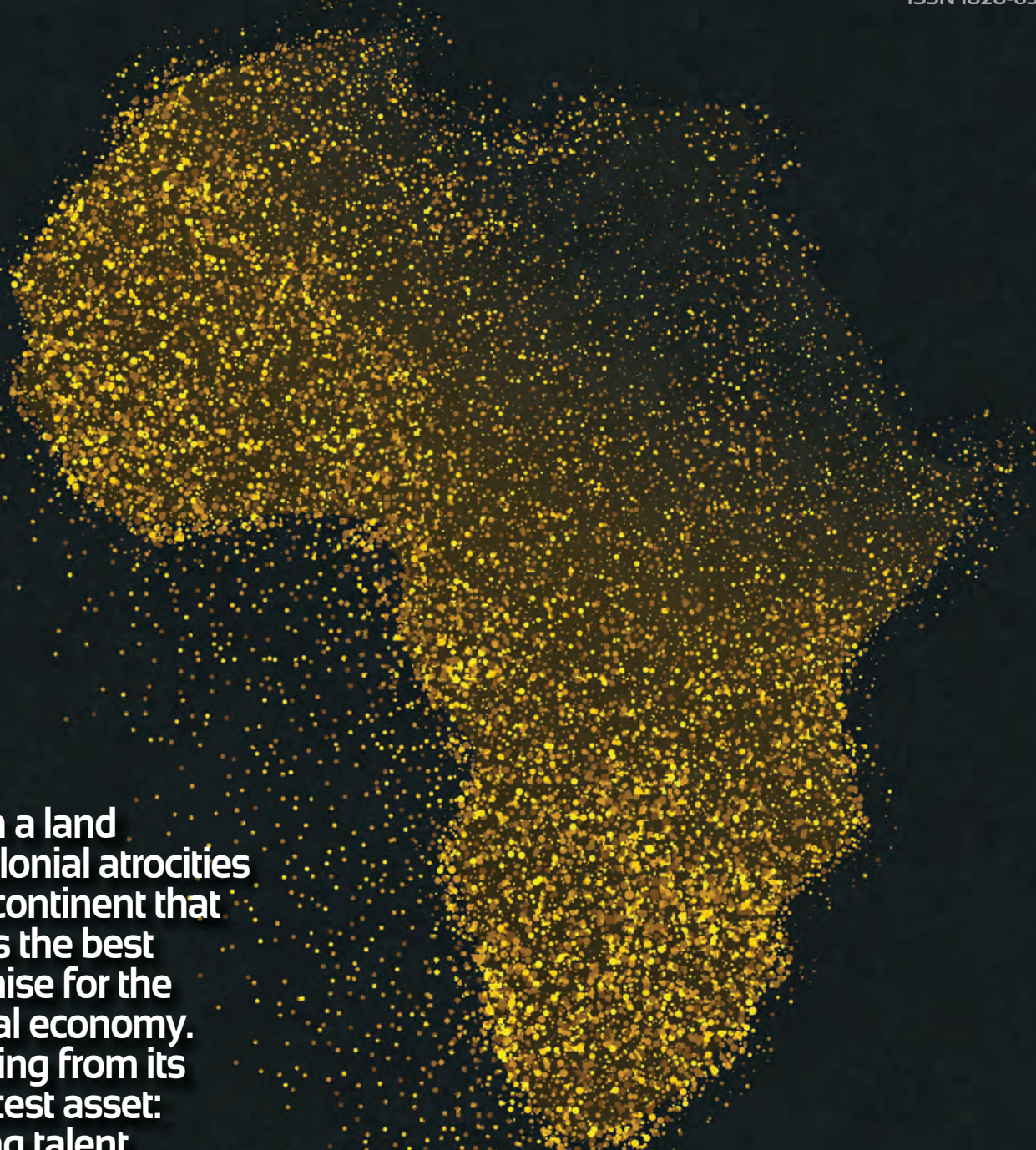


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BOCCONI UNIVERSITY, KNOWLEDGE THAT MATTERS

Issue 1/2024  
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From a land  
of colonial atrocities  
to a continent that  
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Starting from its  
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## 2024, a year that is already in history



**I**t has only just begun, but we already know that 2024 will go down in history. Over the next 12 months, 76 countries will go to the polls: from Bangladesh (on January 7) to the United States (on November 5), including the 27 countries that will vote for the European Parliament in June. It is not only the internal balance within each nation that could change, but also the social and political equilibria on a global scale. In this context, politics, usually portrayed as a speedometer needle that can change the fate of a government as fast as a tweet, could now turn into the balance needle that settles the scales of an increasingly interconnected world. A world in the throes of a deep identity crisis, due to the increasingly sharp contrasts between North and South, rich and poor, amid conflicting demographic trends and climate change. A crisis that has led to wars that are more or less close to home: not just Ukraine and Palestine, since there is a total of 55 armed conflicts between states that are currently active, eight of which have reached the level of full-fledged war, and 22 of which

have been internationalized, that is, one or both parties received external support from the troops of another state.

At the global ballot box, the average age of the electorate will be older (in 1950, the average age of voters was 25; in 2020, it will be 33), although there are clear differences between the various regions of the world, with the mean voter's age in Africa being 20 years old and in Europe 43 years old. Obviously, minors will have no voice in this. We must look at this year as an opportunity not to be missed; we must commit ourselves to studying, understanding, and building an inclusive and sustainable world for all. For Bocconi, it is a tangible commitment in the form of financial aid policies to support students, in the development of new ideas thanks to the work of our researchers, in the projects linked to the so-called University's third mission that will see our growing commitment.

The year 2024 is already in the history books. It is up to us to decide the reason why.

**Francesco Billari, Rector**



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# The need for solid financial literacy

*When it comes to financial literacy, Italy ranks among the bottom in the world. Yet in recent times many awareness and education initiatives have been launched on the subject. The task of the EduFin Committee, led by Donato Masciandaro, is to boost it*





by Davide Ripamonti @

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Committee*

**T**he data remain negative, but there are signs of some counter-trends. More recent estimates actually indicate a growing interest especially among younger age groups, despite the fact that in 2020 Italy was ranked 25th out of 26 OECD countries in terms of citizens' economic and financial education. However, the general level of understanding remains rather low. This has negative repercussions both individually and collectively because greater economic and financial awareness is essential in allowing the country to innovate and prosper. We discuss this in our interview with Donato Masciandaro, Full Professor at the Bocconi Department of Economics and Director of the Committee for the Planning and Coordination of Financial Education Activities of the Ministry of Economy and Finance. The EduFin Committee – including representatives of four ministries and four supervisory institutions – has the task of planning and promoting initiatives on financial literacy to help educate Italians regarding savings, investments, pensions and insurance.

**→ Is financial education really that important?**

Yes, and for at least two reasons. Firstly, it helps one make better economic choices. Secondly, it increases one's awareness. These are two advantages that intertwine and reinforce each other. In fact, the more aware you are of what you do on an economic level, the more you feel like a contributing member of society, and this helps both the economy to grow and community to have more cognizant citizens.

**→ Then there is a third, relatively recent aspect: that of a virtual and digital reality in which each of us, especially the youngest, participates.**

Each of us is part of a network – whether small communities, physical networks or even virtual networks. Individuals are faced with a series of unprecedented choices; currencies will become increasingly electronic and we will soon have a digital euro. In addition, all banking and financial services are becoming more digital.

Finance, insurance and pensions generally pass through this intertwining of social networks and digital reality. So there are at least three reasons why financial literacy is not only necessary but, consequently, increasingly important.

**→ So who is responsible for educating citizens on financial literacy?**

Both private entities and public institutions – including supervisory and regulatory institutions, which are already active – can promote financial literacy. The core issue at this point is not the amount of financial knowledge we have available,



but more so its quality.

→ *Its evaluation is one of the areas that the Committee you are Director of will be responsible for.*

I would say this is a crucial area. When the Committee was first established in 2017, the priority was to begin the conversation on financial education. In a sense, there was a problem of quantity. Today it is more a problem of quality: it is necessary to understand who creates these financial literacy initiatives, and the quality offered to the population. The Committee will always have to keep this in mind during its three-year mandate.

→ *It is a tricky task. How do you intend to go about it?*

The aim is to bring about an evolution that is both courageous and prudent. It must be an evolution, continuing the activity that the Committee has already started in recent years to define guidelines for the recognition of educational initiatives. However, we must have the courage to do so in a more systematic and incisive way. At the same time, we must be prudent because we must always take into account the budgetary constraints, which require us to carefully evaluate the way in which every single public euro is spent, especially during such a delicate time for our country.

→ *Another sensitive topic is schooling. How do you plan to introduce financial education as a subject to be studied?*

Our country does not yet have legislation regarding financial education. Lawmakers have always found themselves at a crossroads: on the one hand, financial education could be a subject in itself, and on the other, it could become part of civic education. A bill is being debated today which has opted for the second route, which I believe to be the wisest one. What did not convince you about the first option? In an ideal world, it would be the perfect solution. How do you find the resources and skills in such a short time, though? Rome was not built in a day. The second option defines a gradual path to raise awareness of economic and financial topics among students and teachers within civic education. It is a realistic choice; the alternative would have risked amounting to nothing.

