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1. Introduction

The extraordinary funds made available by Next Generation-EU (NGEU), and - in particular - by its most important program (the Recovery and Resilience Facility: RRF), open up great opportunities for the European economy and society. To access the RRF funds, each member state of the European Union (EU) had to launch a national Recovery and Resilience Plan (RRP) which specifies the projects (i.e. the combination of reforms, public investments and support to private investments) to be financed with those funds and to be implemented by 2026 according to predefined and binding deadlines and procedures. If the implementation of these national Plans is successful, solid foundations will be laid for those ambitious ecological and digital transitions of the EU, which were at the heart of the settlement program of the European Commission, chaired by Ursula von der Leyen, and which have become the central objective of the NGEU and the RRF.

Combined with efforts for greater social inclusion, the accomplishment of these transitions would strengthen economic convergence within the EU with positive effects on GDP growth rates, corrections of the main existing macroeconomic imbalances and the reduction of social inequalities. Furthermore, this accomplishment would reproduce the important role played by the EU in the international markets. Finally, in the medium term, the temporary centralization of fiscal policy induced by NGEU could become the first and crucial step for the permanent centralization of fiscal policy at the European level and for the related achievement of European integration. It follows that NGEU and RRF are the foundation of future European social well-being here assimilated to the achievement of sustainable development defined by three dimensions: an environmental dimension, focused on reducing CO2 emissions and strengthening the "circular economy;" a social dimension, focused on safeguarding employment, on a more equitable distribution of income and on a pervasive fight against poverty; and an economic dimension, focused on a process of growth to be attributed to the introduction of innovations and the positive dynamics of the different forms of productivity.

[1] This paper elaborates both the outline of my presentation at the "Ecological transition, digital innovation and social inclusion" Conference, held in Villa Monastero, Varenna on September 16-18, 2021 and parts of the text "Not only opportunities. Some weak points of the Italian RRP," which was published in Italian (November 2021) as a Policy Brief of the Luiss School of Government. An Italian version of this paper will be published in *Astrid Rassegna*.

The pursuit of these three dimensions through the national RRP is a particularly challenging goal for Italy. As is known, while enjoying a position of relative strength in terms of the "circular economy" and the development of sustainable energy, Italy is the large EU country which - in the last twenty years - has recorded the lowest incidence of productive investments in digital technologies, the worst dynamics in total factor productivity and labor productivity, the most significant aging of the population and the lowest participation rate of the working age group, a substantial wage stagnation, a significant polarization in the distribution of income and a significant increase in poverty. At the macroeconomic level, all these weaknesses have resulted in a succession of phases of stagnation or heavy recession. On the other hand, Italy is the EU country that is experiencing one of the strongest economic 'rebounds' in the transition phase after the pandemic depression (around 6.5% in 2021); moreover, Italy is benefiting from the largest absolute amount of funding from NGEU and RRF and is planning - unlike all the other large EU member states - the full use of this funding (both in the form of loans and benefits). Therefore, as will be specified in the course of this paper, the success of the Italian RRP is a necessary condition for the success of the RRF at the European level.

In what follows, we will examine the general challenges posed by NGEU and RRF to European economies (see Section 2) and, in particular, to the Italian economy (see Section 3). Attention will then be focused on the further specificities characterizing the choices of the Italian government: to bet on substantial increases in public spending in order to restore a satisfactory path of economic growth (see Section 4). This bet, although perhaps inevitable, will be at high risk, especially if there is no effective and efficient implementation of all the components of the Italian RRP (see Section 5). The probability of meeting the ambitious objectives of Italy's RRP increases with a good governance design and with adequate attention to the training of human resources and to social cohesion (see Section. 6). The Conclusions emphasize that, if this does not happen, Italy will be in an even worse condition than the one in the pre-pandemic phase.

