

# XXXII VILLA MONDRAGONE INTERNATIONAL ECONOMIC SEMINAR

## *Lessons from Covid-19. A Stronger EU: Staying together in a new policy space*

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### CONCLUSIONS AND RECOMMENDATIONS

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#### INTRODUCTION

The Villa Mondragone International Economic Seminar was attended by an outstanding network of academics and representatives of the major national and international Institutions also this year, involving about 200 speakers.

The Conference, established in 1989 by the initiative of Nobel Prize Edmund Phelps Luigi Paganetto, is centred on the topics of sustainable development and global change.

This year Conference was devoted to “Lessons from Covid-19. A stronger EU: Staying together in a new policy space”.

#### BRIEF REMARKS

- First of all, it is fundamental to deploy necessary resources to beat the pandemic outside the European borders. The Italian G20 Presidency has been an important occasion to address this big deal. Quantitative models and estimates available leave no doubts about, as well as pandemic consequences on GVC, which although shortened by the crisis, continue to be crucial to the development.
- The concentration on the recovery has not to obscure the unsolved challenges of the Europe, which will recure to the policy makers’ consideration when the pandemic will be overcome.
- There is an unsatisfied demand of citizens to Europe, concerning ‘public assets’, from intervening in inequalities, training programs, youth employment and of people outside the productive system, to health and education interventions. The opportunity to discuss will be the Conference on Europe, convened in May with a duration of about 2 years.
- The demographic issue is another important aspect to take into consideration. In fact, the ageing population requires policies in favour of young people and a rethinking of migration policies.
- Moreover, there is also the readjustment of EU competitive policy to the new conditions of the global economy, increasingly dominated by policies to obtain technological leadership and international agreements that reshape large trade and investment areas.
- In this context, Europe, coherently with Next Generation EU, could invest in renewable energy in the Saharan area, increasing its effort on the great project of solar energy that could benefit the desert area countries of the Southern Mediterranean, but also Europe when linked to the areas producing this energy.

- Europe needs to approach the Southern Mediterranean and African areas, a common requirement of all the European countries, starting from Germany. The country in fact is experiencing a fall of its potential growth, denying a larger domestic demand, when the traditional privileged relationship with Visegrad countries, the driving force of German economy in recent years, is not enough anymore.
- The structural change of the GCVs, which are shortened as a consequence of Covid-19, represents a decisive turning point. In this context, 'well-performing countries' tentative to recreate the Hanseatic League after 800 years is difficult to understand, because the countries that offer greater opportunities are those of the Southern Mediterranean, Africa and Asean area.
- The suspension of the Maastricht Treaty does not mean a return to the past at the end of the crisis, but we need to discuss fiscal and monetary rules which will have success only starting from a government change without being characterized by intergovernmental method and unanimous decisions. Especially since we need to provide our budget with necessary resources to debt repayment.
- In Europe new political opportunities are appearing after the overall context that has allowed France and Germany to sign the agreement in Aachen is changing. This can favour our country, but we need different ways to approach fiscal policies to manage this development step and to answer the increasing requests to Europe for the supply of 'public goods'. Healthcare, instruction, research, and in particular, initiatives directed to reduce inequalities and sustainable development are fundamental. An increase in own budget resources (with plastic and CO2 taxes) will be inevitable, as well as those necessary to debt repayment. Consequently, monetary policy will not be able to have stable interest rates.
- Productivity and innovation continue to be central issues. We need a massive investment on school, training and research to be able to use rising European innovation linked to energy and digital transition. Interventions on educational and public administration reforms should be identified in this context because national and local public services will be the drivers to the development of demand.
- The exceptional transformative effect on the economy, and in particular on mobility, telemedicine, smart cities and factories, driven by digital, 5G, artificial intelligence have to find the right and necessary way to adapt to the developing economy and society. The bioeconomy represents a challenge that put together new technologies, circular economy and sustainable development.
- Although the Recovery and Resilience Plan means a sufficient and immediate reply to the need to support the economy– in Keynesian terms –challenged by the long interruption of many productive activities, we have to remember that for what concerns the Next Generation EU, it represents a national program. Every country will take advantage through different investment decisions.
- The government action for the investments in infrastructures is crucial. The intervention in favour of liquidity and business support will require a rethinking of relationship between state and market and great attention on exit ways when crisis ends because the intervention has not to become an indefinite support to zombie firms.
- The real challenge for Europe is linked to investment projects at European level in which more countries cooperate in new and dynamic sectors. InvestEU aims for this action, but its resources are not enough.

- Only by implementing technological and competitive projects at European level, a real leap in productivity and growth is possible (like airbus in the past and that German-French on hydrogen today). For this reason, we need firms with European governance and statute, and with plans which deal with climate, energy and digital.
- Even if the Bank Union is going on, the European financial activities are still departmental. Industrial sector stops when there are attempts to realize European firms like those in the railways sector and shipbuilding industry. In these political areas, Europe has to make decisive choices which allow it to realize firms like the European ones.