→ *It is said that they are more advanced abroad. Is this really the case?*

In the United States, there have been initiatives aimed precisely at introducing financial literacy into the curriculum. What the Committee must do is look at both Italy and abroad, starting from the substance of what were once details. For example, it is necessary to have a portal not only in Italian, as is the case now, but in English as well. We must also be ready to open a dialogue with other countries and international organizations such as the OECD. Quality means this, too. One must be willing to try, with courage and prudence. At least we won't have any regrets ■



Bocconi

# CHANGED BY WOMEN

Abbiamo raccolto le storie di **99 Alumnae** trasformandole in un libro: **Changed by Women**. Un progetto che si estende su diverse piattaforme e mira a sostenere l'**empowerment femminile** sia condividendo le loro testimonianze, sia **devolvendo i fondi** alle studentesse del futuro e alle loro storie ancora non scritte.

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*The African continent is seen by Europe and beyond as the new frontier for investment opportunities, but also as a reservoir of talent in a world increasingly facing a demographic crisis. But for this to truly be an opportunity for all, relations between countries need to be redefined, leaving behind the colonial era once and for all. Bocconi has established exchange relations with 10 universities and partnerships with foundations and NGOs to attract students and carry out numerous research projects in the field*

# AFRICA

by

Samuel K. Bonsu

Andrea Celauro

Andrea Colli

Lucia Corno

Erika Deserrano and Paulina König

Matteo Di Castelnuovo

Thami Ghorfi

Nicola Limodio

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THAMI GHORFI  
President of ESCA School of  
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ESCA is one of 10 Bocconi  
partner schools on the African  
continent

# The African challenge

*A growing continent, not only demographically, which demands respect in exchange for new economic opportunities for its population but also for Europe, which will have to adopt new models of cooperation and partnership*

by Thami Ghorfi @

**A**frica is a continent of real potential but also of great complexity. After thirty years of growth in Asia and the development of globalization, Africa is undoubtedly the new frontier for growth. Europe, which is linked to Africa by geographical destiny, sees its analytical models called into question. If the world is changing rapidly, Africa is, in some aspects, transforming at higher speed. The issue is understanding Africa's diversity, opportunities, and constraints to define a new era of relationships. It's not just a matter of Europe developing relationships with the 54 countries that make Africa. European countries will also have to build new bilateral or multilateral relationships with groups of African countries, depending on their projects and the nature of their alliances.

## CHALLENGES CAN MASK OPPORTUNITIES

The African continent is admittedly a land of many challenges, making it even more complex. Regional security issues, armed conflicts, and climate migrations impact populations in many regions. In 2022, we counted over 40 million people in Africa who have been displaced because of conflict and insecurity. The impacts of climate change also displaced around 7 million people. They are fleeing food insecurity, famine, drought, and natural disasters. However, it should be emphasized that 96% of these migrations occur within Africa. We can cite three significant conflict areas in Africa: 1) The countries of the Great Lakes region, including one of the continent's wealthiest countries, the Democratic Republic of Congo; 2) The Sahel countries, which are facing insurgencies by Islamist groups (and let's recall that Western countries, led by France, have been unable to control acts of terror in this region); 3) East Africa, that also has its major share of insecurity. But all these challenges should not overshadow the development opportunities the young continent offers.

## OPPORTUNITIES ARE MORE NUMEROUS AND INVITING

Let's start by not limiting our understanding of opportunities just in terms of natural resources, minerals, and arable land. Demographics is undeniably an asset

## Bocconi's research

*The LEAP lab goes on the field, with research aimed at understanding and combating the causes of poverty. It promotes field research to do so, much of it in Africa. An example of this focuses on female genital cutting, as told by Lucia Corno. There are also two projects funded by the ERC on the relationship between the new continent and digitalization. The first, by Erika Deserranno, aims to understand the success factors of digitization in the public sector. The second, by Nicola Limodio, looks at the impact of high-speed internet on the FinTech sector*

**FEMALE GENITAL CUTTING: A PERSISTENT AND HARMFUL SOCIAL NORM. BUT ONE THAT CAN BE CHANGED, AS DEMONSTRATED BY BONDO WITHOUT CUTTING IN SIERRA LEONE**

BY LUCIA CORNO

Traditional norms are an essential part of life in many developing countries. They have a crucial economic role in compensating for market failure (e.g. by supporting informal lending or collective provision of public goods), but they can also be a serious impediment to economic development. International organizations and a body of recent research call attention to the detrimental effects of the so-called "harmful traditional practices", such as child, early and forced





since Africa's population is growing significantly, but there's still a lot to be done to benefit from what's known as the demographic dividend. Overall, African countries still need a lot of infrastructure. The African Development Bank estimates the need for infrastructure investment between \$130 and \$170 billion annually, with a financing gap reaching \$100 billion in certain years.

Urbanization is set to transform Africa over the coming decades. The number of cities has doubled since 1990, and cities have tripled in size over the same period.

Demographic pressure can turn this exceptional urbanization dynamic into an excellent opportunity for African countries implementing bold and innovative public policies. Africa needs to develop industry. It must be said that African countries have understood the need to generate value by transforming their raw materials locally. To achieve this goal, countries must engage with the dynamics of industrial investment as part of global value chains. Morocco, for example, has successfully integrated its industry into global value chains such as automotive, aeronautics, and offshoring. Africa needs to create more than 12 million jobs a year to meet the needs of the young populations entering the job market. Investments in the manufacturing industry are, therefore, pivotal. For example, we observe a transfer of labor-intensive productions, such as in the textile sector, from China to Ethiopia. Africa still saw, in 2022, an increase in bulk exports, while maritime container freight growth has peaked globally. Africa is the only continent to show a rise in dry bulk carrier stopovers in 2022 (+2.5%). This demonstrates the potential to process raw materials and benefit from the momentum of the African Continental Free Trade Area (AfCFTA) agreements, given that intra-regional trade in Africa represents less than 20% of the total. The AfCFTA agreements alone are expected to boost intra-African freight by 28% and sea freight demand by 62%.

## EXPLORING NEW AREAS OF ECONOMIC COOPERATION

Europe and its member countries need to explore new cooperation models and adopt new approaches. Africa is a complex market, but one that has aroused the interest of

economic powers such as China, Russia, Brazil, Turkey, Great Britain, and the Gulf countries. The priority sectors are numerous. They include the agri-food industry, the development of renewable energy, means of mobility and transport, and waste management. To succeed in shaping these new forms of cooperation, African countries expect mutual respect in negotiations, understanding of contexts and their specificities, and collaboration focused on results and impact on populations. This will require three essential levers: contribution to vocational and higher education, and cooperation in research; commitment to sustainable development, considering the diversity of local practices and traditions in Africa; strengthening innovation and entrepreneurship serving communities and societies.

## IN AFRICA, INNOVATION IS EVERYWHERE AND IS OFTEN FRUGAL

Entrepreneurs innovate and create businesses out of necessity to fill the gaps left by municipalities and states. As an illustration of this dynamic and its potential, let's cite the case of the collaborative Ushahidi platform created in Kenya in 2007 during the post-election riots to enable Nairobi's inhabitants to get around by avoiding dangerous areas. Ushahidi has become a mapping tool used in many parts of the world, and is used by the United Nations. These entrepreneurs express their audacity with disarming simplicity: "If it works in Africa, it will work anywhere". Every European country needs to explore its strengths to reinvent its relations with African countries. One of the strategies may consist, for instance, of building a partnership with an African hub with a continental anchorage. It can be a significant lever that can serve as an accelerator of relations on the field. Italy has undeniable strengths in its fabric of SMEs, which work in ecosystems and organize themselves to expand worldwide. There are many activities and businesses that can be co-built with African entrepreneurs. To do so, we need to stop questioning ourselves on Afro-pessimism or Afro-optimism and start acting with Afro-pragmatism ■

marriages, female genital cutting, which affect millions of women in sub-Saharan Africa, Asia and Middle Eastern countries every day. Harmful norms have direct dramatic implications especially for young women, on their human capital accumulation, empowerment and wellbeing, thus perpetuating gender power imbalance and hindering a country's growth potential.

For example, Female Genital Cutting (FGC), the practice of removing part or all of the external female genitalia for non-medical reasons, has severe health consequences for girls both immediately and in the long run such as pain, excessive bleeding, infections, urinary and wound healing problems, childbirth complications, and mental disorders. According to the Demographic and Health Survey (data from 2013) FGC impacts socio-economic outcomes as well: mutilated



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women are less likely to achieve secondary education and to have high incomes and more likely to experience domestic violence. Despite these dramatic consequences, over 200 million women are cut worldwide (UNICEF, 2022). The custom is mostly prevalent in Africa and the Middle East and it is almost universal in some countries: more than 90% of women are cut in Somalia, Guinea, Djibouti, Eritrea, Sudan, Egypt and Sierra Leone.