2. The challenges of the ecological and digital transitions

The ecological and digital transitions designed by the RRF pose very demanding challenges for all European countries. In order to reduce the lags in the digital innovation of the EU compared to the United States and China and to meet the 55% cut in CO_2 emissions by 2030 (compared to 1990) and eliminate its impact by 2050, it will be necessary to implement a profound reorganization of European production processes based on the accelerated replacement of large amounts of fixed capital and on the use of human resources with new specializations.[2] The costs to be borne will be huge. Proof of this is that the RRF requires that the pursuit of 'green' and digital objectives absorb, at least, just under 60% of the total resources of the national RRPs; and, by adding to this share the expenses to be allocated to the related training and retraining of the workforce and to social inclusion, we have that significantly more than 2/3 of the RRF resources will go to the two transitions and to factors closely related to them.

[2] For a general analysis of the problems posed by these transitions, and especially by the 'green' one, in the EU see: Pisani-Ferry (2021) and Lenaerts *et al.* (2021). Acemoglu and Restrepo (2019) develop a model to examine the impact of digital innovations on the labor market; De Nardis and Parente (2021) extend this model to the European case. All of these issues are addressed in Buti and Messori (2021b).

In addition, despite this allocative concentration, it is estimated that the European funds will be able to cover only a modest part of the investments and current expenses required to meet the 'green' and digital objectives. Between 2022 and 2026, the private sector is expected to mobilize at least five times the resources offered for this purpose by the RRF.

If successful, these two transition processes would eliminate one of the main obstacles to economic growth in the EU and, in particular, in the euro area (EA): the persistent excess of aggregate savings compared to aggregate investments. However, the complexity of the interrelationships between digital and ecological innovations and - more generally - the scale of the challenge have so far been underestimated by EU national governments. The latter oscillate between an optimistic position and a conservative one. The former position looks only at the end point (the final goal), and the related opportunity to mitigate the serious European lags in telecommunications, digital and robotics and to strengthen European leadership in environmental protection compared to other economically advanced areas. The latter position interprets the objectives of the double transition as a path to be implemented in a much longer time span than expected. In both cases, the complexity of what is at stake is overlooked.

Focusing on the end point, the optimistic position does not take into account the huge economic and social costs that will be induced by the digital and ecological reorganization processes, especially with regard to the prevailing component of the EU production structure, namely small and small-medium enterprises. In doing so, this position fails to grasp - among other things - that the double transition will require redesigning the functioning of European financial markets, which should play a crucial role in supporting the organizational innovation of firms by making available financial instruments that cannot be reduced to bank credit. Moreover, these new instruments should help reorient the large share of financial wealth of European households currently held in liquid form to productive allocations. These transitions will also require profound changes both in the training and related skills of most young people and workers, who will have to adapt to new jobs and employments, and in the functioning of the 'welfare state,' which will have to become effective for the protection and social involvement of that part of the workforce unable to adapt to the new post-pandemic productive world. On the other hand, by underestimating the intensity of the technological conflict between the United States and China and the complex (and sometimes contradictory) dependence of environmental progress on digital innovations, the conservative position tends to condemn the EU to international marginalization. Extending the timing of the digital and 'green' transitions with respect to the challenge posed by NGEU is equivalent to making the technological lags of the EU unbridgeable compared to other economically advanced areas, thus losing environmental leadership and condemning the European social model to financial unsustainability.

The current European inflationary tensions are indicative of the possible impact of these structural changes, for now mainly imported from outside. The surge in the prices of energy and raw materials and the interruptions in international value chains, due to the pandemic, are in fact the tip of an iceberg which is now formed by irreversible re-compositions of aggregate supply and demand in the sectors most affected by the exogenous shock and which will soon be enriched by the most pervasive and profound productive changes induced by the penetration of digital innovations and environmental constraints in the remaining parts of the European economy. Pretending that such an iceberg does not exist or is of modest size is tantamount to putting the EU economy on a collision course, leading it to economic and social shipwreck. Therefore, EU member states must equip themselves so that NGEU is effectively implemented on time without, however, underestimating the huge costs that will have to be borne before setting off on a new and sustainable development path.

