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The European industrial challenge and the Italian NRRP

PAOLO MARANZANO, MARIO NOERA, and ROBERTO ROMANO

Abstract:

This paper investigates the consistency of the Italian National Recovery and Resilience Plan with the economic and industrial policy objectives outlined in the "Next Generation EU" plan and the European Commission's New European Industrial Policy. We analyze official policy documents in order to highlight some macroeconomic impact indicators with respect to the mission-based allocation of European and national financial resources. The New European Industrial Strategy is particularly challenging; industrial objectives outline a structural challenge capable of reshaping much of the industrial structure and strengthening critical value chains, especially in key sectors. Such an economic challenge requires clear strategic priorities in order to guide the economic transition. In this context, the Italian plan is particularly relevant since it brings together the largest share of European resources. The essay analyzes in detail the allocation of resources of the Italian NRRP, which—while formally adhering to the European guidelines—fails to address the priorities outlined by the EU-wide industrial strategy.

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"Reformists are aware that, along with being derided by those who consider them to be incorrigible stopgaps (or seem to think that they are perpetually beating a dead horse), they are derided by those who think that there has never been, nor will there ever be, much to reform, since everything is automatically provided for by the market, as long it is allowed to operate without unnecessary hindrances, which include reformist measures. Reformists, being generally well educated, perfectly understand the roots of this kind of hostility to any type of change aimed at creating institutions that can improve things." (Caffè, 1990, our translation)

This paper investigates the Italian *National Recovery and Resilience Plan*—hereafter NRRP (Governo Italiano, 2021)—with respect to the economic and industrial policy objectives outlined in the European plan *Next Generation EU*—hereafter NGEU (European Commission, 2021b)—and *New European Industrial Policy* (European Commission, 2020d). The objective of this paper is to analyze the official policy documents in order to highlight some (macroeconomic) impact indicators with respect to the mission-based allocation of European

and national financial resources. Estimates of the economic impact of the NRRP through modelling, which other authors have dealt with in detail, are not the focus of the essay. In fact, at present there do not seem to be any documents available that analyze the structural coherence between the NGEU and the NRRP—concerning industrial policy in particular—nor does there seem to be any documentation on the challenges related to digitalization and the environment. Other works analyze the economic impact of NGEU resources on the leading macroeconomic indicators, such as GDP, inflation, employment, etc. (Canelli et al., 2021; Ferrero et al., 2021) and structural reforms linked to the NRRP: all subjects which deserve further research. For a comprehensive discussion of the reforms connected to the Italian NRRP, see the report by Ciapanna et al. (2020) on the expected outcomes of the public administration reform, justice reform, simplification, reforms to promote competition, and tax reforms.

Instead, the main goal we wish to achieve is that of providing some additional insight in order to make the NRRP and its economic implications clearer. These implications must be weighed within the European and global framework. As such, we will be examining the Italian NRRP according to the EU objectives and guidelines (European Commission, 2020c). The analysis considers both qualitative (i.e., which goals and which projects are included) and quantitative perspectives (i.e., the number of resources allocated for each mission and specific projects).

The objectives for the techno-economic transition of European industry that guide the *New European Industrial Strategy* (European Commission, 2020d) are particularly challenging. The European document aims to bring back production of specific sectors within the EU (p. 2); to consolidate industrial value chains (p. 3); to strengthen critical digital infrastructures (p. 4); to create a global strategy for sustainable and intelligent mobility (p. 9); to build a public-private partnership to support industry and develop the technologies needed to achieve its goals (p. 12). The (partial) list of European economic and industrial objectives outlines a structural challenge capable of reshaping much of the industrial output and strengthening critical value chains, especially in certain (strategic) sectors.

This contribution should also be of interest to an international audience, since Italy is the largest beneficiary of EU funds, while other countries only use subsidies (France, Spain, and Germany). The success or failure of the Italian NRRP could also condition European policies in the near future, i.e., the possibility of implementing European economic policies to remove the structural constraints of individual countries that would otherwise limit the economic policy choices related to the rewriting of the Stability and Growth Pact.

