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A vision for Italy to seize a great opportunity: the choices the government must make to benefit from Next Generation-EU

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The European funds of Next Generation-EU represent an unmissable opportunity to revive Italy, but also a great responsibility towards Italian and European citizens. To be up to this task, the measures currently discussed by the Government and Parliament should be more ambitious. It does not appear that the 2021 Budget Law will act as a bridge between today's emergency and the evolution of the next few years. The choices made so far in drafting the National Recovery and Resilience Plan do not appear to be effective either in terms of governance or in the preparation of a limited number of strategic projects. Government intervention would benefit from a vision of the country to be offered transparently to public opinion. This vision must leverage the consistency between the necessary interventions in the current emergency and those that must bring the country back on a path of progress and well-being.

1. Reconsider the country's priorities

There is a consensus in Italy that the tragedies that bitterly marked 2020 - with grief, suffering, increased inequality and a loss of income seen only in 1943-45 - also have within them the germ of a regeneration. It is an opportunity not to be missed and which arises above all from the generous support of the European Union (EU), which has shown solidarity and awareness of the destinies that the member states have in common. It is a historic occasion, therefore. But an occasion for what?

Certainly this is not an occasion to start from where we were at the end of 2019. First of all because the Italian economy and society will emerge from the pandemic crisis with production structures, social relationships and consumption habits different from those prevailing just a year ago. Secondly, because, even if it were possible to set the clock back a year, Italy would have very little reason to want to start again from how it was in 2019. Suffice it to note that, ten years after the sub-prime mortgage crisis, Italy was the only OECD country not to have yet returned to the 2007 level of income per inhabitant. Since the mid-1990s, the Italian economy has experienced a substantial stagnation of productivity growth, the true spring of economic development. In the last quarter of a century, Italy has experienced a fall that was first relative and then absolute, something that is also unique among the great developed countries. Today it is necessary not to look nostalgically at a past that will not return, but to reverse the path of Italy's social and economic decline.

2. An opportunity for Italy and for Europe

Prospects for a recovery of the world economy are finally emerging after a 2020 that was unusual and disconcerting, as well as tragic. Although no one can rule out a third wave of Covid-19, in recent weeks there have been manifestations of cautious optimism regarding the recovery of the US and European economies from the second half of 2021. The serious economic and social damage caused by the pandemic in the course of 2020 and the still undetermined opportunities of 2021 require careful reflection on the economic policy decisions that the Italian government must take in a short time.

The ongoing acceleration in the approval of coronavirus vaccines is transforming the international economic scenario, foreshadowing a greater ability to absorb pandemic shocks throughout the world with lower costs in health, social and economic terms. The growth of China and other Asian countries is more robust than expected and is already fueling exports from many euro area countries, with an impulse that could consolidate over time. Joe Biden's victory in the US presidential elections and the team of economists who will hold key positions in the new administration point to a continuation of expansionary fiscal and monetary policies and a relaxation of protectionist practices. The implementation of the Next Generation EU (NG-EU) program in the EU opens unexpected possibilities of convergence between the economies of the member states. This should allow for the relaunch of the internal market and help remodel, within the euro area, many of the pre-existing international value chains.

To be implemented in Europe and in Italy, this positive framework requires not only a favorable concatenation of external events, but also the effective management of the emergency still underway, as well as the preparation of an efficient transition towards recovery. In particular, in the EU it is necessary that at least three circumstances occur.

- First: the inevitable national increases in public spending aimed at safeguarding the productive and financial apparatus and containing the impoverishment of a significant part of the population should gradually become more selective until paving the way for large projects financed by NG -EU and its main program (the “Recovery and Resilience Facility”: RRF).
- Second: even if emergency public spending must be made more and more selective, it is necessary to avoid that crucial safeguards (such as state guarantees on loans or moratoriums) are removed too abruptly, thus causing companies with good growth potential to go bankrupt. If handled hastily or improperly, the emergency’s "backlashes" can be so serious as to generate outbreaks of instability during the transition and thus prevent recovery.
- Third: European countries which before the pandemic had based their growth on the dynamics of net exports must not interpret the recoveries in international trade as a signal that the post-pandemic recovery will restart from where it was in autumn of 2019. As already mentioned, post-pandemic economic development will be characterized by great turning points compared to the world in 2019, centered on digital innovation and artificial intelligence. Furthermore, the competitive strength of the EU and its member states in international markets will depend on the area's ability to secure solid internal growth bases.

