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Today's decisions will in large part determine what Italy is like in the year 2020. The country faces various challenges and opportunities in overcoming what has proved a long-lasting crisis, ranging from renewing its focus on local development and providing incentives for entrepreneurship and innovation, through to more effectively exploiting its vast cultural heritage. Only in this way can Italy unleash the potential of cultural integration and increase social mobility, thereby laying the foundations for a new cycle of growth.

Perhaps no corner of the West can look forward to years of healthy cows in the run up to 2020. For Italy, too, they could be further years of lean cows, like those traversed since the bursting of the subprime mortgage bubble. But is there a way to avoid this? Can we reverse the trend and begin a new

cycle of growth?

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Yes, it is possible, but it will not happen by chance or luck. The shape of Italy by the end of the decade will largely be determined by to-

day's decisions, not just by the ability to face and overcome – yet again, as has frequently been the case in recent decades – short-term economic and social vicissitudes. The Italy of 2020 will be the result of how courageous we are today, of how well we meet long-term challenges. A “defensive” strategy is not enough: plugging the leaks in a ship that is taking on water without at the same time firmly holding the helm might postpone sinking, but it will not prevent it. Intuition and good intent, even if present in abundance, is no longer enough: the world has changed profoundly, as have the routes to economic growth.

What, then, are the challenges to set, starting now? Reviving local development by leveraging local excellence in production and know-how; fostering a culture of innovation and creative entrepreneurship; investing at last in research, so as to create, among other things, conditions that attract to Italy the “delocalized” research activity of multinational corporations; working the “rich seam” that the country's art, environment and culture represent; promoting cultural integration and turning diversity to advantage, so as to seize the opportunities that present themselves to a now multiethnic country; and kick-starting social mobility and restoring confidence in the future among youth. (This last point will entail advancing merit from the earliest stages of schooling.) The catalog of challenges and opportunities is extensive, and running through it, new paths to growth emerge.

The book *Sette anni di vacche sobrie* (or “Seven years of sober cows”) provides a program of concrete proposals based on rediscovering, bolstering and revitalizing what Italy already possesses: a cultural heritage, of which entrepreneurship, excellence in research, and innovative ideas form an essential and often unknown part. The focus is on rediscovering and capitalizing upon traditional strengths, as well as drawing lessons from successful experiences in Italy and abroad.

USING LOCAL-LEVEL KNOW-HOW AS A SPRINGBOARD FOR GOING GLOBAL. Reviving the local dimension of development means rediscovering the excellence that resides within Italy's local areas. These are often rich in civic capital and act as a breeding ground for sophisticated – and hence difficult to replicate – products. Thanks to globalization, which opens up markets exponentially, our local-area economies have a unique “competitive advantage”.

If we cannot compete on cost with the new global players, we have to focus on the variety and quality of the things we create, as well as on the ability to establish a name for them in international markets. In this regard, the pockets of know-how to be found throughout the so-called “Italy of a hundred cities” could make the difference.

The dynamism – despite being sorely tested by the economic crisis – of many manufacturing districts (of those areas designated as “clusters”), springs to mind, as does the level of sophistication of products, which is a guarantee of added value as well as low replicability. As noted by Harvard's Ricardo Hausmann in his *Atlas of economic complexity*, this is a source of growth and prosperity.

Sociologist Albert Hirschman and political scientist Robert Putnam came to Italy precisely to study civic capital, pointing to it as an essential ingredient for a prosperous community. Other key factors are cities, human capital and local governance. Success stories are to be found in Italy, such as the city of Turin, with its urban planning and production diversification over the last twenty years. Another example is the province of Ragusa, the development of which is testified by economic statistics that place it at the top of the league tables for southern Italy. The rediscovery and exploitation of this Italy of a “hundred cities” could (if hometown allegiances and parochial tendencies are put aside) become an engine of growth.

UNLEASHING ENTREPRENEURSHIP AND INNOVATION. Italians are endowed with great creativity and a keen entrepreneurial spirit, but a plethora of constraints – such as an excessive tax burden, bureaucracy-bound public authorities, a dysfunctional civil justice system, and the difficulty of obtaining credit – prevent them from giving voice to these talents and debase their efforts. This scenario discourages entrepreneurs, leads Italian investment to “flee” abroad, and fails to attract foreign investment to our country.