Although the financial resources appear modest—especially compared to the Biden Plan—the European economic and industrial policy framework seems quite detailed. The framework demonstrates the potential for a new technical and economic paradigm in terms of environmental and technological objectives. It is therefore not surprising that the economic effects of the financial resources linked to the Italian NRRP are not homogeneous and reflect the analytical and technical difficulties regarding the variables considered, the models used, and the need to standardize the behavior of households and businesses in the medium term after a year and a half of the Covid-19 pandemic. Indeed, it is difficult to estimate what the economic impact of the NRRP resources will be, as this impact also depends on major structural change. Public statistical offices and other research offer a wide range of growth estimates with respect to the percentage deviation of GDP from the baseline scenario. According to ECB estimates (Bańkowski et al., 2021), public investment from the NGEU could increase real output in the euro area by about 1.5% of GDP in the medium term; increasing current

expenditure, infrastructure investment and investment in knowledge and R&D change the growth estimates (ISTAT, 2021), to zero, 1.1% and 4.5%, respectively, in 2026. The Parliamentary budget office (Ufficio Parlamentare di Bilancio, 2021), which assumes that at least 60 percent of the additional resources are allocated to investments, 20 percent to tax breaks for business, and the remainder to subsidies and current expenditure, estimates the expansionary effect on GDP in 2021-22 at around 2 percentage points, thanks to the stimulation of domestic demand, especially through investment. The proposal for a Council implementing decision on the approval of the assessment of Italy's recovery and resilience plan (European Commission, 2021e) estimates GDP growth of 2.5% by 2026. Other studies estimate an even lower GDP growth than that estimated by major public research institutes (Canelli et al., 2021).

Variat et al. (2020) offer a working method for tackling major paradigm challenges. The NRRP was supposed to be based on a prior study of Italy's economic and industrial positioning compared to that of other leading European countries—i.e. France, Germany and Spain. This work has not been done, and evidence confirms that the NRRP should have produced different results. As we will see later in more detail, the Italian NRRP concerns many (too many) projects without any evaluation of their specific impact on socio-economic factors or the climate. Above all, the NRRP has neither investigated nor addressed the structural gaps that influenced the growth of employment, GDP, and welfare in the past. Since the NRRP simply focuses on the share of energy production obtainable from renewable sources as the only discriminating factor, without considering how and where the needed technologies are designed and produced, it misses the opportunity to fully ensure the expanded use of renewable energy.

The framework of European industrial policy and the aims of NGEU remind us of the need for structural and evolutionary approaches to economic change, which require that issues traditionally addressed in the modeling of equilibrium growth be overcome. This implies a structural approach that evokes the economic discontinuities resulting from major technological changes and an evolutionary approach is suggested that highlights how the interdependent components of the economic system can reciprocally generate new structures (Scazzieri, 2018).¹

The rest of the paper is organized as follows: the first part outlines the main features of the European and American debate, as well as the main missions of the Italian NGEU and NRRP. The second part analyzes the economic impacts per component of the national NRRP. The third part draws some conclusions on the nature of the economic and institutional change underway and underlines the inadequacy of the Italian NRRP to deal with said change.

1. The response to the crisis

The pandemic has changed traditional economic policies and, as a result, all countries have implemented income support policies. The US launched a series of unprecedented recovery packages amounting up to \$6 trillion, financed in part by new debt and in part by tax increases on corporations and the country's wealthiest individuals. The main three pillars of these measures are: 1) the American Rescue Plan, which consists of direct transfers to individuals, families, businesses, and local governments to support economic recovery; 2) the American

¹ To properly illustrate the complexity of development, we suggest two important readings by Leon (1965) and Gallegati (2021).

Jobs Plan, which includes investments in physical infrastructure, broadband, electric vehicles, research, and a robust expansion of elder care; 3) the American Families Plan, which aims to expand the welfare state for the most vulnerable by investing in education and providing assistance to families, including child care. These measures lead to increased domestic demand in the United States, as well as a stronger overall economic structure. The Chinese administration has continued to invest in knowledge and know-how to meet the qualitative and quantitative evolution of domestic demand; the contribution to GDP growth of the foreign balance has been steadily decreasing from 2.4% in 2000 to 1.5% in 2019, while investment has been rising from 33% of GDP (2000) to 43% of GDP in 2019 (Macis, 2021), accompanied by significant growth in domestic consumption (7.7 percentage points on an annual basis).²