These considerations bring out the particular and crucial role that Italy is called to play for the start of a robust post-pandemic development. Together with Germany, which however enjoyed a large fiscal capacity, Italy was the country that - during 2020 - made the largest increases in public spending to counter the economic and social impact of the pandemic. This meant that the already abnormal Italian public debt/GDP ratio became even greater. This is the reason why Italy is the key country in which the transit from emergency to development must not fail. The Italian government must effectively link national expenses for countering the emergency and expenses (financed by the RRF) for sustainable development in the medium to long term. EU countries have recognized Italy's special position, its pre-existing weaknesses and the severity of the impact suffered by the pandemic; and, for this reason, they decided that Italy should be the largest beneficiary - in absolute terms (more than 209 billion euro to be committed by the end of 2023 and to be translated into reforms and investments by the end of 2026) – of the massive mobilization of NG-EU and RRF resources.

The success of NG-EU and RRF has an existential significance for future European prospects; and this success depends, to a large extent, on Italy's ability to use the financial resources (transfers and loans) efficiently, through the definition and implementation of the so-called National Recovery and Resilience Plan (NRRP).

For Italy this is not only an opportunity to recover economic stability and well-being, but also to regain a constructive role in the international community. At the beginning of December 2020 Italy took over the annual presidency of the G-20 and the co-presidency of COP26, thus it will find itself managing the crucial issue of giving new form and impetus to international relations. Italy's constructive role can greatly influence the EU's ability to transform itself into an area capable of negotiating and competing with China and the United States.

We feel the need to recall all the importance of these dossiers to the political forces and the government: the issues already identified by Italy for the G20 require the greatest possible concreteness; the 2021 Budget Law does not appear capable of acting as a bridge between today's emergency and the evolution of the next few years; the choices made so far in drafting the NRRP within a few weeks and in preparing a definitive NRRP by the end of April 2021 do not appear effective either in terms of governance or in the preparation of a limited number of strategic projects. In what follows, we limit ourselves to considering the economic challenges of the transition from managing the emergency to planning the relaunch.

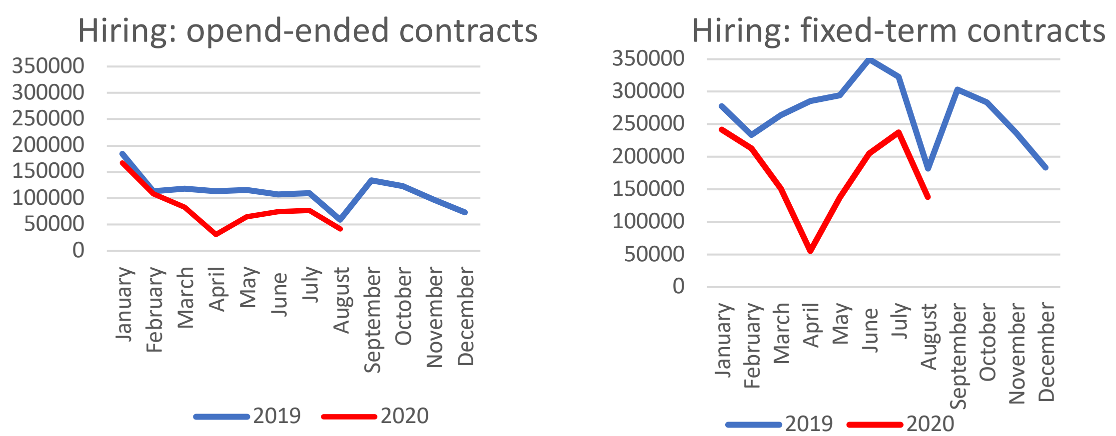
3. An economic policy for the structural advancement of the Italian economy

