i.e. 4x versus 2.4x in Eurozone and 1.4x in Germany). Return on education (i.e. quality of the job and compensation) is very low.

**Fiscal pressure & “black economy”:** tax evasion and elusion create distortions in income distribution and undermine credibility of fiscal authorities (“black economy” of €255bn on total GDP of €1,500bn); high fiscal pressure drags growth (highest “real” tax pressure in Europe with 52% of GPD net of “black economy”).

**Pension system:** current system not sustainable. Young generations bear high pension contribution burden and will receive low pensions. Reforms in the ‘90s were very shy and young generations were not the priority.

**Liberalization:** in the country of professional associations and regulations, liberalizations are badly needed in many sectors, such as telecommunications, transportation, energy, banking, local public services. Also many “advantageous positions” need to be removed (e.g. notary public, lawyers, CPAs). Politicians are afraid of taking actions and lose votes short term. Area that allows to stimulate growth without increasing public spending.

**Civil justice:** Justice delayed is justice denied. Malfunctioning and lengthiness of civil justice (average of ten years for a sentence) has negative impact on overall economy and on ability to attract investments.

**Infrastructure:** poor quality of physical infrastructure (transportation, energy, waste management, etc.) in certain parts of the country prevent investments, labor mobility and ultimately economic growth. Slow build up of technological infrastructure is becoming a competitive disadvantage vis-à-vis other countries.

**Social mobility/Education:** traditional cultural environment not favorable to social mobility (family name and status perceived as more important than individual achievements). Lack of social mobility deeply rooted in education system (few merit-based scholarships; key education choices must be taken already at age 12; only 10% of those whose parents have HS diploma receive College degree vs. 35% in France, 40% in the UK).

**Immigration:** need to redesign immigration policy, focusing on current and future economic implications (labor market, pension system, tax income, social mobility) and leveraging on potential upsides.

## The angle

Candidate distinctive contribution to research would be the following:

- academic background in economics: basic skills used for data gathering and analyses
- more than 15 years of Investment Banking in the U.S. and Europe (and nearly 20 of business experience): professional and international track-record will translate in pragmatic/business approach and problem solving attitude in analyzing issues/topics
- objectivity and unbiased concern for the country's future as candidate is not beholden to anyone or any party platform
- significant personal national and international network which will facilitate:
  - o interaction with economists, policy makers, government and business leaders, to gather feedback and ideas to make research work more effective and focused
  - o suggesting policies and pushing messages through multiple available channels: education associations, Italian entrepreneurs and business leaders (professional network, Cavalieri del Lavoro), opinion leaders (World Economic Forum, Aspen Institute, Council U.S. & Italy, Chatham House), media

Possible solutions/policy advice should:

- emphasize some of the untapped and/or underappreciated resource that Italy possesses and of which candidate has direct experience due to his background (e.g. families' private savings, public-private partnerships, SMEs, industrial districts model, information technology, social mobility, young talent, women participation)
- leverage on Italian individuals' and private sector's virtues (often linked to family values) applying them, when possible, to public administration (historically families have instead "replaced" the Government and compensated for its deficiency and inadequacies)
- address as much as possible young generations needs and aspirations

## Fellowship characteristics

Timing: from September 2011 to May 2012 (with clear intermediate steps/milestones)

Location: John F. Kennedy School of Government, Harvard University

Type: in-residence fellowship with participation to life of the School (seminars, conferences, lunches, student activities)

flexibility to audit select courses at Kennedy School and Department of Economics

Financing: fellowship would be self-financed

## Goals

Short term (one year):

- publish research work upon completion in English and Italian
- publish a selected number of articles and interviews on major newspapers throughout the year to create momentum (verbal agreement with two Italian newspapers)
- present research work/book in Italy, Europe and in the U.S.

Medium/long term:

- create a credible and well grounded platform for public policies
- select and refine powerful messages to push through formal and informal channels; messages have to be effective and easy to understand and communicate
- fight cultural environment of "passive acceptance" of problems by the people, which has historically been one of the concurring factors against change
- create consensus on key issues as well as on viable solutions
- influence, directly or indirectly, Italian political future

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