The depth of the crisis caused by the pandemic has forced European institutions to consider initiatives that have no historical precedent. The measures and instruments adopted mean that the European budget and the European Commission have an unprecedented level of responsibility. The European plan (European Commission, 2021c) aims to inject almost €800 billion (De la Porte and Jensen, 2021) into the market by the end of 2026, of which €250 billion will go toward so-called green projects (equivalent to 30% of European bonds), reimbursable between 2026 and 2058, together with the possibility of including autonomous revenues of 50% of its budget from a new joint tax base on financial transactions and CO₂. While the European Commission has been quick to emphasize the fact that the financial resources being made available to individual states are a one-off, European budgetary policies, particularly the NGEU (Next Generation EU) financial resources amounting to almost €750 billion, outline a new techno-economic paradigm. These resources are accompanied by the EU's new multiannual financial framework (MFF) for the 2021-2027 period, amounting to €1074.3 billion for the EU-27 in 2018 prices, including additional investments provided by the European Development Fund (Crescenzi et al., 2021; European Commission, 2020b). Furthermore, the European Commission has also outlined the need to make the tax system more harmonious (European Commission, 2021a), taking into consideration the (growing) role of digitalization, new business practices, and a corporate tax scheme in a comprehensive EU tax agenda.

The European plan (European Commission, 2020a, 2020c) defines six missions (horizons):

- 1) green transition, which should receive at least 37% of all resources;
- 2) digital transition, amounting to at least 20% of all resources;
- 3) smart and sustainable growth;
- 4) social and territorial cohesion;
- 5) health, economic, social, and institutional resilience;
- 6) policies for new generations, children, and young people.

These horizons underpin demanding challenges regarding the following (European Parliament & European Council, 2021)

- 1) productivity and macroeconomic imbalances;
- 2) health and welfare systems;
- 3) safeguarding key value chains and critical infrastructure;
- 4) access to essential raw materials;

² Our elaboration on OECD stat data. Quantities are measured in millions of 2015 US dollar. Data extracted on June 3rd, 2021.

- 5) strategic independence, diversification, and resilience of crucial economic ecosystems;
- 6) improving connectivity.

While the overall framework is challenging, the guidelines and, in particular, the so-called flagship projects (European Parliament & European Council, 2021), introduce additional structural ‘constraints’:

- 1) favoring clean and renewable technologies;
- 2) incentivizing energy efficiency in buildings;
- 3) developing sustainable transport and sustainable charging stations;
- 4) developing high-speed broadband services;
- 5) incentivizing the digitization of public administration processes and documents;
- 6) improving the cloud capacity of data and energy processors; and
- 7) encouraging education, training, and support for people acquiring (new) digital skills.

These recommendations are coherent with the “new European industrial policy” (European Commission, 2020c). The cornerstones of this strategy are to protect industrial value chains (in particular those related to energy-intensive sectors) and re-locate key manufacturing industries to EU member countries; pursue a secure and affordable supply of clean energy and raw materials; adapt chemical and heavy industries to environmental challenges (for example, the move toward zero carbon emissions) and consolidate the renewable energy industry; define a comprehensive strategy for sustainable and smart mobility; enhance industrial capacity in critical digital infrastructures, and stimulate investment in competitive sustainability across the financial system.

This unprecedented re-structuring process will require new technologies—and an appropriate level of investment and innovation; create new products, services, markets, and business models; shape new types of jobs, requiring skills not yet available; and require a transition from today’s linear production to a circular economy” (European Union, 2020).

Taking recent history into consideration, it is legitimate to doubt the intentions and the actual capacities of EU countries to implement such ambitious policies. We cannot forget the ill-conceived policies of the last decade, but to claim that there are no relevant innovations would be unfair. In some ways, the NGEU program clashes with old austerity measures, since it tries to implement new (somewhat ‘humanized-friendly’) instruments (Antonucci and Corti, 2020). No single country in the Eurozone has a large enough population, knowledge base, and public economy compared to the big international players—such as China and the US—to be able to rewrite an essential part of the post-pandemic economic-geographical landscape on its own. The clearer this becomes, the more likely it is that Europe will become an active player in the global arena, strengthening regional policies in order to activate new territory-specific technological clusters (Brondoni et al., 2020).