Why does FGC persist over time despite its detrimental consequences on women? One potential explanation relates to the role of people's beliefs in supporting the norm. Social psychologists describe as 'pluralistic ignorance' a setting in which individuals privately want to change their behavior, but mistakenly think that the majority of the other community members prefer to keep the existing one (Bursztyn



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# The law of business

*Encouraging stable relations between the old and new continents requires first balancing the many different legal systems and aligning them with European standards, but also finding a balance between tangible gains and long-term goals. Only then will the promise of a new market, outside the borders of the continent, become a reality. With benefits for all*

by Roberto Isibor @

**A**frica, a sprawling and multifaceted continent, harbors a rich tapestry of states, cultures, and ethnicities. Within this diverse tableau, a plurality of legal systems coexists, shaped by Western, Islamic, and traditional laws (each with its own intricate layers of differentiation; in Nigeria alone, an estimated 300 traditional legal systems are recognized).

Legal pluralism intertwines with other two defining features of the African landscape: the ongoing process of continental integration and the persistent pursuit of robust Africa-Europe partnerships. In this context, the recent surge in African activism, exemplified by the establishment of the African Continental Free Trade Area (AfCFTA), and the renewed strategic engagement of the EU and Italy towards Africa, represent not isolated occurrences but rather expressions of a long-standing dynamic. The distinction lies not in the initiatives themselves but in the ambitions and the unique historical context in which they are unfolding, marked by rising Chinese competition and the inherent challenges of global economic integration processes.

Standing as the African Union's (AU) flagship project (but not its only one, as exemplified by the establishment of the African Medicines Agency), the AfCFTA represents the world's largest (potential) free trade area, encompassing 54 African states, a market of 1.3 billion people, and an economic powerhouse worth over \$3 trillion. Entering the pilot phase in late 2022 through the Guided Trade Initiative launched by 8 member countries, this initiative holds the promise of boosting intra-African trade by over 50%, with a consequential increase in continental GDP of \$450 billion and a positive impact on the living conditions of millions over the next decade. In the realm of Europe-Africa relations, the European Global Gateway for Sub-Saharan Africa and the associated Africa-Europe Investment Package emerge as potential catalysts for change, aiming to mobilize €150 billion in sustainable investments and foster a regulatory environment conducive to socio-economic

et al., 2020). Another potential reason underlying the persistence of FGC is that, even if individuals held the correct beliefs, there may be a coordination failure: no one wants to be the first to abandon the prevailing norm, for fear of social sanctions. Another body of research stresses the intrinsic value of cutting as a signal of sexual fidelity, on the presumption that men value cut women more on the marriage market (Chesnokova and Vaithianathan, 2010; Wagner, 2015). Finally, anthropological studies suggest that FGC might be just part of one's religious or cultural identity (Shell-Duncan and Hernlund, 2000) but this idea has not yet been quantitatively tested.

A recent study investigates the historical origins of FGC and the link between FGC and the slave trade. Between 1400 and 1900, about 18 million slaves were exported from Africa along four main routes: the

Red Sea, the Atlantic, the Saharan and the Indian routes. The hypothesis tested is that women belonging to ethnic groups historically exposed to the Red Sea route of the African slave trade have a higher likelihood to have undergone the practice. In the Red Sea route of the slave trade women were sold as concubines in the Harem in the Middle East and infibulation was used to ensure their chastity and virginity during the long slave journey. This suggests that FGC is deeply rooted in the culture of many communities.

In line with these findings, a recent paper proposes a randomized control trial (RCT) to evaluate a program aimed at reducing FGC while keeping the cultural component. In Sierra Leone, where 89% of women are cut, FGC is part of an initiation ceremony into women's secret societies, called "Bondo", necessary for girls' transitions into





development. From the Italian perspective, the recently announced “Piano Mattei” represents the most ambitious endeavor, breathing new life into the partnership between Italy and African countries, looking to promote socioeconomic development and Italian exports and investments on the continent. While these initiatives garner justifiable interest and hold promise for long-term gains, the checkered history of African integration undertakings and EU-Africa partnerships necessitates judicious consideration. The challenges are manifold. On the AfCFTA side, encompassing implementation hurdles, negotiating additional protocols and navigating the recent spate of coups d'état in AU member states are some of them.

On the EU front, by contrast, criticisms abound regarding mere rebranding, a lack of transparency, and the ineffectiveness of fostering private sector participation. However, amidst these considerations, it is crucial to preliminarily delve into how the European approach - defined by sweeping action plans and strategies geared towards establishing a legal and regulatory framework aligned with

European standards - and the African integration process - which is deeply rooted in a (Europe-style) multilayered and intricate regulatory structure - can (i) align with the African legal landscape - characterized by profound pluralism, state effectiveness gaps, and the pervasive influence of traditional laws - and (ii) address the actual and perceived risks faced by private operators. In this regard, the central challenge lies in forging a new arena for engagement between European and African legal paradigms, striking a balance between tangible and readily achievable gains and the long-term goal of fostering (if necessary) pervasive and European-style regulation on the African continent. ■



## THE COURSE

The course in Business and Investment Law of African countries aims to provide students with the tools to understand the key challenges and potential issues that economic operators may face while doing business with African companies or investing in African businesses and how legal professionals such as lawyers and counsels may approach them in advising corporations or entrepreneurs. The topics are discussed in class also through case studies and interactions with practitioners and experts in the area. Students are encouraged to think critically about the complexity and risks of entering into the African continent markets and about the differences of such a variegated region. Students are expected to evaluate the impact of legal transplants from European civil and corporate law and appreciate the African countries' doctrinal inventions. In the end, this course provides students with a clear roadmap and a solid foundation for an increasingly promising Africa-related cross-border commercial practice.

womanhood. The RCT involves mothers of girls aged 7-15 and evaluates two typologies on interventions: the first consists of providing visual information on the health and socio-economic consequences of FGC, while the second aims to raise awareness on the possibility of adhering to an alternative initiation ritual for the girls. The alternative, denoted as “Bondo without cutting”, is a way to maintain a sense of cultural identity while eliminating the harmful part of the ritual. Both interventions appear to be successful: the percentage of girls cut and the percentage of mothers planning to cut their daughters decreased by 25% in three years. These results suggest the viability of bottom-up approaches in which communities reflect on the costs of FGC and on alternative rituals that preserve cultural identity.



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## THE BENEFITS OF E-GOVERNMENT ARE NOT YET FOR EVERYONE. BUT HARNESSING MOBILE NETWORK PENETRATION CAN IMPROVE THE REALITY

BY ERIKA DESERRANNO AND PAULINA KÖNIG

Digital technologies have advanced more rapidly than any other innovation in our history. In just two decades, they have reached approximately 50% of the developing world's population and have considerably transformed societies (UN Panel on Digital Cooperation, 2019). In this new era, many governments are seeking to digitize public services to provide broader, faster, and cheaper services. In the health sector, digital technologies such as telehealth can potentially reduce the time to diagnosis and extend life expectancy.



ANDREA COLLI  
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# The long shadows of Western colonialism

*The recent history of the Democratic Republic of Congo, made of war scars and renewed relations with China, illustrates the consequences of colonization and the poor management of decolonization. This is where the reasons for today's new scramble for Africa are to be found*

by Andrea Colli @

In May, last year, the newly elected President of the Democratic Republic of Congo paid visit to China, to renegotiate the terms of an agreement signed by the two states back in 2008. La Sino-Congolaise des Mines (Sicomines), thus the accord is named, is a sort of barter deal allowing China to mine rare earths (mainly cobalt), in exchange for a program of investment in the country. The lack of infrastructural investment in DRC is just one of the handicaps hobbling one of the richest, but also poorest countries on Earth. Today nearly two thirds of the Congolese, who are around 60 million in a country the size of Western Europe, lives on less than \$2.15 a day. The ties between China and DRC go back to the country's independence in 1960 and today China is Congo's main trading partner. China enjoys a favorable view among an overwhelming percentage of the population in sub-Saharan Africa. DRC is the perfect example of the long shadows of Western colonialism. Le Congo belge was an outcome of the partition of Africa among European powers following the Berlin Conference in 1885. The "scramble for Africa" embodied the will of European powers to seize control of natural resources, but also to accomplish a moral civilizing mission, and at the same time export their geopolitical aggressiveness outside the confines of the Old Continent. The result was invariably exploitation, environmental catastrophes, atrocities, plunder, violence, repression and widespread inequality. Besides, European designed the borders of their colonies with utter disregard for ethnicity, setting the stage for future tribal clashes. Very few contemporaries dared criticize such views. One of them was English novelist Joseph Conrad, who set his fundamental 1899 novel *Heart of Darkness* precisely in Belgian Congo. Colonial empires exacerbated the asymmetric structures intrinsic in imperial rule, emphasizing power polarization in the hands of "happy few" colonizers, socially distant from the rest of the population. However,

In fact, it is estimated that 5.7 million lives could be saved each year by allowing remote households to access essential health services through digital technologies (Lancet Health Commission). Nevertheless, not all countries reap the same gains from e-government development and the benefits to vulnerable segments of the population often prove to be disproportionate and uneven. This has been particularly the case in Africa where the vast majority of countries' development in that area is still well below the global average. Despite many improvements made in the telecommunications infrastructure in recent years, Africa faces many systematic challenges in building the foundation for accelerating the transition to digital government. Notably, the cost of mobile broadband subscriptions as a percentage of per capita gross national