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However, entrepreneurial activity and ideas (whether new or revisited) are crucial for economic growth, employment rates and innovation. Indeed, education and professional training are important, but even more so is an “education in entrepreneurship”.

Entrepreneurial creativity is often synonymous with start-ups, the number of young firms certainly being an indicator of the vitality and dynamism of an economy. That said, in a country like Italy, it is possible to achieve productivity gains through innovation and creativity applied to traditional sectors – even those considered mature.

In point of fact, innovation is fundamental for driving increases in productivity and a return to growth. Moses Abramovitz of Stanford University demonstrated that 85% of the growth in output in the United States between

1870 and 1950 was due to innovation, and only 15% was attributable to the traditional factors of production (namely, capital and labor). And innovation – especially of the kind that is sustainable in the long term – is closely linked to investment in research. Italy, which spends 1.25% of GDP on research is lagging behind other countries (2.25% in France, 2.84% in Germany, and 3.78% in Finland). This is due to a variety of reasons, including the size of firms, a lack of coordination between industry, universities and research centers, and various cultural hangovers.

In short, there is a need to invest more, and invest better. It is also necessary to focus on research, especially in times of economic crisis. The United States, for example, between 2007 and 2011 – at the height of its crisis – recorded an average annual increase in R&D investment of 9.6%. At a time when it is undeniably difficult to find funding, whether public or private, the importance of low-cost innovation as a tool for economic growth should not be underestimated, especially in traditional sectors. It is not just a question of technological innovation, but also of changes to modes of production, logistics, organization, and corporate governance. Indeed, drawing a greater distinction between management and ownership roles would benefit medium-sized enterprises, given that for many family-run firms the generational handover proves fatal for the business; involving workers in management, on the other hand, in line with the German model, could reduce labor tensions.

CULTURE, CREATIVITY AND ECONOMIC GROWTH. If culture is Italy's shale gas equivalent, then we must learn how to "mine" this resource more efficiently. The tourism sector could become pivotal for the country, while today it is not being adequately exploited. Despite the country's innumerable treasures, Italy receives half the number of tourists that visit France, and about ten million fewer than Spain each year. In addition, the

total number of visitors to Italian state-run museums is equal to that of museums in the city of London alone, while no Italian museum (the Vatican's excluded) ranks among the twenty most visited in the world. Florence's spectacular Uffizi Gallery is only in twenty-first place! It is not just a problem of quantity but also of quality. Indeed, the per capita daily expenditure of foreign tourists in Italy is less than 100 euro, and is almost entirely used up on food and lodging.

It is not enough to develop and upgrade tourism; we need to create new jobs in the sector and experiment with new technologies. New specializations could be launched in the fields of art and environmental protection, for instance, from the classic restorer to curators of exhibitions, not forgetting insurers and shipping agents, and legal and tax experts. Such niche professions offer high added value, which, if pooled together, could have a considerable bearing on the economy. A center of excellence should also be created in respect of each such "occupation", with an associated training institute, since investing in culture effectively means investing in human capital. There are risks to be averted too: without timely management and protection, cultural heritage will be subjected to piracy and imitation just as agro-food products and major-label brands are.

If, to Italy's artistic and natural heritage, we add the creative sectors of content (cinema, television, radio and publishing) and manufactured goods (fashion, design and style), the opportunities for economic growth abound. Moreover, in the eyes of the world, culture and the creative sector boost a country's soft power: that is, its image, reputation and clout – all aspects with significant economic impact.

CULTURAL INTEGRATION AND DIVERSITY. The value – including in economic terms – of diversity, and particularly of immigrants, is often

neglected. In fact, while studies on the subject diverge in their views, in the long term, and with effective integration policies, immigration's benefits for growth are evident.

In the United States, the important role played by immigrants in the economy (especially in business) is manifest: 42% of Fortune 500 companies were established by first- or second-generation immigrants; in the technology sector, the figure rises to 60% of the biggest 25 companies, including Apple, Google, IBM, Oracle, Amazon, eBay, Facebook, Yahoo! and LinkedIn. Even in Italy, the appetite for risk – a crucial component of entrepreneurial spirit – is normally higher among immigrants than among “natives”, although the main activities in which immigrant entrepreneurs in Italy engage (over 70% attributable to construction and trade) represent areas that require low levels of education and training.

