

**BOCCONI UNIVERSITY PRESS PRESENTS:**

## **“Recovery Pathways”: the difficult Italian convergence in the Euro Area**

*Analyzing the different phases that have characterized the evolution of the policy framework and the economic governance of the European Union and the Euro Area since the end of the global financial crisis (2007-2009), Italian economist Marcello Messori explains why Italy cannot miss the Next Generation EU opportunity to face the post-pandemic world. And start its difficult recovery pathway*

**Milan, June 2021** – The **Next Generation-EU** could be transformed into a powerful tool for the partial but irreversible centralization of the European fiscal policy, thus becoming the initial and crucial step toward an **EU complete union**. A difficult process whose success – according to the thesis illustrated by economist **Marcello Messori** in his new book, **“Recovery Pathways”** (Bocconi University Press, 2021) – widely depends on a Country which more than the others has wasted several chances for growth in the first decades of the century and cannot miss this new opportunity. In case of **Italy’s** misbehavior, the other member states would be justified to increase their pressure on the European Central Bank (ECB) and the European Commission to downsize the **ultra-expansionary monetary** and fiscal policies accelerating its current decline under the overwhelming burden of public debt. And pushing the project of a European fiscal union **farther than ever**.

Professor at the Luiss University in Rome, where he now holds the Poste Italiane chair on European Economic Governance, Messori has directed the **Luiss School of European Political Economy** from the foundation, in 2013, to 2020. “Recovery Pathways” collects the main results of this long and exciting experience, publishing 16 **policy briefs** analyzing the different phases that have characterized the evolution of the policy framework and the economic governance of the European Union and the Euro Area since the end of the **global financial crisis** (2007-2009).

This analysis, founded on a careful reconstruction of those “right” or “wrong” economic ideas that have “ruled” the European world until the **pandemic shock** (to paraphrase the final remarks of Keynes’ General Theory), is crucial to appreciate the importance of the ground-breaking initiatives undertaken by the European policy makers and institutions in **2020**: the ultra-expansionary monetary policy and the Next Generation EU, which are opening an unexpected scenario for the Italian economy, definitely the main beneficiary of both. Just thinking to the NG-EU, Italy is the recipient of roughly **€205 billion of funds** (around €82 billion in grants and €123 billion in loans).

Through the book Messori explains from a privileged view why Italy has wasted several chances over the first two decades of this century but **cannot fail now** to get ready for the post-pandemic world. Missing the opportunity provided by NG-EU would have particularly **serious consequences** for the Country now led by Prime Minister Mario Draghi.

*“If the opportunity was missed – Messori says – Italy would be unable to **overcome its bottlenecks** and to follow a path of reform and convergence despite the extraordinary European aid. The majority of the other member states of the EU and the Euro area would react by increasing their pressure on the European Central Bank and the European Commission to downsize the ultra-expansionary monetary and fiscal policies. Hence, the ECB’s massive purchases of government bonds would gradually diminish, the Targeted Longer-Term Refinancing Operations and temporary easing of banking regulation would slow down, the NG-EU would remain a **one-off initiative** rather than the first step in a process of fiscal union, and the possible new fiscal constraints replacing the Stability and Growth Pact (for example, the Expenditure Rule) would be even more severe for countries with excessive public debt and low growth potential. Italy would thus accelerate its decline under a public debt which, at that point, would become unsustainable”.*

An appropriate utilization of the funds offered to Italy by NG-EU would remove these gloomy results and open a demanding but promising scenario: the opportunity of a sustainable development to converge toward the core of the EU. The Italian “recovery pathway” so crosses the European one for a stronger unity, with the NG-EU being transformed into a powerful tool for the **partial but irreversible centralization of the European fiscal policy**.

According to the author, this further possible **improvement in European economic governance** is quite challenging for at least three reasons: *“First, it would require radical changes in the EU centralized constraints of the national fiscal policies (the Stability and Growth Pact currently based on the Six Pack and the so-called Fiscal Compact). Second, it would imply the irreversible overcoming of the main principles characterizing the “market social economy” approach, since the responsibility for fiscal policy would be gradually transferred to the union level on a risk-sharing basis and the borders between fiscal and monetary policies would progressively become more nuanced. Third, given that a fiscal union should incorporate – sooner or later – centralized taxation, the old constitutional principle of “no taxation without representation” would lead to some form of political union”.*

If Italy and the NG-EU experiment succeeded, this **innovative perspective** in European governance could become a reality in the years to come.

**ABOUT THE AUTHOR:**

**Marcello Messori** holds the Poste Italiane chair on European Economic Governance at Luiss, Rome. He directed the Luiss School of European Political Economy from the foundation, in 2013, to 2020.

**DETAILS:**

Bocconi University Press - pages 304 - € 40,00

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