THE ERC  
Erika Deserranno  
has received from  
the European  
Research Council an  
ERC Starting Grant  
of €1.5m over 5  
years for her project  
DIGIDEV  
(Digitalization of  
Public Service  
Delivery and  
Inclusive  
Development).

income remains significantly higher in Africa than in other parts of the world (UN E-Government Survey, 2022). Moreover, according to the 2016 World Development Report, one-third of digitization projects in the public sector of low-income countries are abandoned due to low take-up rates among the population, translating into a substantial waste of resources. Importantly, even when digitization projects are successful, it remains unclear whether they can reach the most vulnerable — e.g. the illiterate, women, the elderly — who often have limited connectivity, and thus whether they attenuate or exacerbate existing inequalities. These are important topics to study as the diffusion of technologies within economies and the efficiency of public service delivery has been shown to matter greatly for economic growth and income distribution. Understanding how





the two World Wars deeply dented imperial rule. The Great War threw Indians, Africans, Indochinese into the European trenches, simultaneously planting the seeds of nationalistic sentiment. The subsequent world conflict made overseas Empires obsolete, and, for many Europeans who had experienced Nazi rule, morally untenable in a world where the notion of human rights was spreading. In less than two decades independence spread across most of Africa and Southeast Asia; in some cases, peacefully, in others, as in French Algeria and Indochina, or Dutch Indonesia, with military conflicts pervaded by ruthless violence. Worse than colonization, there was perhaps badly managed decolonization, however. Back to DRC, Belgium gracefully conceded independence, but made efforts to preserve the control that Belgian companies (above all, the powerful Union Minière) had over the richest area of the country, Katanga. A separatist revolt broke out a few days after Independence Day on June 30, 1960, culminating in a military coup against the newly elected Prime Minister Patrice Lumumba, who was then jailed, assassinated and dissolved in acid by the rebels, with the logistical support of Belgian and French officers, in a framework that was seeing increasing Cold War meddling with the decolonization process. A few years before Lumumba's murder, in 1955, many former colonies had met in Bandung, Indonesia. The first meeting of the Non-Aligned Movement aimed at breaking with the logic of the Cold War: development and human rights, instead of ideology and geopolitics. The Chinese Foreign Minister, Zhou En-Lai, in a masterful speech stressed how former colonies (among which revolutionary China, after a long century of humiliation finally free from Western subjugation) had the right to rise, defeating poverty, thanks to mutual respect and support. Heralding the visit of the DRC President, the *Global Times*, a mouthpiece of the Chinese

government, underlined how China's willingness to support "African countries based on their own interests and needs has never changed over the past six decades and will not change in the future, in stark contrast to the US and some Western countries' attaching political conditions to assistance". In sum, the long shadow of colonization is fully at work, explaining much of today's scramble for Africa ■

governments of low-income countries can best leverage digital technologies is thus a critical step to ending poverty rapidly and permanently.

In developing countries, the poor often live in remote locations and must travel long distances for essential public services (e.g. hospitals; UN Policy Brief, 2021). Digitalization offers the possibility of remote, inexpensive access to a wide range of public amenities. Telehealth, for example, allows people to connect with a doctor virtually instead of having to pay for extensive trips. Evidence from high-income countries shows that telehealth has a positive effect on a range of health issues, but the effects for low-income countries remain ambiguous.

Another way that developing countries can improve targeting of



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public services and welfare programs specifically is through creation of digital social registries. The lack of formal identification in Sub-Saharan Africa is a widespread challenge that hinders the effective targeting and delivery of social assistance programs. However, governments can leverage the rise of phone ownership and mobile network penetration, and set up digital social registries which can be easily accessed and maintained. In this case, digitization represents an opportunity that governments can use to improve access to public services and reach those most in need in the society. Another innovation that leverages a high penetration of mobile technologies is the use of mobile apps to improve the efficiency and inclusion of public service delivery. For instance, the use of e-monitoring apps to check the effectiveness of public service provision



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# Green African revolution

*With 60% of the world's solar resources, 87% of iridium and 40% of the global reserves of cobalt, manganese and platinum, Africa has the main raw materials to embark on the energy transition, but investment in renewable energy is stalling due to political risk perceived by investors. Could the enormous opportunities be enough to make the African continent green and push economic and social growth to the benefit of all and not just a privileged few?*

by Matteo Di Castelnuovo @

According to the recent World Energy Outlook of the International Energy Agency, to achieve climate objectives and cut emissions in line with the 1.5 °C target, it will be necessary to achieve the following objectives by 2030: triple production capacity of renewable energy, double the pace of energy efficiency improvements to 4% per year, increase electrification and reduce methane emissions from fossil fuel operations by 75%.

The road to “net zero” involves, to varying degrees, all regions of the world. The African continent is no exception, where the energy transition can offer two significant opportunities. The first is that of investments in energy infrastructure.

Despite hosting 20% of the world's population, in fact, Africa currently receives only 3% of the world's energy investments. Furthermore, over the past decade the African continent has received only 2% of global investment in renewable energy. Indeed, despite having 60% of the best solar resources in the world, Africa has installed only 1% of global solar photovoltaics. Such a differential does not derive so much from the higher cost of renewable technologies but from the perceived risk of investing in Africa, which has inevitably held back private investors in recent years. In fact, the cost of capital for energy projects in Africa is at least two to three times higher than for those in advanced economies or China.

This is why, according to the International Energy Agency (IEA), investments in energy infrastructure in Africa will have to double to over \$200 billion dollars per year by 2030, so as to allow the various countries to achieve some of the development objectives for sustainable energy defined by the United Nations Sustainable Development Goals (SDGs) starting with SDG 7, which intends to ensure access to affordable, reliable, sustainable and modern energy systems for all. According to the RES4Africa Foundation, however, the transition to green energy in Africa will require a structured approach, which includes innovative risk reduction

can help governments to improve the quality and quantity of public services delivered. An innovative development solution under evaluation is to use mobile apps to monitor the work of frontline health workers. They have the potential to improve supervision directly by detecting shirking and mistargeting more effectively, but also indirectly by freeing up time for supervisors to focus on customized training and advising. All these solutions show the potential of digitalization to improve health outcomes of populations in low-income countries. Current evidence shows that digital solutions can be effective and cost-efficient, which can translate into more public service delivery and in turn into improved state capacity.

## THE IMPACT OF HIGH-SPEED INTERNET DEPLOYMENT ON AFRICAN FINANCIAL MARKETS AND THE BANKS PURSUING SUBMARINE FIBER OPTIC CABLES

BY NICOLA LIMODIO

In recent years, high-speed internet has emerged as a transformative force in Africa, ushering in a new era of progress and opportunity across the continent. This technological advancement has induced a profound political and economic revolution, empowering individuals and communities, while also redefining the landscape of finance and commerce. As the digital connectivity landscape in Africa evolves, it has played a pivotal role in emancipating participation, promoting mobile money usage, and stimulating a plethora of employment





strategies, public-private partnerships, improvements in the regulatory framework and international collaborations.

The second great (theoretical) opportunity is the export of green energy and those raw materials essential for producing green technologies. In the first case we are talking about exporting to Europe not so much the electricity produced by renewable sources in Africa (after the failure of large-scale projects such as Desertec) but rather about exporting green molecules to other regions (not just Europe), i.e. say biogas and hydrogen or ammonia produced via renewable energy. For example, in the last year Egypt has signed several agreements with international entities to attract foreign investments in green hydrogen and become a hub for the production of hydrogen itself, whose global market could be worth almost 100 billion by 2030, with a growth of over 50% per year. Egypt itself recently completed the world's first international shipment of green ammonia. Other green hydrogen projects are underway in Mauritania, Morocco, Namibia and South Africa. The latter has ambitious plans on green hydrogen thanks to the presence of three factors: abundance of sun and wind, consolidated and international experience in the production and sale of hydrogen, and access to the minerals - such as the very scarce iridium - necessary for make the electrolyzers used to split water into hydrogen and oxygen. In fact, 87% of the world's iridium is mined in South Africa.

Access to minerals such as iridium reminds us of the second export opportunity for Africa. Indeed, the African continent is already a major player in the extraction of raw materials necessary for the production of green technologies and hosts over 40% of the global reserves of cobalt, manganese and platinum, i.e. the key metals for high-energy batteries and hydrogen fuel cells. Together with South Africa, the Democratic Republic of Congo and Mozambique currently control significant shares of global production although several African countries

may have undiscovered deposits.

Recent history has clearly shown availability of natural resources, including fossil fuels, has not turned into a significant economic and social benefit for the majority of the African population. The hope is that this time the energy transition, based on the adoption of clean technologies, can contribute significantly and positively to the economic and sustainable growth of the African continent ■



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opportunities. The impact of high-speed internet is particularly evident in its ability to disrupt traditional financial markets, with African banks undergoing remarkable transformations in response to this technological upgrade.