The effects produced by the pandemic on the Italian economy have been unprecedented. Some of them will be only temporary and will end with the cessation of the health emergency. Others, however, will remain; and the Italian government will have to deal with them, favoring the opportune transfers of resources from declining sectors to sectors with strong development prospects. Similar selection processes will take place among the different firms in the individual sectors and, also at more "micro" levels, among the product lines within the same firms. Protecting individual firms and individual jobs in the hope of returning to the condition of January 2020 does not appear to be either useful or practicable.

The shock, acting both on the supply side and on the demand side, has already intensified the drive towards digitalization and the reorganization of production processes in the workplace and in national and international value chains. These impulses, induced by the emergency measures adopted to fight the spread of Covid-19, will unite with those deriving from Italy's participation in the NG-EU program, which is aimed at the green and digital transition. The medium-term perspective is therefore that of structural changes that will push for the renewal of the production system. The results of the change will depend on how many firms will actually be able to carry out the technological advances required in the new phase, on the turnover of producers with the exit of poorly efficient ones and the entry of new and more dynamic entrepreneurial initiatives, and on the consequent reallocation of productive resources.

In the first phase of the pandemic crisis, Italy, like other European countries, reacted by trying to reduce the impact of the shock on the economy in order to safeguard production capacity. With the indispensable support network set up by the European institutions (ECB and Commission), the government intervened to save firms by supporting their liquidity and to guarantee the income of workers, safeguarding jobs through the generalized extension of the Wage Guarantee Fund financed with public resources (CIG-Covid) and blocking permanent employee layoffs. These measures were and still are necessary. Leaving market forces to operate in this context would have been, in addition to being socially unsustainable, inefficient because many of the activities affected by the crisis will be able to recover without having to bear the costs and risks of finding new financing sources and the workers needed to face the expansion phase. However, these cannot be permanent measures. Keeping as many firms alive as possible, even the least productive ones, has resulted in a sharp slowdown in the process of generating new firms; blocking layoffs ended up preventing even those that would have been carried out for reorganization purposes independent of Covid-19 and, at the same time, discouraged hiring new employees, including those with fixed-term contracts (see Fig. 1) .

Figure 1. Blocking layoffs: negative effects on hiring;
they restarted with the temporary summer recovery, especially the fixed-term contracts



The spread of the vaccine against the virus scheduled for the next few months makes it all the more important to address the necessary structural changes in the economy that, until now, have been frozen by emergency measures to counter the effects of the coronavirus. At the same time, the return to the normal functioning of social safety nets and the credit market will have to be gradual, following and not anticipating the improvement of the economic situation in order to avoid "leaps over the precipice", those cliff-edge risks present in the current phase, with sudden losses of jobs and production capacity following bankruptcies and the downsizing of the firms' operational scale. Accompanied by the widespread deterioration of bank loans and the increased need for public bailouts, the risks of a bank-sovereign debt doom-loop could also exacerbate, especially if this happened in conjunction with the downsizing of the ECB's bond purchases.

Pursuing a cautious attitude in removing emergency measures during the complex transition phase is therefore recommended. Beyond that, however, the government needs to do more. The length of the transition period towards the new normal and the risks inherent in it also depend to a significant extent on the current orientation of expectations that affect both business decisions (operational scale, workforce and bets on the future), as well as bank valuations (risk appetite and creditworthiness to be granted to borrowers).

For this reason, it is essential that a credible macroeconomic perspective be realized and offered to private operators, based on the effective definition of the NRRP. Furthermore, already in the transition phase, it will be necessary to try to restart some of those selective mechanisms that the Italian economy has also shown to be equipped with. In the last decade, characterized by two recessions and a modest recovery, the selection processes had worked in supporting efficiency improvements and giving rise to financial reorganizations. Thanks to these processes, firms, particularly small and medium-sized ones, entered the pandemic recession under better capital conditions than in the previous sovereign debt crisis. One factor that prevented the full benefits of past restructuring from being fully reaped was the insufficient expansion of aggregate demand, especially domestic demand. The weakness of the national market has limited the possibility of reaping the benefits of - albeit limited - productivity improvements.