Resistance to change comes from individual countries more than from European bodies: the former continue to prioritize national goals and interests, losing sight of the importance of broader international goals. In this context, the EU should take advantage of the opportunity created by the pandemic and environmental transition to counter the economic decline of some of its geographic areas, particularly the southern regions, which is due to the loss of competitiveness and the absence of shared industrial policies.

2. Economic impacts of the NRRP by component

In April 2021, Italy presented its *National Recovery and Resilience Plan*. The European Commission has given a positive assessment to both the overall plan and the annexes related to fiscal-structural reforms (European Commission, 2021d)—in particular to the reforms related to the fight against tax evasion, the spending review, the simplification of public procurement procedures, the reorganization of the public administration and the efficiency of public services, the enhancement of competition, and the modernization of civil and administrative justice.

Although Italy's NRRP formally complies with European criteria for allocating resources, the plan does not prioritize the analysis of the country's economic structure. The gap between Italy and other European countries in terms of productive specialization could only be addressed by intervening in the economic sectors that have shown a slower growth over time, as compared to the European average (Variato et al., 2020), or through a definition of objectives and instruments capable of identifying and presiding over strategic sectors (Mazzucato, 2018). The latter approach emphasizes the need to organize public intervention as a set of mission-oriented strategies in which public bodies (both central and local) become the vectors for mobilizing patient capital (i.e. long-term funding) to achieve the desired objectives. This approach emphasizes the ability to make bold policies on the demand side that are capable of changing consumption and investment on the supply side, which should satisfy the emerging demand. For example, in Variato et al. (2020), the authors stress the need to use a sectoral approach to design and implement policies and investments, which must consider countries' real economic structures and productive specialization. This is done by analyzing the information available at the sectoral level (i.e., NACE statistics) on macroeconomic dynamics, labor market, technology, and R&D for Italy and other European countries. Based on the empirical evidence, the observed differences in the initial output levels, employment, technology, and wages between the countries analyzed could be addressed via NGEU funds, particularly in sectors where technology intensity plays a key role.

According to the Italian government, the NRRP should guide the country's economic and industrial policy between 2022 and 2026. Indeed, €191 billion from the European Recovery and Resilience Fund and €30 billion from the national supplementary fund, introduced by Legislative Decree n. 56/2021, represent a (unique) political opportunity to address the national structural constraints faced in the last thirty years; the allocation of European and national resources should aim for maximum return in terms of GDP growth, employment, innovation, and investment. The indispensable prerequisite for the allocation of these resources should be to analyze the national economic structure in order to concentrate financial resources on the missions and/or components that comparatively lead to higher growth in terms of income, employment, and investment, coupled with the need to meet European objectives in terms of the environment and digitalization. This is a matter of meeting European allocation criteria with respect to the environment and digitalization and adopting European industrial policy guidelines. The NRRP is lacking in this regard and is inconsistent with the objectives mentioned above, without taking into consideration the European objectives for CO₂ reduction—which are basically non-existent.

The breakdown of NRRP resources by sector of economic activity highlights the main instruments put in place by the plan: 61.8 percent of the resources are classified as public investment (of which 32.6 percent, or €59.7 billion, are dedicated to construction and civil

engineering works), 18.7 percent (€34.2 billion) are incentives for businesses in the form of tax credits, and 2.4 percent (€4.4 billion) are reductions in employers' contributions. Within the context of the digital transition, there is some funding for the '4.0 transition': more specifically, €9 billion in tax credits for companies buying 'generically' advanced machinery, and some additional tax credits for research and broadband cabling. Among the investments for the green revolution, the most significant commitment is the building eco-bonus (€14 billion), with only €6 billion dedicated to renewable energies and just €2 billion allocated for research and development—to be divided among all the green transition sectors (photovoltaic, wind and batteries for transportation and electricity sectors). Within the chapter—apparently of great strategic importance—entitled “Development of international industrial research and development leadership in the main transition sectors”,³ only €450 million are dedicated to the development of the hydrogen sector, considered to be one of the cornerstones of the European energy strategy (Pianta et al., 2021).