3. The Italian specificities

These conclusions apply, even more so, to Italy. The country enjoys positions of comparative advantage with respect to the already excellent average of the EU and the EA in terms of 'circular economy' and, in part, of sustainable energy. However, the objectives of the RRF underline that the Italian economy must overcome at least three factors of serious weakness even with respect to the problematic situation of the EU in terms of digital lags, financial tools and training of human resources.

As for the first factor, it should be noted that, although there is a small group of Italian firms on the frontier of technological innovation, the bulk of the production system is smaller than the already modest European average size and has a traditional production organization. These characteristics imply that, in the last twenty years and more, in Italy the aggregate dynamics of innovative investments have been inadequate and that of the various forms of productivity has been stagnant. The figure is particularly true for the service sector but also regards significant components of the manufacturing sector. Therefore, if they want to be part of the digital transition and increase their productivity, the majority of Italian firms must implement much deeper consolidation and restructuring processes than those required - on average – of the firms located in other large EA countries. Moreover, during the ecological transition, a substantial part of the limited number of Italian firms on the technological frontiers will be forced to deal with radical and costly productive reconversions. Just think of those firms that operate in the precision mechanics sectors, or in contiguous sectors, and that are leaders in production phases with a high technological content in the international and European automotive chains. These firms will have to adapt to the production conversion towards electric cars, decided above all by the large German companies. Hetero-driven reconversions will affect other Italian firms of excellence which, due to their small or medium size and their specialization, do not act at the end of the international value chains.

As for financial instruments, Italy suffers more distinctly from limits common to many other large EA countries (see Section 2 above). Even before the pandemic shock, the entirety of Italian companies reported one of the lowest market capitalizations in the EU and recorded an incidence of corporate bonds on their financial structure lower than the average of German and French companies (see, for example, Messori 2018). This has at least two implications: (i) due to their very-small and small size, the overwhelming majority of Italian companies have a financial structure based on self-financing and bank debt; (ii) despite the recent and robust growth of the corporate bond market, in Italy the non-bank financial markets are poorly articulated and too tiny and have insufficient power of attraction towards wealth holders. Such a configuration of the financial markets, which is accompanied by firms' ownership structures based on entrepreneurs who overlap this role with that of householders and by the strong risk aversion of weak institutional investors (pension funds and life insurance), is unable to mobilize the amount and qualitative composition of the resources required by the restructuring, merging and technological innovations of firms. Therefore, the already difficult challenge of delivering public investments, funded by the RRF and linked to the digital and environmental transitions, must be combined with insufficient market support for the huge multiple amount of private investments that would be needed to complete such profound changes.

Finally, as mentioned in the *Introduction* of this paper, the Italian labor market is negatively affected by various phenomena: one of the highest rates of aging of the population, the lowest rate of participation in the labor market among the economically advanced countries, an unemployment rate above the European average, one of the lowest incidences of graduates with adequate qualifications compared to the total workforce, a very high proportion of inactive young people who are not looking for a job and are not going through educational or training processes (NEET), a lack in the selection and accommodation of immigrants. Therefore, in Italy the job offer has long been characterized by a strong incidence of older workers with traditional skills and of young workers with low education and low qualifications. In addition, the demand for labor has penalized for some time the weaker components of the workforce but also many highly professional figures. If these persistent characteristics of labor supply and demand are not overcome through a reorganization of educational and training processes, in the post-pandemic period the productive changes required by the 'green' and digital transitions will be blocked by the 'bottlenecks' of the Italian labor market and/or will aggravate the distortions.