The described framework highlights the importance of managing, in the most appropriate way, the transition from the 2020 emergency to the reconstruction and relaunch plans that have broader time objectives. To this end, it is useful to see what is written in the draft 2021 Budget Law, which must be approved by Parliament by December 31, 2020.

4. The weaknesses of the 2021 Budget Law

The budget bill presented by the Government for 2021 and the 2021-23 period, which is now being examined by Parliament, correctly attempts to integrate national resources and Next Generation-EU resources into a single public finance framework. However, the attempt has some significant weaknesses that do not allow to dispel either the doubts about the contents of the growth and reform policies to which the resources are allocated or the doubts about the real medium-long term sustainability of some key measures that make up the budget maneuver.

The Budget Law is built on the forecast framework outlined in the Update of the Economic and Financial Document (NADEF) and substantially taken up, with some adjustments, in the Draft Budgetary Plan (DBP) sent to Brussels in mid-October. It is a forecasting and programmatic framework built before the emergence of the second pandemic wave, which had been considered in the NADEF as a possible negative scenario but without preparing any counter measures. The policy indications were all placed in a recovery framework which, after the summer rebound, should have continued without further interruptions. The onset of the second wave forced the Italian government to postpone the presentation of the Budget Bill until mid-November and in the meantime to launch two recovery decrees, followed by two others and the request to Parliament for a further overshoot of 8 billion euro for the net 2020 debt limit.

According to the government's estimates, the effects of the Budget Law as such on the public deficit in the three-year planning period compared to the trend constitute an increase of 24.6 billion euro in 2021 and 12 billion euro in 2022, and a decrease of 3.5 billion euro in 2023. These balances derive from budget's expansionary components - lower revenues and higher expenses - valued at 30.9 billion euro in the first year, 34.9 in 2022 and 32.6 in the final year, and from coverage components (higher revenues and lower expenses) for 6.3 billion, 22.9 and 36.1 billion euro, respectively. More than 55% of the latter are made up of macroeconomic feedback effects linked to the higher growth estimated in the policy framework.

The composition of the budget maneuver, and therefore the financing of policies, is best understood by looking at the allocations in the State Budget with the relative effects on the so-called "net balance to be financed" (Table 1). By grouping together the many smaller measures, we obtain a significant share of the maneuver, oscillating between 8 and 11 billion euro per year over the three-year period. They are not all necessarily negative measures, but certainly they are very fragmented and inorganic, and therefore excessive for a budget law that should qualify as a turning point in such a difficult time for Italy.

Table 1 - Main items of the maneuver
(effects on the "net balance to be financed" - in millions of euros)

	2021	**2022**	**2023**
Tax reform fund and family allowance		8.000	7.000
Family allowance (increase in resources)	3.012		
Stabilization of tax deduction for employees	3.025	3.300	3.300
Reduction of social security contributions for employees in the South	4.837	5.633	5.720
Tax Credit for Investments in the South	1.054	1.054	
Transition 4.0	5.280	6.666	6.959
NG-EU Fund	34.775	41.305	44.573
Of which reserved for:			
• Transition 4.0	-5.280	-6.666	-6.959
• Reduction of social security contributions for the South	-3.500	-3.500	
Other items	10.744	9.159	8.166

Source: 2021-2023 Budget Law summary prospectus

Regardless of these measures, the Budget Law seems to leverage on two main axes: measures for growth and redistributive measures. Among the first, the establishment of a Revolving Fund worth over 120 billion euro in the three-year period which will be supplied by the European resources of NG-EU (of which about 82 billion euro as grants and 39 billion euro as loans[1]): the Fund is still not allocated to specific programs, except for a reserve of almost 19 billion euro in the three-year period for the enhanced re-release of Industry 4.0, renamed Transition 4.0, and another 7 billion euro to partially cover the 30% reduction in social security contributions for employed persons (the so-called decontribution) in Italy's South. The latter measure, however, will absorb a much higher total amount of resources, amounting to over 16 billion euro over the three years, and is projected to absorb another 24.6 billion euro in the 2024-29 period. Finally, among the measures dedicated to growth, there are 2 billion euro allocated to refinance the tax credit for investments in the South until 2022.