In order to assess the effectiveness of the NRRP, we only took into consideration the Italian government's impact estimates for GDP, investment, and employment growth. While several international and national institutes have estimated the economic effects of the NRRP concerning the dynamics of the variables mentioned above, we can analyze the congruity of the economic effects by investigating the government's estimates, with some caveats: the government's economic impacts are expressed in terms of deviation from the trajectories of the baseline trend scenario,⁴ and with respect to a subset of the projected funding (€183 billion out of €235 billion). This excludes projects that are 'already in place'. However, it must be noted that these investments are only 'in place' from the point of view of the formal process, not from the point of view of practical implementation.

We aim to address two main questions. The first is: is the allocation of the NRRP's financial resources the best way to make the country's economic structure more efficient? The second is: do the effects of the individual components maximize the growth of GDP, investment, and employment? In order to find an answer, we analyzed the components of the NRRP to check the efficacy of the allocations made by the government. In particular, we explored the sixteen major components of the NRPP, which in turn aggregate 61 individual projects and each project has around 218 specific investment items and around 50 associated reforms.

Starting from the simulations by component made by the government, we can analyze the economic impacts of the NRRP in two ways. Firstly, by examining the proportionality between the allocation of financial resources and the relative impacts of each mission/component on GDP and employment. Secondly, by attributing a quantitative weight to the instruments that the plan implicitly intends to activate. We have essentially broken down the resources by component as a percentage of the total and the expected effects of the plan on GDP, investment, and employment. The main findings are summarized in table 1 and figure 1. Both tools are built to provide a different view of the composition of the impacts of the model, without changing the absolute values estimated by the Italian Ministry of Economy and Finance (MEF).

³ Our translation of Pianta (2021, p. 139-158).

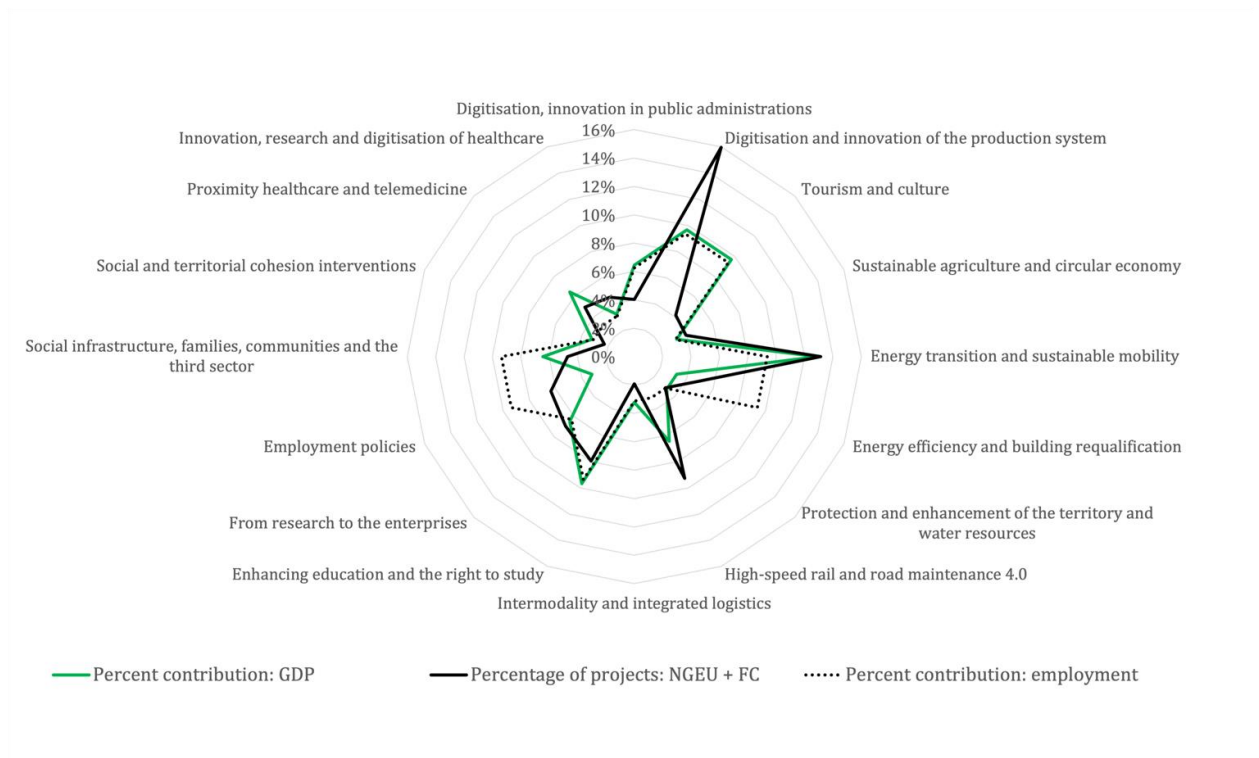
⁴ Macroeconomic simulations have been conducted with two widely different types of models, which are not directly overlapping: the QUEST model (DGSE type, Dynamic General Stochastic Equilibrium), while sectoral decomposition experiments are produced with the MACGEM-IT model (input-output SAM Social Accounting Matrix). On the characteristics of the first model, see European Commission (n.d.) and D'Auria et al. (2009). On the second model, see Ministero dell'Economia e delle Finanze (n.d.).

