

Creating Economic Growth Lessons for Europe

Marco Magnani

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About the book

National-level policymaking in Europe has slowed, stalled, or failed when it comes to critical actions for spurring economic growth. In *Creating Economic Growth: Lessons for Europe*, Marco Magnani argues that local leaders, would-be leaders, and citizen movers and shakers have an opportunity to rise to the occasion to implement a low-cost set of actions to spur growth.

The author challenges feelings of economic malaise that taint the next generation's dreams of prosperity. Instead he advocates the need for people to leverage traditional strengths and commit themselves to making a difference. He provides examples of newfound vitality in locales around Europe, and examines in detail his native Italy for policy weaknesses and champions of renewal.

Magnani proposes a six-point comeback strategy for citizen catalysts, business leaders, organizers, and elected officials in cities, towns, and provinces: build human and civic capital; unleash entrepreneurial creativity; spur new innovation; stimulate cultural creativity; leverage cultural diversity; and champion social mobility. This study provides a roadmap to a new dynamism and offers the theoretical and empirical evidence to prove it.

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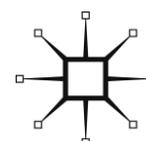
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Chapter Abstracts

Introduction: Rising to the Occasion

At a time when actions to revitalize national economies are often frozen by political bickering and paralysis, people of action at the local and regional level can step in to make an economic impact. Local people – elected officials, business leaders, and citizen leaders—can rise to the occasion to implement a low-cost set of actions to spur growth. In *Creating Economic Growth: Lessons for Europe*, Magnani provides six recommendations for revitalization: build assets of local development; unleash and stimulate entrepreneurial creativity; foster innovation and research; leverage cultural resources and creativity; make the most of cultural diversity; and champion social mobility. As globalization intensifies direct competition between locales, a power shift from the national elite to local citizens, in government, corporations, and nonprofit institutions, can reverse today's economic malaise.

Chapter 1: Build Assets for Local Development

To improve their economies local leaders should take actions to build and nurture the intangible assets that make up the foundation for economic dynamism: human capital, civic capital, and institutions with effective governance. Human capital includes educated and skilled workers. Civic capital includes public trust and social cohesion. Institutions with effective governance prevent sluggish bureaucracy and cronyism. These assets, together, support the cities, industrial districts, knowhow clusters, and centers of technological- and knowledge-based excellence that enable a locale to compete in globally. For many developed nations that cannot compete on price, local *savoir faire* can become a global competitive advantage. Prosperity depends on the ideas of people, and the complexity of products and processes they manage. Talented, motivated, clever individuals are the basis for the generation, production, and commercialization of hard-to-replicate products and services that can restore economic vitality. Magnani studies several cases: the province of Ragusa, the Dutch Flower District, the cities of Turin, Lyon, Manchester and Pittsburgh. Actions range from investing in education to sharing best practices to make local government more accountable.

Chapter 2: Stimulate Entrepreneurial Creativity

To improve their economies local leaders should take actions to unleash entrepreneurial spirit and creativity, both startups and in traditional (mature) firms. The actions taken should support the four pillars of entrepreneurial success: education, skills development, a capacity for innovation, and a sense for risk taking. The actions should also pave the way for structural changes: reducing administrative burdens, improving legal framework, lowering taxes, and reducing barriers to credit. Local leaders can act as prime movers and facilitators, making changes that support local centers of excellence, industrial districts, and knowhow clusters. Local leaders can act as catalysts while partnering with national leaders. Among the swiftest and lowest-cost initiatives, Magnani suggests lowering the cost of credit through new or revitalized institutions, namely mutual guarantee organizations like Italy's *Confidi* and microcredit institutions, and foster much closer ties between businesses, universities, and research institutions.

Chapter 3: Foster Innovation and Research

To improve their economies local leaders should become primary drivers of innovation. They should support 'networks of knowledge', clusters of universities, R&D centers. Small and medium-size enterprises, embedded in locales but connected with national and international partners, can bring world-class innovation inside their companies. Innovation includes change in, or introduction of, new technology, organizational management, and corporate governance and it can strongly impact traditional sectors, including agriculture. Given that innovation remains one of the most powerful catalysts for growth, Magnani recommends centralizing centers of research excellence to establish critical mass in specific research and geographic areas; supporting PhD programs in partnerships between business and universities; arranging more venture-capital backing for university spinoffs; and coordinating enterprises for sharing of innovation. Good examples are: the IGBT research center in Naples, the Loccioni Group in Ancona, the novel regional initiatives *Marche Innovazione*, the success stories of European cities like Mannheim, Eindhoven, Utrecht and Oulu.

Chapter 4: Leverage Cultural Resources and Creativity

To improve their economies local leaders need to take action to drastically boost 'return on cultural assets'. These assets are the often-unexploited treasure accumulated over centuries in the form of art, architecture, music, performing arts, and related creations. Many of these assets, along with the natural environment, are largely idle and yet amount to valuable natural, intellectual, and cultural property. Local leaders can leverage cultural assets to create new jobs, professions, services, and even technologies from local culture. They can trigger a multiplier effect from culture to the creative sectors, tourism and the overall economy. Magnani explores the cases of the 'Parmesan' cheese consortium, the Florence's Palazzo Strozzi Foundation, the violin-making legacy of Cremona, and the repositioning of Barcelona. Leaders can achieve success by thinking more strategically about culture and creative industries, mapping and inventorying hidden and underutilized treasures within each region; creating incentives for public-private partnerships; and supporting education, financing, and multi-level governance to fully exploit cultural heritage without degrading it.

Chapter 5: Make the Most of Cultural Diversity

To improve their economies local leaders should leverage diversity. This means diversity in all its forms – gender, life choices, ethnic, language, religious – but especially diversity driven by persistent or growing immigration. The challenge is to make the most of fresh and novel talent and ideas and capabilities – while managing the costs of immigrant populations. Although immigration policy remains in the hands of national leaders, local officials, business people, and citizen leaders can create a complementary strategy to facilitate integration at the local level. Magnani argues for a range of actions, including pressure on national politicians for reform, as in Austria; programs by business for integration of immigrants into the workforce, as in Manni Group; support for immigrant populations with tailored services, as in banking services by Extrabanca; creation of immigrant networks to spur cross-border trade with home countries; provision of microcredit; and reforms to champion best practices in education, internationalize universities, and retain top-rung university graduates.

Chapter 6: Champion Social Mobility

To improve their economies local leaders should take action to foster intergenerational mobility, spurring economic vitality by helping the best and brightest students realize their potential, no matter their family background. The principle is simply to increase the efficient use of human resources by taking advantage of people's various talents, capabilities, levels of motivation, willingness to work hard, and appetites to take on risk. National leaders, through control of funding and educational standards, play a big role in furthering mobility. But Magnani suggests that local leaders have final control in the implementation of standards and the creation of ancillary programs to aid mobility. They can take initiatives, as in Reggio Emilia, where teachers, private citizens, and local authorities have created the best network of childcare and preschool in the world, a crucial step to increase social mobility for both children and their mothers. Several changes can be made, including mandatory preschool; standardized testing that genuinely scores students on merit; and help working students.

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