To the redistributive components the budget assigns: over 3 billion euro per year for the stabilization of tax deduction for employees which was introduced last February; 3 billion euro in 2021 for the introduction of universal allowance for the family; 8 billion in 2022 and 7 billion starting from 2023 (to

[1] The absence of the remaining 88-89 billion euro of NG-EU loans in the budget underlies the government's choice to use them as a substitute, that is, to finance measures already present in the current legislation and not additional measures.

which future revenues from the fight against tax evasion will be added programmatically) for the tax reform, which must also include the family allowance.

The budget summarized in this way raises three critical observations on the basis of: at least one general weakness; a significant danger; and a serious error concerning the design of the tax advantage measure for the South.

- The weak point is the indeterminacy of the contents of two items that are by far the most consistent and qualifying in the budget. Nothing has yet been established regarding the configuration that the tax reform will assume (profile of rates and deductions, family allowance), thus its real redistributive effects remain undefined. In turn, the Fund of over 120-billion-euro NG-EU resources remains largely unallocated to the policies that should substantiate its use.[2] Of course, this is due to the fact that the National Recovery and Resilience Plan (NRRP) is still being drafted, but in any case this means that the main budget item for the three-year period remains unspecified in its uses and therefore also in its effects on determinants of the medium-long term growth capacity of Italy's economy. The only allocations already indicated concern the strengthening, in itself very positive, of Industry 4.0 and the financing for 7 billion euro of the decontribution in the South, to which we will return a little later.

- The danger concerns the credibility of the future path of public debt reduction. As the European Commission notes in its Opinion of 18 November, the prospective coverage of some important measures that imply permanent and non-temporary effects on public finance is not clarified: for instance, just the reduction of social security contributions in the South and the fund for tax reform. The Commission warns: "Given the level of Italy's government debt and high sustainability challenges ..., it is important for Italy to ensure that... fiscal sustainability in the medium term is preserved".

- Finally, the serious error concerns the design of the tax advantage measure for the South: resources are concentrated on decontribution - 16 billion euro in three years and another 24-25 billion in the following period, instead of on the tax credit for investments in the South, which is assigned 2 billion euro and for just two years. The reduction of social security contributions is an instrument that does not ensure a correspondence between the disbursement of public resources on the one hand and actual investments by firms on the other. On the contrary, such correspondence is ensured by the tax credit, which can only be used for real investments. And it is investments that the South needs in order to strengthen its production base and remedy the productivity gap with Italy's Center-North. The error is even more evident when comparing those two billion euro for investments in the South with the 19 billion euro of Transition 4.0: they therefore represent an additional incentive for the South just around 10%. In the absence

[2] It should also be noted that its impact on the deficit is estimated to be zero over the three-year period. In this regard, the interpretation of the Parliamentary Budget Office - which critically notes the lack of "distinction, in the three-year distribution, between grants and loans" - is that the government expects that the loans will translate into expenditure only after 2023.

of stronger support, the very real risk is that Transition 4.0, in itself a positive tool for boosting business investments, will largely be used in the Center-North and that the South will remain on the sidelines.

5. An opportunity also for the public debt

The abovementioned concerns about the budget also affect the fundamental issue of the sustainability of Italy's high public debt. As already noted, the resurgence of the pandemic calls into question the macroeconomic framework on which the budget is inserted; and even this framework - to be considered optimistic at least until the vaccine is available - is strongly conditioned, in terms of the evolution of public finances, by strong assumptions of fiscal feedback (i.e. a strong growth in tax revenues linked to the economic recovery), on which it is difficult to express an opinion. The recovery envisaged by the government is in fact largely due to the bet on a timely and efficient use of the NG-EU funds, on whose allocation, however, there is currently insufficient information.