In the general plan of the reforms and investments to be made, the Italian RRP recognizes the need to address the three weaknesses examined here as well. However, when it comes to translating principles into actual projects, the Italian RRP does not allocate adequate resources to incentivize and support the restructuring of the national production system and to facilitate greater articulation of the financial markets. For instance, it does not incentivize the attempts to diversify the ownership structure of the small-medium enterprises that is found in Italy, even if at an overly slow pace. In addition, besides being quantitatively insufficient, the resources allocated to the education of young people and the training and retraining of workers are not determined and ordered in a strategic framework that details their interconnections with the reorganization of the production processes.

4. The problem of public debt

The considerations concluding the previous section could suggest that the Italian government has limited its initiatives in order to follow a prudent strategy in terms of public spending. The empirical evidence does not confirm this interpretation. The management of the pandemic peaks in both 2020 and 2021, the contents of the national RRP and other national decisions show that Italy has implemented robust increases in public spending.

Representing the European country most precociously and intensely hit by the first wave of Covid-19, the Italian government then led by Mr. Conte decided to make consistent and extensive income support available to firms and households. Thus, despite the large stock of public debt accumulated well before the pandemic, Italy was one of the EA countries that recorded the greatest increase in the ratio of public debt to GDP during 2020. From this point of view, the subsequent Draghi government carried out a spending strategy in continuity with the previous one. It has already been mentioned that the Italian economy is the largest beneficiary of the RRF (with about 28% of the total funds available). Differently from the other large EA member states, the Italian RRP presented in April 2021 plans to use not only all the benefits allocated by the RRF in its favor (69 billion euro) but also the entire amount of the correspondent loans (122.5 billion euro).[3] Furthermore, in 2021, the Draghi government set up an additional National Fund for over 30 billion euro and launched an "Economic and Financial Document" (DEF), an "Update to the DEF" and a Budget Law that provide for substantial public expenditure in deficit.

The economic and social impact of the pandemic, which has hit a production system and a population weakened by a long period of economic stagnation or recession, has likely made these unselective disbursements of public expenditure and generous stimuli for growth inevitable. Indications, in this sense, derive from the fact that the Italian economy has not yet recovered the production levels reached in 2007 and is now recording a per-capita income below the EU average. On the other hand, 2021 was characterized by an economic rebound that has led to a rate of increase in GDP equal to 6.5%. This strong rebound determined a significant decrease in the 2021 public debt on GDP ratio from the peak reached in 2020. However, what is certain is that, if Italy does not use effectively and efficiently the resources provided by the EU to implement reforms, to relaunch public investments and to support private investments and if it does not use the national sources of public spending to strengthen its growth rates in the medium-long term, in the post-pandemic period it will find itself in a worse situation than that - already problematic - of 2018-19. The risk characterizing Italy is, in fact, of dealing with a much higher amount of public debt without having adequately increased its potential rate of growth. Moreover, this risk is strengthened by the likely less expansionary stance of the European Central Bank's (ECB) monetary policy and by the consequent more binding fiscal constraints in EU countries with severe imbalances in their government balance sheets.

This situation could materialize as early as the last quarter of 2022 or the first half of 2023. In that period, it will become possible to make a first assessment of the ability of individual EU countries to carry out the various projects of their national RRPs but - at the same time - it will be probably too late for a correction of the expenditure items regarding the resources of the RRF. Furthermore, given that inflationary tensions are more persistent than expected and that the US central bank (the Fed) will have carried out repeated increases in policy interest rates, the ECB will not be able to limit itself to reducing the pace of EA countries' debt purchases on secondary markets but will have to manage the contagion effects of the US's moves on the time structure of EA's market interest rates. This will most likely require the end of the asset purchase programs and an increase in European policy rates as well. In addition, in 2023 the EU will have to reactivate - albeit in a revised form - the centralized fiscal rules. The combination of a consistent slowdown (if not the stance's inversion) of the expansionary monetary policy implemented by the ECB over the last seven years and the need to be compliant with the new centralized fiscal rules represents a demanding challenge for the EA countries with high public debt.