Table 1 – PNRR (April 2021), percentage contribution to the 2024-2026 period (MACGEM-IT)

		Percent contribution: GDP	Percentage of projects: NGEU + FC	Percent contribution: employment	Gross fixed capital formation (Δ from baseline)	Import (Δ from baseline)	Proportion of $\Delta\%GDP/\Delta\%Fin$	Proportion $\Delta\%Occ/\Delta\%Fin$
M1C1	Digitization, Innovation and Security in PA	6.5%	4.0%	6.3%	3.8%	2.1%	1.601	1.551
M1C2	Digitization and innovation of the production system	9.7%	16.0%	9.4%	6.6%	4.3%	0.606	0.587
M1C3	Tourism and culture	9.7%	4.1%	9.4%	6.6%	2.1%	2.338	2.265
M2C1	Sustainable agriculture and circular economy	3.2%	3.9%	3.1%	1.9%	0.0%	0.821	0.795
M2C2	Energy transition and sustainable mobility	12.9%	13.1%	9.4%	18.9%	10.6%	0.982	0.714
M2C3	Energy efficiency and building requalification	3.2%	4.6%	9.4%	2.8%	2.1%	0.694	2.016
M2C4	Protection and enhancement of the territory and water resources	3.2%	3.1%	3.1%	2.8%	2.1%	1.042	1.009
M3C1	High-speed rail and road maintenance 4.0	6.5%	9.3%	3.1%	23.6%	14.9%	0.695	0.337
M3C2	Intermodality and integrated logistics	3.2%	1.9%	3.1%	1.9%	0.0%	1.684	1.631
M4C1	Enhancing teaching and the right to study	9.7%	8.0%	9.4%	4.7%	2.1%	1.217	1.179
M4C2	From research to enterprise	6.5%	6.9%	6.3%	5.7%	2.1%	0.937	0.908
M5C1	Employment policies	3.2%	6.4%	9.4%	0.0%	0.6%	0.507	1.475
M5C2	Social infrastructure, families, communities and the third sector	6.5%	4.7%	9.4%	5.7%	2.1%	1.373	1.995
M5C3	Social and territorial cohesion interventions	3.2%	2.3%	3.1%	2.8%	2.1%	1.406	1.362
M6C1	Proximity healthcare and telemedicine	6.5%	4.9%	3.1%	7.5%	6.4%	1.306	0.633
M6C2	Innovation, research and digitization of healthcare	3.2%	4.5%	3.1%	3.8%	2.1%	0.712	0.690
	TOTAL	100%	100%	100%	100%	100%	1	1

Source: elaboration on NRRP data.

Figure 1 – Percentage contribution to the 2024-2026 period (MACGEM-IT)



At first glance, compared to the government's simulations on the effects of the NRRP, we observe a strong impulse on investments, but at the same time worrying negative effects on external accounts and a modest effect on the domestic consumption (which is even negative in the first three years).

To summarize, the radar graph (figure 1) demonstrates the following:

1. The digitization of the production system, which accounts for a large share of NGEU resources, shows a modest contribution to the growth of employment and GDP;
2. Even though high-speed railways receive a very significant share of financial resources, this sector has a limited impact on GDP and almost no impact on employment, and implies significant growth in imports;
3. The resources allocated to the energy transition and sustainable mobility sectors are compatible with the resulting growth in GDP, but these sectors have a more modest impact on employment, and lead to a considerable growth in imports;
4. Tourism and culture have a substantial impact on GDP and employment, but the resources allocated thereto are residual;
5. The effect that building renovation and energy efficiency has on employment and GDP growth is proportional to the expenditure allocated to this sector;
6. Labor policies have a more than proportional impact on employment, although more limited in terms of GDP growth;
7. The resources earmarked for territorial health and telemedicine create little employment and little GDP, with a strong dependence on imports.