For the immediate future, somehow paradoxically, given the strong growth of the debt/GDP ratio triggered by the crisis, the problem of the sustainability of the Italian debt does not arise. The ECB's government bond purchase policies, which will certainly continue until mid-2021 and which perhaps will be further strengthened for the rest of the year, are pushing interest rates to such low levels that they have no analogues in the past. Currently, Italy can borrow over 10 years at nominal interest rates of 0.6% and interest rates on shorter maturities are even negative. In addition, it is now clear and already foreseen in the budget law that a significant part of the NG-EU loans will not be used to finance additional expenses, but expenses already foreseen. This means that the additional debt generated to access the NG-EU loans will be limited and that part of the debt that would have been created anyway, even in the absence of these loans, will not only be issued at even lower rates in the future, it will be placed with official creditors, not on the market.

However, this favorable situation must be approached very soberly. At the moment, the Stability and Growth Pact is suspended and will be suspended throughout 2021; as economic conditions improve after the pandemic is overcome, the pressure to reintroduce tax rules, already robust in a number of countries, will become even greater. In this respect, it will be important to find a reasonable compromise on which tax rules to introduce. Excessively stringent rules, such as the current ones, if applied seriously, could lead to excessive fiscal contraction in European countries - not only in Italy, therefore - that find themselves in a situation of persistent economic difficulty. Pro-cyclical fiscal tightening already occurred after the 2010-11 crisis; and the entire eurozone, especially the periphery, is still paying the price in terms of lost growth, which was never fully recovered. Conversely, excessively loose rules, or an overly "accommodating" interpretation of existing rules, risk calling into question the credibility of the entire European tax surveillance system.

Paradoxically, this would be especially damaging for high-debt countries such as Italy. The European Central Bank will do everything possible to renew the bonds purchased for a long period, thus effectively rendering the public debt held by the Eurosystem without consequences for national budgets. As a result, official rates are likely to remain low for a long time to come. However, what matters for Italy is not the reference rate of the ECB, but the one that takes into account the country's risk factors, that is, the spread between Italian yields and those of the bonds of the most financially sound countries. The evolution of the "risk premium" depends on the country's ability to undertake a credible path of debt control, but this commitment must also be in line with the requirements of European rules. This is how convincing reassurance is offered to the financial markets. In fact, as long as Italy behaves in line with what has been agreed at the European level, the perception of the markets will be that the country would not be left alone ex post to face unforeseen consequences; and this consequently helps to reduce ex ante the risk premium on the purchase of the bonds.

A virtuous circle is therefore possible in which the ability to effectively spend the relevant European funds - eliminating some of the distortions that have prevented the country from growing in the last twenty years - can lead to a recovery of economic growth more in line with that of Italy's European partners. At the same time, both coherent behavior in terms of public finances and European support can guarantee very low debt financing rates for a sufficiently long period to overcome, or make it much less relevant in the medium term, the debt problem. Greater stability in Italian public finances would also have important consequences for the private sector; a framework of greater certainty would in fact stimulate the recovery of private investments and the attraction of foreign investments.

Some of the reasons for the country's continuing economic difficulty over the last decade is in fact due to its perceived instability, both politically and financially. Nobody willingly invests in a country where financial sustainability, and therefore its participation in the euro area and in the EU in general, is continually called into question. The entire virtuous circle that we have outlined has a very precise condition: the efficient use of NG-EU funds.

6. The National Recovery and Resilience Plan (NRRP)

In the coming months the EU will make available for Italy, through Next Generation EU, up to 209 billion euro, of which 81 billion is in the form of grants from the EU budget and the remainder is in the form of loans repayable in thirty years, starting from 2027. The National Plan for the use of these resources (NRRP) must be fully defined by April 2021. The spending commitments, with the related reforms - including the use of loans - must be defined for 70% of the plan in 2021-22 and for the remainder without fail by 2023; the resources must be spent by 2026. A deposit of up to 10% of the total can be paid to Italy next year, once the National Plan has been approved.