This wave of digital transformation, as highlighted by McKinsey and Company (2018), has prompted African banks to re-evaluate their business models. The availability of fast internet has catalyzed a shift toward innovative financial technology, commonly known as FinTech. In doing so, it offers a unique opportunity to reduce financial frictions and mitigate information asymmetries, thereby making financial services more accessible and efficient for the continent's diverse and growing population. The impact of high-speed internet on Africa is far-reaching, making it a catalyst for progress and a symbol of the

*THE ERC  
Nicola Limodio has  
received an ERC  
Starting Grant of  
€1.5m for his project  
FINDEV (Financial  
Institutions and  
Development).*

boundless possibilities that lie ahead in an increasingly interconnected world.

Angelo D'Andrea and I investigated the relationship between high-speed internet, financial technology, and banking. To explore the role of high-speed internet in the development of the financial system, we exploited a unique natural experiment: the staggered arrival of fiber-optic submarine cables in Africa, which introduced significant and enduring reductions in telecommunication costs. African banks responded to the emergence of fast internet by restructuring their businesses and adopting novel financial technology (FinTech) solutions, which offered an opportunity to reduce financial frictions and information asymmetries.

There were three main steps. First, we examined the influence of fast



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# Fostering talent in Africa requires a post-colonial approach

*Forget the models imported from Europe and the US and focus on a kind of higher education and research that responds to the peculiarities and needs of African countries. The future of Africa, a young continent with demographic growth and strong economic potential, depends on this*

by Samuel K. Bonsu @

**A**frica is on the rise. The continent will hold the largest population on Earth in the next decade and the vast majority of them will be young, very young. Total African population is estimated currently at 1,473,098,459 (Nov 13, 2023), higher than China (1,425,671,352) or India (1,433,447,986). About 70% is younger than 35, 60% is younger than 25, so that the average age is 19 years in Africa. The potential demographic dividend for global development is immense. Success will depend in part on multifaceted strategic partnerships in diverse spheres of human endeavor between Africa and various stakeholders, including Europe.

One African challenge is the severe lack of employment. The International Labor Organization reports that about 11.2 percent of African youth aged between 15 and 24 years old are expected to be unemployed in 2024. To stress this point, I note that more than one in four young people in Africa - around 72 million - are Not in Employment, Education or Training (NEET). Two-thirds of these are young women. The worst cases are Djibouti (77.1%), South Africa (51.52%), Libya (54.47%) and Swaziland (49.77%). These young people are prone to being recruited into crime or even terrorist organizations. Indeed, the colonial approach that has gripped our leaders remains and it has infiltrated our strategies and approaches to training. There may be a mismatch between the skills acquired through education and the skills demanded by the job market. A lack of alignment between educational curricula and industry needs can result in a surplus of qualified individuals in certain fields and a shortage in others.

Higher education curricula in Africa have tended to follow European and American trends, often without recourse to localized perspectives. This is one of the main reasons why our students may not be fit for the purpose - they have been trained for foreign countries but not their own. For instance, Europe is facing an aging population and has attuned its training programmes to those that cater for the old. Many African educational institutions are copying the programs being offered in Europe while the situation in Africa is the exact opposite

internet availability on crucial banking variables, disentangling the role of supply and demand factors. Second, we explored a specific mechanism through which the arrival of cables may lower the marginal cost of bank funding and increase the credit supply. Third, we investigated the relationship between high-speed internet and firms.

For this project, the empirical strategy was based on a staggered difference-in-difference specification, complemented by an event-study design that considers a five-year window around the arrival of high-speed internet. For the analysis, we have integrated bank-level data with information on the arrival of fiber-optic submarine cables. Our final dataset includes 629 banks located in more than 90 cities, spread across 37 coastal countries in Africa, during the period 1997–

2018. In addition, we have compiled a dataset focusing on the adoption of the real-time gross settlement system (RTGS), which is of particular interest due to its capacity to reduce transaction costs on interbank exchanges. Finally, for the last segment of our analysis, we gathered data following 32,761 African firms over time, including indicators related to firm credit and performance.

We began the empirical analysis by quantifying the effects of fast internet on lending, government bonds, deposits, and equity. We classified a bank as 'treated' when its country of operation gains access to a submarine cable. Our findings reveal substantial increases in lending and deposits after the connection to high-speed internet, with growth rates of 36% and 25%, respectively. To isolate supply effects and ensure that the observed changes are driven by reduced





- a youthful population. Africa needs to embrace her indigenous knowledge and avoid the addiction to colonial definitions of knowledge grounded in colonialist mentalities such as Levi-Strauss' theory of the "Savage Mind".

Two collaborative EU-Africa projects with the potential to eradicate the unnecessary preference for European experiences at the expense of the African ones are the Harmonization and Tuning (TA) initiative and the Harmonization, Quality and Accreditation (HAQAA) program. TA is a collaborative process through consultation with students, academics, graduates and the labor market, which reviews the competences and skills that are required for a given discipline and revises the study programs accordingly. HAQAA is supporting the Pan African Quality Assurance and Accreditation Framework and in particular the development of continental standards and guidelines for quality assurance in higher education, capacity building in the regional and national bodies in charge of higher education, and building up expertise in the field of institutional evaluation and quality. The projects involve 107 universities across 42 African countries, regional bodies and students.

The bottom line is that many African countries lack the resources to facilitate basic science and/or applied research. Think about it. Groundbreaking work on Africa are often conducted by non-Africans. Indeed, except in or two cases, African countries do not have research funding agencies. Therefore, scholars rely entirely on partnerships with foreign-based colleagues for research funding. Development research, often funded by multilateral agencies, is extremely focused and does not always met the needs of the target country. Even when it does, its focus is so narrow that it is restricted in its value to the development of science. The same can be said of industry-funded research which is also geared towards enhancing shareholder value rather than to the interest of science or the public. The result of this situation is a dearth of African researchers.

Efforts to reverse this situation have been championed by organizations like the Carnegie Foundation in America

and Canada's "Think Thank Initiative". These initiatives have laid the groundwork for research collaborations with universities in Europe and around the world. I've been involved in a conscious attempt by a European university to establish a research hub at an African university with a localized focus on specific issues - climate change, trade facilitation, pharmacognosy. A promising example of such collaboration is the African School of Regulation (ASR) - supported by the University of Florence - which was officially launched during the Africa Climate Summit of 2023. The ASR, which will be hosted by the African Capacity Building Foundation (ACBF) and headquartered in Accra, Ghana, will strengthen the African energy sector's capacity in support of the Agenda 2063 goals for sustainable development on the continent. Ghana Institute of Management and Public Administration (GIMPA) is a partner in this project. Often times when we think of collaboration, especially in a university setting, we think of student and faculty exchanges. These cultural exchanges are wonderful avenues for all sorts of good things. These traditional partnerships are well and good, but the current era demands far more than that. Without consideration and pursuit of such collaborations for mutual benefits, illegal migration to Europe will continue as the youth will seek greener pastures in places where they feel they can be gainfully employed. The impact of this can be disastrous. Transforming Africa can be done through collaborations and partnerships with the relevant institutions on the continent. We should defend Africa's future by investing in the young people here. That is the only way to reap positive dividends from them ■

marginal costs of banks and not solely by a boost in credit demand, we leveraged the presence of multi-country banks and defined a bank as connected if its headquarter is in a connected country. The estimates confirmed a positive and significant effect, suggesting that 62% of the total effect on lending comes from supply-related factors. A second important result is that high-speed internet fosters the adoption of the RTGS. As cheaper and more reliable connections become available, the probability of adoption increases by 16 and 5.4 percentage points at the country and bank level, respectively. Simultaneously, the local interbank markets grow significantly, with loans and deposits increasing by 30% and 63%, respectively. Finally, we observe that firms benefit from the new technology and exhibit an improvement in their financial variables. Specifically, there



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is a 26 percentage point increase in firms' access to finance, a 20 percentage point higher likelihood of receiving a loan, and a doubling in loan maturities.

By analyzing the arrival of fiber-optic submarine cables in African countries, this research underscores the role of high-speed internet in fostering the productivity of the banking sector. It facilitates the adoption of effective FinTech solutions and benefits local businesses. Thus, this project highlights the importance of investing in financial infrastructures in developing economies, as they can enhance banking efficiency and contribute to overall economic growth.

## South Africa: Engaging consumers in a country with 11 different languages

*Sadie de Wet, Bocconi alumna and Group Head of Marketing at Avacare Health Group, talks about the specifics of the country's market, where traditional marketing strategies are giving way to socio-economic consumer measurement to differentiate demographics*

By Camillo Papini @

**S**outh Africa's economic landscape reflects a blend of tradition and modernity, characterized by a tech-savvy market and a growing middle class. As remarked by **Sadie De Wet**, Group Head of Marketing at Avacare Health Group, who did her MBA at SDA Bocconi School of Management, "South African consumers are increasingly drawn to international brands due to exposure on social media platforms. Despite the challenges posed by high import duties and a devaluating currency, there are numerous opportunities to meet this demand, particularly in sectors such as fashion and beauty".