[3] All the RRF values are calculated at the prices at the end of 2018.

This challenge would become unmanageable for Italy, if its expected growth rate in the medium term were compromised by internal bottlenecks.

These considerations show how important the effective use of RRF resources is for the future of Italy. It is therefore essential that the weaknesses emerged in the design of the Italian RRP (those mentioned at the end of Section 3) do not compromise its implementation. It is also necessary that, adding to the national public stimuli to aggregate supply and demand, this implementation places the Italian economy on a growth path robust enough to ensure the sustainability of its public debt despite the re-activation of European fiscal rules and despite a weakening of the safety net laid, until now, by the ECB. In other words, it is a question of ensuring a balance between support for economic growth and rebalancing of public accounts by making use of the resources made available by NGEU and RRF. The Italian bet is based, therefore, on the assumption that an effective use of the huge resources made available by the EU through the RRF and national expenditure in support of firms and households trigger a path of economic and social development capable of breaking with the past period of stagnation and making the increased public debt sustainable even with more modest ECB protection and with the restoration of the European fiscal constraints.

5. The implementation of general reforms and specific projects

Italy has aimed to spend a lot to resume persistent growth. In this perspective, the implementation of the Italian RRP is decisive in a double sense. It serves to match, on the aggregate supply side, that massive short-term support for aggregate demand that was the result of the increases in national public expenditure linked to the pandemic. On the other hand, this strengthening of supply should improve the confidence of Italian consumers and transform the partial short-term increases in demand into a medium-term trend capable of putting the excessive liquidity accumulated by households back into circulation.

This interpretation renders understandable and acceptable the choice made by the Draghi government to concentrate the first stages of the Italian RRP on the launch of general reforms and to reserve the most substantial public investments or incentives to private investments for subsequent stages. This choice, different from that of countries such as Germany, is justified by the fact that the relaunch of the Italian aggregate supply requires the preventive removal of numerous 'bottlenecks.' For example, it involves alleviating the inefficiencies of bureaucracy and of many other institutions (including markets and justice) before allocating resources to innovative investments or new production processes that would otherwise be blocked or weakened by an environment hostile to change (negative externalities).

The 2021 launch of many of the general reforms that had been included in the early stages of the Italian RRP or in related protocols should therefore be welcomed. These are initiatives relating to justice, competition, the taxation system (and other areas). These initiatives allowed Italy to respect its first set of commitments to the European Commission (in terms of partial quantitative targets and qualitative milestones) and thus to collect the second tranche of the European funds of the RRF (after the one, equal to 13% of the total resources, obtained following the approval of the national RRP by the EU

Council). The fact is that the Italian government has approved the guidelines of the reforms mentioned by means of Delegated Laws that are often very generalist. Although unavoidable, this preliminary step should not be equated with the implementation of the reforms. The point is of fundamental importance because the delays traditionally, but also recently, accumulated by Italy with respect to the approval of the implementing decrees and the effective application of the related rules are very long and sometimes irrecoverable. Therefore, a serious risk that weighs on the Italian RRP is that the approach of the reforms does not translate into actual reforms, that is, into initiatives capable of affecting the concrete functioning of Italy's bureaucracy and justice and the market structures.

This risk does not only concern the European assessment about the expected achievement of the targets and milestones by the Italian RRP. Let assume that the Italian reforms remain just on paper in the medium term. Even if the European Commission did not reject the related projects, Italy would achieve an inefficient allocation of European resources. In fact, either the Italian government was wrong to postpone a significant part of the investments to stages subsequent to the implementation of the reforms, or the effective operation of those reforms is an unavoidable condition for the substantial success of Italy's RRP. The empirical evidence supports the second hypothesis. Lots of data suggest that the succession of phases of recession (heavier than in the EA's average) and quasi-stagnation in the Italian economy during the last twenty years must be attributed to the low growth potential that has characterized Italy's production system; and one of the causes of this low potential is an economic environment that has favored the survival of many inefficient productive activities in protected niches of the market and has - thus - fueled pervasive rent-seeking positions. Reforms can be very useful in removing, at least in part, such perverse intertwining that has weighed like a boulder on the Italian economy and society.