In numbers alone, this is a colossal opportunity, but it is also an unprecedented administrative and managerial commitment. Each country's NRRP must indicate the reforms and investment projects that it wants to undertake, in particular:

i. the contribution of the National Plan to the recovery and resilience objectives of the Next Generation-EU and to the achievement of the priorities of the European Semester, as well as the overall consistency of the Plan and its parts;
ii. the individual reforms and planned investments, organized into groups of reforms and spending projects ('components');
iii. the procedures for implementing the Plan and its complementarity with other European programs;
iv. the expected impact of the Plan on the country's economy and society.

For each component, the NRRP must specify its ability to contribute to the achievement of the RRF objectives, the related "milestones" (e.g., the legislation adopted, the progress of investments, the operation of information technology systems) and the quantitative targets . Countries are encouraged to submit individual components separately.

The commitments undertaken by the countries will be verified by the Commission and the Ecofin Council as part of the coordination procedures of the national economic policies of the European Semester. Therefore, inevitably, the NRRP will have to offer in the medium term the potential to stabilize and reduce the public debt (in relation to GDP). In case of failure to achieve the intermediate objectives, a special 'brake' procedure on the execution of the national plans can bring the matter before the European Council, suspending the disbursement of funds.

There is still much ambiguity concerning the state of the preparation of the Italian NRRP. On September 15, the government sent a thick document of about seventy pages to Parliament containing the proposed guidelines for the definition of the NRRP and entrusted Vincenzo Amendola, Minister for European Affairs, with the task of initiating a discussion with the European Commission for the definition of reforms and interventions. The minister's table was immediately inundated with long lists of projects, but as far as we know there are no serious proposals for the reforms.

To identify these reforms, in the Guide published by the European Commission last September,[3] reference is made to the country-specific recommendations approved by the Council as part of the European Semester in 2019 and 2020. The critical issues highlighted in the Recommendations to Italy are not new and are well described in the government document: from the efficiency of the Public Administration and the judicial system, to the education system; from the labor market, which must be opened to women and young people, to the quality of infrastructure; from digitization to local public services. These are objectives that have been widely shared and have been included for years in the National Reform Programs, which however have remained only on paper.

The government guidelines do not indicate which interventions could finally start solving those problems; indeed in many cases they widen the scope too much, visibly to avoid political conflicts. Saying that Italy intends to launch a strategic program to strengthen the skills and administrative

[3] Commission Staff Working Document, Guidance to Member States Recovery and Resilience Plans - Part 1, SWD(2020) 205 final, 17 September 2020.

capacity of the Public Administration, that recruitment will be carried out with innovative and completely digital procedures, that the development of administrative capacity will be conducted through radical interventions and that all this will be achieved through "three-year plans for the concrete efficiency of public administrations" (we quote from p. 28 of the government document) projects the interventions into a future that is not only indefinite but unrealistic. The same applies to the tax authorities ("a reform aimed at achieving a fair, simple and transparent taxation ... which reduces the tax burden on the middle classes and families with children and accelerates the transition ... towards greater environmental and social sustainability"; p. 31), the judicial system (the reduction of the duration of trials, the revision of the Civil Code and also, why not, the reform of company law; page 34), labor (tax incentives for corporate welfare, the promotion of decentralized bargaining in a multi-level system - encoded formula to say that the national contract not be touched - while safeguarding income... and employment stability; p. 35).

As for the merits of the interventions, the government is considering entrusting the formulation of the projects to large investee companies. These certainly have planning and investment capabilities and could also, in some cases, play an important direct role (hydrogen, smart grids, 5G). However, the choice of the large infrastructures on which to focus or of the health system model in which to invest to correct the weaknesses revealed by the pandemic crisis can only belong to the government. Although the resumption of investments for the recovery of productivity and the green and digital transformation of the economy requires the broad involvement of private firms. To do all this, it will be necessary to overcome strong political resistance - including the endemic opposition to works on the territory from large portions of the public, a factor that bears enormous responsibility for the degradation of Italy's infrastructural system.