However, the South African market faces its share of challenges, with legacy infrastructure issues at the forefront like the practice of load shedding, the deliberate shutting down of power supply to customers during periods of peak demand or when there is insufficient generation capacity. This practice is often implemented in South Africa to prevent a complete blackout and protect the electricity grid from overload. Load shedding has a significant impact on South African consumers, both personally and economically. It can disrupt daily routines, cause inconvenience, and lead to financial losses. However, this has opened up many opportunities for companies and products that offer alternative energy solutions like solar power and related services, says De Wet.

Understanding the South African market requires a transformation in marketing and advertising strategies. In a country with 11 different idioms, language becomes a



**SADIE DE WET**  
*Of her SDA Bocconi MBA, De Wet, now group head of marketing at Avacare Health Group, highlights the unparalleled exposure to a global network of classmates and companies. The MBA program provided access to internships at top companies worldwide and enriched her life by fostering lifelong friendships. The global perspectives gained at Bocconi have proven invaluable for navigating the complexities of the African market.*

crucial factor for engaging consumers. De Wet points out that LSM (Local Store Marketing), which has traditionally served as the key benchmark for target market measurement in South Africa, categorizes people based on factors like race, gender and age has shifted to SEM (Socio-Economic Measure) marketing. SEM aims to delve into audiences at a deeper, more personal level, creating a differentiated and relevant brand experience for each single segment. SEM is a measurement tool that depicts how South Africans live socially and economically – based on what they have access to in and near their homes, rather than just looking at standard target market characteristics like demographics and income.

Looking ahead to 2050, the United Nations predicts that 1 in 4 people on the planet will be African. De Wet sees this as "a significant opportunity for companies to understand and successfully navigate the African market", emphasizing the importance of having strong local stakeholders who understand the market and the customers, facilitating a smoother traversal of the local landscape and preventing potential misinterpretations in messaging.

In conclusion, the South African market presents a unique blend of challenges and opportunities. With a dynamic approach to marketing, a keen understanding of the shifting economic landscape, and an appreciation for the cultural diversity within the country, companies can position themselves for success in this evolving market ■

## Chaptr Global, the Kenyan startup that improves access to education

*Based on the "learn now, pay later" concept, the company co-founded by Cyril Michino promises to improve the financing of education in a system that puts young people without a credit history at a disadvantage*



**CYRIL MICHINO**  
*studied at Bocconi University while launching at the same time Chaptr Global, a startup that seeks to improve and open up access to training and*

**D**oing a startup in Kenya means finding a gap in the market, a space without services for the consumers, and filling it. In the country's economy, a real empty place could reveal a big opportunity. The reason? The reason is that this empty space there aren't competitors for their services and products. This kind of gap is very frequent in the Education Financing field, where there are only three options if young persons want to continue their studies. They are: having enough money by themselves, hoping for a public contribution to attend a public university or, in the end, signing an income-sharing agreement and choose the school. In the last case, "When a student graduates and starts to work, he or she'll split their salary to repay the cost of studying", says **Cyril Michino**,

by Camillo Papini @





# Egypt's two paths to consumer goods

*Agricultural exports on the one hand and strengthening of local production on the other: these are the opportunities that Moustafa Hassanein, alumnus and Deputy General Manager of Maggie Metal Corporation, identifies in the market of a country that continues to exhibit strong demographic growth*

by Camillo Papini @

Egypt's market is quite similar to the Italian one. Consumers are changing their shopping behaviour, facing a devaluation in local currency while Italians are dealing with ongoing inflation. On the other hand, in order to control rising prices and protect consumers' purchasing power, Egyptian companies are now more focused on improving industrial productivity and efficiency. In this context, new technologies are becoming more and more important in a market where consumption trends are growing anyway, due to the continuous increase of the Egyptian population (now around 109 million people). So, today could be approached as a new step in the country's development because "local Egyptian manufacturers have proven their ability to produce products having the same quality as any other imported product in the FMCG (Fast-Moving Consumer Goods, editor's note) industry", says **Moustafa Hassanein**, Deputy General Manager at Maggie Metal Corporation, a family company that acts as local representative for companies from around the world (mostly Italian brands) which mainly but not exclusively operate in



**MOUSTAFA HASSANEIN**  
*"My SDA Bocconi experience was an interesting journey through knowledge, culture and intellect", says Moustafa Hassanein, Deputy General Manager of Maggie Metal Corporation and SDA Bocconi alumnus after his MBA. "For many people, professionals and organizations across the world, there is a difficulty in finding contacts in international markets. Following my SDA Bocconi experience, I found it much easier to find contacts internationally for different activities, specifically in new personal and individual ventures".*

the Food & Beverage industry.

By buying local raw materials (to cushion the spread between the American dollar USD and the Egyptian pound EGP) and thanks to lower manufacturing costs, companies can reduce total charges and support more investment and knowledge in new skills among young workers. The purpose is to boost an existing and increasing consumer inclination for local brands which means, in turn, a more evolved and prouder consumer. In confirmation, there is in Egypt a relevant target of consumers who are aware of what they buy; they choose high-quality products and continue to choose high-quality products, even if they reduce the volumes purchased, due to increasing prices.

"I see two main opportunities in the Egyptian FMCG market today: the first one is the export of local products like agricultural goods, the second is local manufacturing activities of FMCG items which are currently mainly imported into the Egyptian market at high prices. In this last case, the opportunity is linked to the market's recent trend of consuming and preferring local products", highlights Hassanein, who did his MBA at SDA Bocconi School of Management. "In the end, following Egypt's recovery from the current economic hiccup, caused by the temporary instability of the conversion rate of the EGP in comparison to the USD, the consumption of FMCG products is bound to grow as it did in the past".

Also, the role of new technologies allows to look a bit further, in two different directions, horizontally beyond Egyptian borders towards other markets in the same geographical region and, vertically, towards small businesses. "Cross-border trade and commercial co-operation has never been easier. Companies from all industries are becoming more aware and more dependent on technology in their activities", concludes Hassanein who has also witnessed "the importance of doing business via mobile phone for small firms, especially local ones, across many industries, helping them bootstrap start-ups or significantly grow sales in both local and international markets" ■

co-founder of Chaptr Global, a start-up that tries to improve access to higher education in Africa, by offering the formula "learn now, pay later". "Schools can allow students pay what they can afford, learn and pay the rest once they start earning. If a student doesn't make money, he or she won't have to pay. In a successful case, then, they'll pay a small amount, a contained percentage. Income should not be a barrier to accessing education".

So, Chaptr Global offers a service that traditional banks don't (the startup charges transactional fees on repayments, editor's note). "Bank loans are extremely rare for young learners with no credit history. Therefore, income-share agreements are an alternative for the majority of students who cannot find cosigners as they come from low-income households", continues Michino, whose startup was accelerated by B4i, the accelerator of Bocconi University. "We first niched into the coding market as we had run a

*higher education for most young Kenyans. His startup was incubated by B4i, the university's accelerator. About his training period in Italy, he points out: "In the classroom I learned a lot of knowledge useful for creating a startup and put it into practice immediately. The mentorship moments were very important".*

coding school before (now Zindua School) and understood the tech job market and the salary expectations for graduates; they have good chances to earn a relevant salary in the job market. We provide the technological net to facilitate investments and bridge the gap between schools and many students". The final result is to reduce the school dropout rate, concludes Cyril Michino.

Chaptr Global doesn't exclude the future possibility of diversifying its service portfolio and launching its first professional certifications, Master's courses and, eventually, undergraduate education, but only for select courses. Michino remembers when he started and has a suggestion for people who are taking the same step: "Concentration should be pointed to the startup service. Be sure to have it well shaped for African society. Introducing a copy of a foreign business model will not work. The service must be fitting for the local behaviours and values" ■

# Bocconi and African students join hands

*The university's projects and initiatives to promote talent inclusion*

by Andrea Celauro

**98** students from African countries enrolled at Bocconi and SDA Bocconi in 2022-2023, orientation and recruitment in Ghana, Nigeria, Kenya, South Africa, Egypt, Morocco and Rwanda, partnerships with 10 African universities and ad hoc programs to support young Africans in higher education: Bocconi University has increasingly close relations with various African institutions and is committed to encouraging the international circulation of talent.

"Bocconi is building strong partnerships with universities across the African continent, providing scholarships for African talents, and facilitating recruitment initiatives in collaboration with local associations", says **Catherine De Vries**, dean for International Affairs. "These collective efforts aim to strengthen Bocconi's presence on the continent, thereby enriching intercontinental relationships, and fostering synergies between Europe and Africa".

Partnerships and synergies have been activated by various initiatives in recent years. Among these, the institution of Africa Scholarships to financially support students coming from Sub-Saharan countries during their stay at Bocconi, with the aim of increasing exchange programs and strengthening collaboration with the key institutions of this geographical region. The Bocconi Africa Scholarships have supported 19 students so far (7 from Kenya, 6 from Ghana, and 6 from Nigeria).