What can we deduce from these MEF simulations? The relationship between the allocation of funds by sector and the economic effects thereof is not proportional. This demonstrates that some project components of the NRRP are characterized by a high propensity to import: their multiplicative effect on domestic demand and employment is dispersed abroad and eventually contributes to the economy of other countries. This aggregate evidence should have suggested paying more attention to our international position in the value chains (which is unfavorable on some strategic missions) and using this evidence as a compass to guide industrial policy (which is instead absent from the plan).

The Italian NRRP, by its own admission, allocates many resources to some sectors that do not contribute much to domestic growth, while it devotes relatively few resources to projects that show a higher contribution to GDP and employment. In addition, many resources are allocated to projects that activate foreign production chains to the severe detriment of domestic growth. The ordering criterion for allocating NRRP resources was not the multiplicative contribution of the various projects to economic growth, let alone employment. The NRRP does not take into consideration or analyze the country's strategic sectors. In fact, there is no industrial policy initiative to focus on and strengthen the national production sectors that show a significant technological backwardness, accentuating technological dependence on foreign countries. On this last point, it is worth emphasizing that, at the European level, this is one of the main concerns guiding industrial policy strategy. Indeed, one of the main objectives of the European industrial strategy is to reduce the strategic foreign dependence of key production sectors. The European Commission, accompanying its communication to the Parliament and the Council on industrial policy, offers an in-depth analysis of six strategic areas in the EU with dependencies—raw materials, batteries, active pharmaceutical ingredients, hydrogen, semiconductors, cloud and edge technologies (European Commission 2020b, 2021c). The Italian plan does not even lay out an organic industrial policy. Finally, in the NRRP there is no way of verifying, based on the evidence produced by the plan itself, whether this ordering criterion is in any way consistent with energy-environmental objectives (which are, moreover, at the heart of the European strategy).

3. Conclusion

This analysis of the Italian PNRR is not encouraging. Faced with a challenge and an opportunity that even the official rhetoric deems to be “unique and unrepeatable”, the Italian Government has produced a comprehensive and articulated list of expenses, topped off with a list of good, though generic intentions (reforms), without indicating specific strategies for actual systemic transformation. Browsing through the PNRR is like scrolling through the specifications of a home renovation without being able to understand the final shape of the house. The priorities underlying the entire PNRR seem to be an attempt to correct many issues within the economic-social system, by funding projects that had long been postponed. The plan is like a disorganized conglomeration of projects designed by a large public company, without any systemic direction. The whole thing seems to be held together only by the general awareness that modernization is long overdue, with the sole guiding principle being a potential increase in productive capacity through regulatory simplifications and reforms, and through economic incentives, rather than through demanding and binding industrial policy guidelines.

The plan is lacking in the awareness that, in reality, the challenge is another one: that is, to ensure compatibility between economic development, work, welfare, and environmental sustainability. This compatibility now seems impossible within the growth model pursued in the last fifty years. In other words, the improvements in productivity which the Italian PNRR seems to tout as a remedy for all ills is not in and of itself an adequate response. Modernizing the whole system is a necessary condition for improving the industrial framework, but it is not enough. Without radical innovations to production technologies and changes in consumption habits, GDP growth inexorably increases CO₂ emissions and environmental vulnerability and becomes incompatible with environmental sustainability. Moreover, without a reversal in its distribution, the increase of output alone does not guarantee the equidistribution of income. Unless investments are focused on sectors with the greatest potential and the creation of new integrated supply chains, they will not create more jobs or better jobs.

The challenge taken up by Europe, but evidently not understood by the Italian government, is that of setting objectives for a radical transformation of the economy and society, not that of reutilizing old mechanisms and limiting oneself to moderating the resulting negative consequences. The crisis resulting from the pandemic and the subsequent recovery plans mean that both the European Union and Italy have the opportunity to come of age when, for so long, they have refused to mature.

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