In essence, the political discussion on reforms has never begun; if it begins, it should begin with a declaration of intent in Parliament by the Prime Minister based on a document approved by the Council of Ministers. From this declaration must emerge the basic choices for that transformation of the Italian economy that Europe is demanding to make the funds of the NG-EU plan available.

Clear choices are also required for the governance of the NRRP. It is necessary to distinguish the political level, in which the Government and Parliament formulate the basic choices on the reforms and intervention priorities, the "components", and on the allocation of resources to each component from the technical-managerial level to the central and at peripheral levels in which these choices are implemented. In a report published a few days ago, Assonime proposed not to build extraordinary structures, but to try to make the best use of the existing administrative structures - first of all by identifying in each administration a person responsible for the implementation of the NRRP projects. It must be a highly qualified figure who would report directly to the head of the administration and at the same time be part of a network of administrations innervated in a strong technical secretariat to be set up in the Prime Minister's Office and, according to the proposal, led by a new Minister for NRRP who instructs the work of the Council of Ministers on the subject and then oversees the execution of the decisions.

In this context, the relationship with the regions and local autonomies assumes great importance. The latter will be involved both in the phase of political identification of priorities and interventions, and in the technical phase of the project selection. In this second phase, the related projects will have to pass the filter of the technical secretariat to ensure that they meet the requirements set by Europe.

The final recommendation concerns the timing of the interventions, which must be designed in such a way as to accelerate the impact on aggregate demand. To this end, it is necessary to first initiate the maintenance interventions on the infrastructure system and on the building stock, educational and private, promoting compliance for the purposes of safety and energy efficiency. In the meantime, the projects closest to the construction phase can be unblocked and the necessary review of the long list of strongly desired projects can be started, projects that are repeated at every opportunity by the various ministries. Finally, with more time, new strategic directions and projects can be evaluated.

The challenge Italy must overcome in order to successfully use the NG-EU resources is very demanding. Italy will not win if its political choices are postponed or hidden under the carpet. The real risk to avoid is the one of political divisions pushing Italy to develop 'soft' projects that do not affect the weaknesses of the Italian economy: amusement parks and gardens for the elderly instead of incisive reforms to open the labor market to young people and women, fighting exclusion not with subsidies but with real job opportunities, transforming the PA and the environment to do business in order to recreate the conditions for private investment in Italy.

7. A vision for Italy

The underlying question of the previous pages is this: in which country do Italians want to live and work? It is a question that first of all requires an answer from the government, parliament, the parties, but also from organizations representing firms and workers, from traditional and social media, from the academic world and from the world of culture. For our part, the answer is quite simple: in 2026, when the flow of transfers and loans from the EU will cease, we would like to find ourselves in a country that has regained its capacity to grow economically, which is essential for the well-being of young people and for their self-realization; a country that has a welfare state capable of reversing the growth of poverty and inequality – a necessary reversal not only for reasons of equity, but also for reasons of efficiency, of making the economy more productive.

First of all, it is a question of identifying the brakes that have held back the growth of the Italian economy in recent decades, to remove them with decisive measures and a selective choice of public investments, including crucial ones in education and research, that are capable of sustaining growth in the long term and with support for the technological transformation of firms. However, investments will not be enough in the absence of those institutional reforms that are not mentioned in this paper because they have been there for everyone to see for years, reforms that Europe has been indicating to Italy for just as long. These are reforms with very little or no economic costs, but with high political costs, real or presumed.

There is no optical illusion: we are really convinced that there is light at the end of the tunnel. The European initiative, inspired by a spirit of solidarity, offers Italy an unmissable opportunity and an equally great responsibility. However, we believe that it is not possible to reach the light after the long darkness of 2020 without a general vision of the country, without a precise analytical effort to support the policies necessary to realize that vision and finally, without clearly expressing the purposes and tools to the public.