In any event, immigrants contribute considerably to the entrepreneurship rate and the labor market, now generating nearly 12% of Italian GDP (it was 7.1% in 2005), and comprising more than 230,000 business owners, with an increase – notwithstanding the economic crisis – of 39.2% since 2007. In the period 2007-2012, the number of foreign workers in Italy rose by 580,000, an increase of 33%, the highest among the major European countries (Germany +13%, France +5%, and Spain -25%). In the same period, “Italians” lost over a million jobs. It would be remiss to underestimate the significance of these figures. Knowing how to turn the diversity of Italian society to advantage and foster cultural integration is imperative – in an economic sense as well.

BOOSTING SOCIAL MOBILITY AND ADVANCING MERIT. Only by means of a renewed emphasis on promoting merit (among students, but also among teachers) can the Italian education system serve as a vehicle for social mobility, and, through accolades for the capable and deserving, can it

offer equal opportunity to young people. And only with quality preschooling, available to all children regardless of background and household income, can talent and passions be discovered and brought to light for the benefit of each child and society as a whole.

The two strategic levers for increasing social mobility are kindergartens and secondary schools. The provision of quality preschooling (from 0 to 6 years of age) is a key factor in enabling the talent of the very young to emerge from the outset, regardless of family background, thus allowing the social mobility of children and mothers to increase. In this instance, the best practice is not to be found abroad, but in central Italy, in Reggio Emilia, with the extraordinary success of Reggio Children, a network of over 80 preschools considered the best in the world.¹

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On the other hand, the various secondary education paths in Italy, which are quite different from each other, shape subsequent academic and professional choices. Only 10% of the children of those who never completed a high school diploma go on to get a university degree (in France it is 35%, and in the United Kingdom it is 40%). Many professions are almost “hereditary”: 44% of architects are children of architects, and similar percentages occur among lawyers, pharmacists, doctors and engineers. The “intergenerational correlation” is very high, both in education and income levels. This represents the exact opposite of social mobility.

We need to look at the opposing models in Britain and Germany – the former having a marked generalist streak, and the latter focusing more on specialization – in order to improve on our (nonetheless good) model through ideas that have already been tried and tested. For example, making the fundamental choice of which educational path to pursue could be left until students are 16 years old (as is done in Finland, with very positive consequences on social mobility²). At 16, kids have a greater awareness of their own

potential, and their families and teachers are also better placed to gauge it. The rigid demarcation between different educational paths also needs to be reduced, making it simpler for students who have headed in an unsuitable direction to change their minds. Investment in education should, furthermore, produce a discernable return: it should be clear to families that educating their children is worth the time, energy and funds.

In short, investing in education, from kindergarten through high school, is crucial. Doing so provides young people with a future, spurs the economy, and effectively minimizes future social costs.

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VIEWING THINGS FROM THE “RIGHT DISTANCE”. There are many important challenges to be faced, and the lead-times for securing a return in fields such as education and research are long. However, it is essential to start sowing the seeds now for 2020. As Luca Parmitano – the Italian astronaut who remained aboard the International Space Station for weeks – observed, Italy is apt to be better seen (and loved) from afar. From the “right distance” – whether that be outer space or Harvard’s Kennedy School of Government – Italy’s problems and difficulties can be viewed more clearly, as can the country’s potential. From the “right distance”, it is possible to think in a clearer and more balanced manner about the long-term strategies necessary to ensure that those metaphorical cows are able to become, if not fat, then at least sober.

¹ The Reggio Emilia Approach was developed in the wake of the second world war by a teacher, Loris Malaguzzi, and by parents of children in the province of Reggio Emilia. In 1991, the “Diana” school was judged by *Newsweek* as the most advanced preschool in the world. In the 1990s, a public-private partnership between the Fondazione Malaguzzi and local authorities led to the establishment of “Reggio Children”, comprising a network of over 80 schools.

² Thanks in part to educational reforms, Finland has dramatically reduced income elasticity in recent decades (from 0.30 to 0.18). By way of comparison, it is 0.48 in Italy, 0.47 in the United States, and 0.50 in Great Britain, while in Denmark and Norway it is 0.15 and 0.10 respectively.