The criticality, which would derive from the failure to implement the general reforms approved in their generalist guidelines in 2021, is complemented by the ambiguous division of tasks for the effective implementation of the projects of the Italian RRP. As is well known, many of these projects (generally consisting of a combination of reforms and investments) are entrusted to the ministry responsible for the subject. However, the ministry often does not have the task or the means of directly implementing the various parts of the projects. Following the procedures in force, it is called upon to assign each of those parts either to the regions and local authorities or to private firms or other market operators. A propensity that characterizes various ministries is to consider one's function fulfilled (and, therefore, the relevant projects completed) once all the components of those projects have been assigned externally and the related financial items have been accounted for in the budgets. As the recent (and far from exemplary) national track on the utilization of the European Structural Funds shows, Italy has stood out for its inability to use a substantial portion of those funds, which, furthermore, are financed by the project and not by the result (as is happening with the national RRP).[4] This simple observation recommends careful control, in due course (that is, during the process), of the implementation phase of each stage relating to the projects of the Italian RRP by central and public structures.

[4] In an empirical analysis of the possible positive impacts of NGEU on the Italian economy, Canova and Pappa (2021) argue that the past national use of social cohesion funds and structural funds can be a good indicator of the forthcoming use of RRF funds.

6. Governance and training

The Italian government has set up various surveillance structures with respect to the implementation of the different phases of the RRP, both at the Prime Minister's Office and at the Ministry of Economy and Finance (and other ministries). As is evident from even a superficial examination of the Italian RRP's functional chart, the division of competences and control tasks is rather redundant. Therefore, it would not be effective to multiply the number of control structures with respect to those already in existence. Nonetheless, one problem remains unsolved: the surveillance structures operating today focus on ex-ante controls, that is, they are in charge of checking the compliance of projects with the original plan, and on ex- post controls, that is, they are in charge of verifying the final result and of reporting on the related costs of each implemented project. Conversely, there is a lack of monitoring in progress capable of signaling, in a short time, the delays or distortions during the implementation processes.

Insufficient attention to the monitoring in progress reveals a further critical weakness of the Italian RRP. This criticality is, in itself, important since the logic of the RRF requires that any deviation in the contents or in the implementation times of the projects be corrected as soon as possible in order to avoid blocking (even if only partially and temporarily) the disbursement of European funds. However, it can take on an even greater indirect significance in the case of the Italian RRP, which is vulnerable to the possible disconnections between the general design and specific strategies capable of giving concrete answers to the unsolved problems. The example, already mentioned, of the impacts of the 'green' and digital transition on the functioning of the labor market is emblematic in this regard.

The Italian projects relating to the digital and environmental transition present problematic aspects. For example, the choice of using a significant portion of 'green' resources to extend high-speed railways in Southern Italy appears to be of uncertain effectiveness, especially because it is not systematically linked to innovative industrial policy initiatives in the territorial areas involved. To increase the positive economic and social impacts deriving from the modernization of the transport network in the most economically marginal part of Italy and to make the environmental advantages associated with 'economies of scale' significant, clusters of public investments and private investment incentives should have been designed to support innovative activities with positive logistical externalities in the areas concerned. In keeping with the poor efficiency shown by the Draghi government in managing the country's most significant corporate crises, there is instead an underestimation of these microeconomic aspects. The risk, already stressed several times, is that the macroeconomic design of the Italian RRP does not result in a coherent and innovative industrial policy strategy, as would instead be required by the digital transition.