Other initiatives include those developed with the United Nations, the Labia Foundation, and Bridge2Rwanda. Born from the collaboration between the United Nations High Commission for Refugees (UNHCR), the Italian Ministry of Foreign Affairs and International Cooperation (MAECI), the religious non-profits Caritas and Diaconia Valdese, and



ALBINA CYUZUZO NTIVUGURUZWA  
Bocconi student  
from Rwanda



MIKYLE GEORGE  
Bocconi student  
from Cape Town

33 Italian universities to date, the University Corridors for Refugees program (UNICORE) is part of the UNHCR strategy of complementary paths which aims to give refugees access to higher education. Refugee students admitted to the University who are residents of African countries have the opportunity to attend a two-year graduate degree program in Milan with a Bocconi full scholarship while they are supported in the transfer procedures by UNHCR and the other partners. Bocconi University has participated in the last two editions of the program, enrolling two Congolese students who were refugees in Malawi and Cameroon, respectively, and one Burundian student who had fled to Mozambique last year. In 2023-2024, Bocconi is hosting three additional African students through UNICORE (a South Sudanese student who was living in Kenya, a student from the Democratic Republic of Congo living in Uganda, and a Burundi student who was a refugee in Kenya).

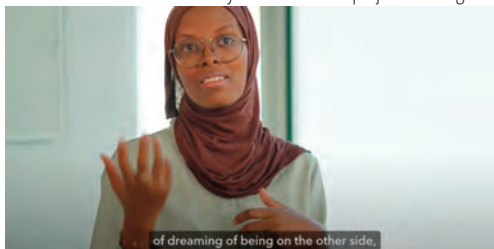
Another partnership is the one signed in 2021 with Fondazione Labia, which involves collaboration in the recruitment and support of deserving high school students from poor backgrounds in the austral nation, giving them full financial support to attend a Bocconi bachelor's degree program. Two South African students have been admitted for the current academic year, while one candidate has been selected for the next one. As recounted by **Mikyle George**, a 19-year-old from Cape Town and first-year student at the Bachelor of International Economics and Management (BIEM): "I decided to pursue this opportunity at Bocconi because of the possibilities that will then open up to me. The beginning was difficult, being out of my comfort zone, but I am really growing to enjoy this experience."

Finally, the Bridge2Rwanda project selects the most talented graduates and helps them obtain scholarships abroad. Since 2022, Bridge2Rwanda has helped 262 African students from Rwanda, Burundi, the Democratic Republic of Congo, and South Sudan secure more than \$64 million in scholarships to study at 82 top-tier universities around the world. A first Bridge2Rwanda student was admitted with full scholarship to Bocconi for the academic year 2023-2024, and applicants are being evaluated for 1-2 full scholarships in the next academic year. "This is a challenging experience for me here at Bocconi but it is good to be challenged and I know it will open opportunities for me. I would never have made it here without Bridge2Rwanda. I value the work of NGOs and in future I would like to render my skills and services to one," says **Albina Cyuzuzo Ntivuguruzwa**, 19 years old, a first-year student of the Bocconi Bachelor of Science in Economics, Management and Computer Science (BEMACS) ■



## VIDEO

**Hafsa Nagawa**, recipient of the tuition waiver in memory of Luca Attanasio and beneficiary of the UNICORE project for refugees.



of dreaming of being on the other side.



Bocconi

# BELIEVING IN KNOWLEDGE AND INNOVATION.

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**Bocconi. Knowledge** that matters.

by Marta Prato @



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The outflow of highly educated and skilled workers, often termed "brain drain", is a concern for many countries around the world that worried for losing a highly trained and knowledgeable component of their workforce. This concern has prompted many European governments in the last few decades to implement policies to revert the brain drain, by attracting nationals who migrated and other foreign professionals back to the home country. These policies often take the form of tax incentives, so that expats and returning migrants pay lower taxes on income for a period of time. While these policies have proven successful in reverting the brain drain, they remain controversial in the eye of the public, as many worry about the fairness of the tax discount and propose alternative policies to retain "brains" in the country, rather than trying to bring them back after they left. Ultimately, the controversy over these policies stems from the fact that international migration is a complicated phenomenon with

many factors at play, which partly favor and partly disfavor countries of origin, such as the potential talent loss or the benefits from knowledge diffusion and stronger ties to the international economy.

How extensive is the brain drain phenomenon? Answering this question is quite difficult, due to the scarcity of data that

# Don't shackle talent

*The mobility of skilled workers affects the general economy of the destination country - just think of the US, where a third of inventions are the result of the work of immigrants. But it also benefits intellectual migrants, who acquire new skills, and their countries of origin, which can thus acquire new knowledge and technology. This is why there needs to be cooperation in international migration policy*





consistently tracks migrants across countries, which would require the collaboration of source and recipient governments. A useful source of data comes from patents, which provide intellectual property rights protection in many jurisdictions and, thus, allow to track inventors, a special category of high-skilled workers, across countries. This data reveals that inventors are highly mobile individuals. For example, EU countries tend to both attract inventors from all over the world, but also lose some to foreign countries, particularly the US. Overall, in the past two decades, about 6% of European inventors moved to the America, while only 0.5% of Americans moved to Europe. In fact, the US displays the largest brain gain in the world: about a third of all US inventions in recent years come from foreign immigrants, who prove to be a valuable asset to the American economy. Similar migration outflows are observed for other categories of highly skilled "knowledge workers". These numbers show that the brain drain is a substantial phenomenon that can affect the overall economy.

Understanding what policies can best tackle the drain on talents requires an analysis of the many forces at play in the international migration of highly skilled workers. The main concern associated with brain drain is the loss of talent for the origin country, which invests resources to educate and train individuals who then choose to leave. These migrants often leave their countries at the beginning of their careers to work abroad, instead of contributing their knowledge and skills to the national economy. On the other hand, there are also benefits to the home country associated with the international mobility of talent. Recent research



## THE PAPER

**The Global Race for Talent: Brain Drain, Knowledge Transfer, and Growth**, by Marta Prato

shows that moving abroad enables highly skilled workers to gain knowledge and become more productive. In addition, these workers often create "bridges" between their destination country and their country of origin, helping diffuse new knowledge and technology back home, especially when they choose to return.

These positive and negative effects affect migration policy considerations. Critics of tax incentives to revert the brain drain argue that this policy encourages even more people to move abroad, since they anticipate that when they return they will enjoy a tax break. Some feel that this tax incentive is unfair to professionals who never left and that a better policy would be to retain talent in the home country to start with. However, seeking to retain talent by preventing international mobility would also impair the diffusion of new ideas and international cooperation that are crucial to the activity of knowledge workers and foster technological progress and economic growth. A more forward-thinking policy of cooperation between countries should recognize the value of human capital mobility and allow talents to move abroad and return easily, even repeatedly, in order to improve the diffusion of knowledge and the sharing of associated benefits between home and destination countries ■



# Four things to know to avoid



## ERC GRANT

Luca Braghieri earned an ERC Starting Grant to measure causal effects of social media in domains where we still lack a clear picture and to design interventions that can mitigate the negative effects we are aware of.





# getting sick with social media

*Research is starting to deal with the social impact of Facebook, Instagram and the others. But more than laws, it is user awareness that contributes to improving the experience and curtailing risks*

by Luca Braghieri @

Over the last two decades, social media have dramatically changed the way in which many people spend their time, interact with others, and consume information. In the United States, for instance, adults spend around two hours per day on social media and teenagers around five (Gallup, 2023).

Unsurprisingly, the rise of social media has sparked a host of heated debates. At the societal level, events like the Brexit referendum and the 2016 election in the US underscored fears that social media may contribute to political polarization and disrupt the democratic process (Sunstein, 2001, 2017; Settle, 2018; Allcott and Gentzkow 2017). At the level of individual users, many became concerned that social media could be addictive and have detrimental effects on mental health, especially among teenagers and young adults (Twenge et al., 2019).

Recent research has begun to illuminate these debates. A host of recent studies confirm the suspicion that low-quality news with a partisan bias circulate widely on social media (Vosoughi, Roy, and Aral, 2018; Braghieri et al., 2023); however, the downstream effects on political polarization appear to be modest (Allcott et al., 2020; Guess et al., 2023; Nyhan et al., 2023). Research also shows that social media usage has negative effects on subjective well-being and mental health, especially among young adults (Allcott et al., 2020; Braghieri, Levy, Makarin, 2022). Furthermore, social media consumption exhibits features that are consistent with economic models of addiction (Allcott, Gentzkow, and Song, 2022).



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Given these findings, users are like wonder how one can navigate the social media landscape more safely and effectively. While research provides less concrete guidance on this dimension, several commonsensical steps have the potential to enhance one's social media experience.

First, users should be aware of the amount of time they spend on social media. Most smartphones offer tools to track app and website usage, providing insights into personal Internet habits. Reflecting on whether one's social media usage aligns with personal preferences is crucial – do you spend more or less time than anticipated, and is this aligned with your desired time budget?

Second, awareness of social media's profit-driven attention-capturing mechanisms is important. Platforms thrive on user engagement, because their profits depend largely on advertising. Users should recognize that the platforms' incentives to maximize engagement sometimes lead to the promotion of content that is immediately attention-grabbing, but ultimately disappointing.

Third, be deliberate about the content you interact with on social media. Is the quality of the political news you currently consume on social media as high as you originally envisioned? Is the news you consume on social media more partisan than you would ideally want? When confronted with posts depicting a celebrity's or a friend's lavish lifestyle, do you feel better or worse about yourself?