The insufficient attention paid to these microeconomic aspects assumes specific importance with regard to the future structures of the labor market. For many decades after WWII, Italian economic growth and the related firms' accumulation were based on low labor costs (see, for example, Graziani 2000). When the positive sign of the differences between the dynamics of labor productivity and wage dynamics was reversed (beginning of the 1970s), the reaction of the majority of Italian companies was to decrease the size of the firm through the decentralization of production activities and the increasing use of precarious employment. This meant that the low quality of the Italian labor demand, already typical of the years of rapid growth that resulted in the 'economic miracle,' worsened until the end of the 1980s, that is, precisely when the other economically advanced systems were incorporating the new information and communication technologies (ICT) and began employing professionals in the digital field.

Italy's backwardness was reinforced by the shortcomings in the quality of labor supply. Educational programs were renewed according to not very systematic designs, which have not undermined the elitist foundation of the classical Italian learning methods but have - on average - degraded their quality in order to pursue the complex transformations of society. In any case, the Italian educational programs have not been able to interact with the radical technological changes. In addition, the scarce stimulus coming from a demand for low-quality employment has weakened training programs, which have too often been reduced to an opportunity for rent-seeking positions. The result already noted above is that, among the large EU countries, Italy has the worst composition in both the demand and supply of labor.

The long crisis of 2007-2013 and the pandemic depression triggered processes of market selection for Italian firms that could lead to a more general and positive technological evolution and a consequent need for new professional human resources who, however, are not available on the market due to the persistent educational deficiencies described above. The first tensions between changes in the quality of labor demand and the unchanged composition of the labor supply, which are now fueled by the rebound of the Italian economy, are therefore the legacy of a heritage that is difficult to overcome. If the RRF's 'green' and digital transitions produce the expected results, this double transition will make these tensions even more explosive. The projects of the Italian RRP should, therefore, pay close attention to the re-composition between supply and demand for labor, based on strategic initiatives for active labor policies and for the education of young people. This attention still appears insufficient.

7. Conclusions

The present analysis has shown that the Italian RRP and - more generally - the economic policy choices of the Draghi government have bet on increases in public expenditure (powered by European and national funds) to place Italy's economic system on a sustainable long-term growth path. The main vulnerabilities of this bet lie in three aspects: the difficulty of translating the guidelines of the reforms, considered as the necessary prerequisite for the effectiveness of public spending, into actual results; the overly slim articulation of the general macroeconomic design in a coordinated set of microeconomic initiatives; the inadequate monitoring structure with respect to the implementation processes of the projects.

These vulnerabilities could be exacerbated by two factors beyond the exclusive control of the Italian government: the attenuation of the expansive stance of the ECB's monetary policy, which has been in force since the beginning of 2015 and which has ensured the sustainability of high public debts in the EA; and the revival of overly strict European fiscal rules starting in the beginning of 2023. In the course of 2023, it will also become clearer whether individual EU member states are able to effectively use the funds of the RRF; and, in the event of favorable signals, there may also be positive consequences with respect to the redefinition of European fiscal rules and the combination between monetary and fiscal policies (see also Buti and Messori 2021a).

This is why Italy is in a position to be, at least in part, the architect of its own destiny. In this regard, however, it is necessary that the weaknesses of Italy's RRP do not turn into unmanageable and distortionary aspects for the dynamics and sustainability of its public debt. It is therefore essential to minimize the most significant weaknesses of the Italian plan. One point appears of particular importance in this regard: the need to improve the quality of education for young people and the training of workers in the context of effective projects for active labor policies and social inclusion. In the absence of such improvements, Italy would risk worsening its condition compared to the years of stagnation that preceded the pandemic. In fact, it will have to bear a greater incidence of technological unemployment and job exclusion without being able to overcome its persistent backwardness in the digital organization of production processes. Consequently, Italy will no longer have the financial resources to reform and strengthen its welfare state, which is an unavoidable condition for guaranteeing acceptable levels of social well-being during a transition as profound as the 'green' and digital one.

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