Purposeful engagement ensures that your social media experience caters more to your personal needs than to the platform's priorities.

Fourth, if social media seems to have a negative impact on you, taking a break may be beneficial. Prior research suggests that individuals who abstain from social media for a month report improvements in wellbeing.

In one form or other, social media are here to stay. Beyond governmental policies aimed at regulating social media platforms, individual users possess the agency to shape and enhance their social media experience. Ultimately, much of it is up to you! ■



# When the hacker pulls the plug (on essential services)

*The impact of a cyberattack can go far beyond the economic and infrastructural damage suffered by victims, if they are agents that generate services (and value) to the benefit of individuals, organizations and the rest of society. This is why a holistic and multilevel approach is needed to build decision-making models that reflect the complexity of the ecosystem*

by Greta Nasi @

**A** cyber-attack that affects the critical infrastructure and disrupts the essential services, such as electricity and telecommunication services, may significantly impact state security and citizens' well-being beyond the specific value of direct losses suffered, since the disruption of an essential service may generate cascading effects on related activities (Zio, E. & Sansavini, G., 2011).

To mitigate the effects of cyber-attacks on the disruption of essential services, the research community, policymakers, and operators have been focusing on the protection of the critical infrastructures underlying the services (Apt, J. et al. 2006). Several approaches, standards, and



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methodologies have been adopted to secure critical infrastructures' functioning, interdependencies, and reliability. However, what matters is the services those infrastructures provide and their value for the users who use these services. The current decision-making frameworks takes a narrow perspectives and must be integrated into a broader paradigm emphasizing inter-organizational, network-based, and cross-sectoral relationship governance.

Moreover, much of the contemporary approaches to cybersecurity have been derived conceptually from prior "computer security" research conducted in related science and technology fields rather than framed across





## THE PODCAST

**Cybersecurity for Public Value** addresses six themes of cybersecurity relevant for informing policies. The podcast is hosted by Greta Nasi with the support of Colin MacArthur.

the multiple policy domains that the disruption of essential service provision may interfere with. This has generated a “fatal flaw” in cybersecurity theory, which has viewed critical infrastructure protection as a security business continuity challenge rather than an essential service disruption challenge. One of the main gaps in research and risk management framework is that the disruption of essential services is, by and large, something other than computer security and its interruption. On the contrary, the value of essential services is in the use that they enable. In turn, computer network continuity represents a necessary yet not a sufficient condition to generate value in the context of essential services. The Colonial Pipeline attack of May 2021 is an example of how the focus on the protection of critical infrastructure, however necessary, is not enough to ensure the safe and secure provision of essential services and greater individual and societal impact (Smith, S. 2022). Colonial Pipeline is one of the largest oil pipeline companies in the United States. The company’s decision to shut down its operations systems in response to a cyberattack on its information technology systems created ripple effects across the regional economy. It caused public panic, effects on other services (e.g., flight cancellations), and social distress, as consumers worried about continued access to gasoline. The Colonial Pipeline

case shows how, due to the interconnectedness of essential services, hacks can disrupt not only the attacked organization, but also cause broader effects across other organizations, individuals, and society at large. The safety and security of essential services cannot be understood and assessed only by identifying the vulnerabilities of the assets and infrastructures providing them, and modeling the risks from the associated hazards and threats. Lusch and Vargo (2014) argue that services have no intrinsic value - they are only a value promise. It is only when a service is used that stakeholders (e.g. customers, users, and other actors of the service provision) receive value (value-in-use). This usage occurs within service ecosystems, defined as relatively self-contained and self-adjusting systems of resource-integrating actors, processes and technologies, connected by shared institutional logics and mutual value creation through service exchange (Vargo & Lusch, 2014; Aarikka-Stenroos, L., & Ritala, P., 2017). The ecosystem perspective more accurately captures the reality of essential service delivery as it represents a foundational context of modeling decision-making for cybersecurity. The disruption of essential services due to a cyber-attack may impact the value across the entire ecosystem and, consequently, for all the dependent assets and services. Therefore, we need to invest more in interdisciplinary research that accounts for multi-level analysis, and considers individual, organizational, ecosystemic and societal perspectives and their dynamic interplay to build decision-making models that capture the intricate dynamics and complexities of the ecosystem, providing a holistic understanding of the value at risk to support informed decision-making ■

# When words carry weight

*A Bocconi research study demonstrates that transparent and nuanced disclosure reduces investor disagreement and enables investors to decrypt stock market dynamics and make informed decisions*

by Francesco Grossetti @

In the tumultuous landscape of the equity market, a clash of opinion among investors over a firm's value is more than just a theoretical concern - it's a financial battleground. Labeled as a heavyweight issue in finance, investor disagreement has the power to disrupt trading patterns and send shockwaves through stock prices. While the financial playbook acknowledges the potential of accounting information to act as a peacemaker, a crucial aspect has been neglected: the impact of the language and content of financial disclosures.

In the accounting and finance literature, there is conflicting evidence on how accounting information wields influence over investor disagreement, especially during the high-stake drama of earnings announcements. A paper by D'Augusta (Bocconi University), De Vito (University of Bologna), and me steps into uncharted territory by turning the spotlight on the financial narrative itself - specifically, the textual cues that often fall under the radar. Picture this: two channels, information asymmetry and uncertainty, take center stage in the theater of investor disagreement. The argument here is that the way information is served - by means of the language and content of textual disclosures - can either unite or divide investors in their interpretation and reaction to earnings news.



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The quest for understanding considered over 20,251 annual earnings announcements from 2007 to 2018. We zero in on the Management Discussion and Analysis (MD&A) section, dissecting its textual measures for clues. The MD&A is the financial storyteller's corner in a U.S. company report; it's where executives spill the beans on the company's financial performance, strategic moves, and potential hurdles. It's the backstage pass investors need to garner insights into the past, present, and future of a company's financial performance in a language that reverberates across the stock market. To gauge the impact on stock market dynamics, we analyze empirical manifestations of investor disagreement, including unexplained trade volume and abnormal return volatility.

Our empirical findings point to a tangible link between textual measures in the MD&A and the crescendo of investor disagreement following earnings announcements. Companies with less-than-straightforward or insightful textual disclosures find themselves facing higher unexplained trade volume





and abnormal volatility in the post-announcement weeks. Hold on, though - financial analysts emerge as potential heroes, armed with the ability to quell the disagreement induced by low-textual measures. Our story aligns with the broader literature that delves into the impact of disclosure characteristics on the financial stage. While some argue for a positive relationship between complexity and volatility, others paint a picture of negative correlation. This study stands out as a direct exploration into how textual measures script the narrative of stock-market investor disagreement following earnings announcements. Our findings highlight that transparent and articulate disclosures empower investors, providing a clear roadmap to decipher the intricate dynamics of the stock market and make informed decisions. Moreover, equity analysts as well as regulators will benefit of such findings when dealing with market analysis, policy enforcement, and, more in general, to have a better overview and insight over the complex equilibrium given by market participants interactions. Consider this piece a roadmap for unexplored terrain: we unveil how specific textual measures shape the plot of investor disagreement in the stock market. In



## THE PAPER

**Words and numbers: A disagreement story from post-earnings announcement return and volume patterns,**  
by Carlo D'Augusta, Antonio De Vito, Francesco Grossetti

the intricate dance of dollars and data, we expose the untold story - where the words on financial statements become the unsung heroes or villains, shaping the battleground of investor disagreement. Welcome to the front row of financial storytelling, where every word counts, and every comma carries weight in affecting market dynamics ■



*In the three countries that account for 90% of global production (Malaysia, Indonesia and Singapore), this industrial crop guarantees the livelihood of thousands of people but also depletes resources that are crucial for global environmental sustainability. In fact, palm oil has been accused of being a driver of deforestation by Western environmental activism. But history makes us understand that the current situation putting local producers on the spot is the result of how the industry was earlier organized and developed by colonial governments and multinationals, which now write “no palm oil” on their products*

# Palm oil's dilemma

by Valeria Giacomini @

**W**hen browsing through supermarket shelves, you might have noticed the label “no palm oil”, a trend that has become common in Europe, especially in Italy, since the mid-2010s. However, it's essential to note that palm oil is not inherently worse than alternative products. In today's market, palm oil ranks as one of the most traded vegetable oils globally, securing its position as the third-largest agricultural commodity by volume. Notably, among its direct substitutes, palm oil is the most land-efficient crop, exhibiting ten times the productivity per hectare compared to oil coming from soybean, coconut, and rapeseed, while also requiring fewer chemicals and fertilizers.

Why then the “no palm oil” label despite palm oil's remarkable land efficiency?

The oil's geographical limitation to three degrees of latitudes north and south of the equator has consistently pitted plantation expansion against local rainforests. Critics express concerns about its adverse impact on tropical ecosystems crucial for global climate stability. Between 1980 and 2010, palm oil acreage surged, with global production skyrocketing from 5 to 55 million tons, propelled by increasing demand from India and China. This surge has accelerated rainforest clearing since the 1980s, leading to significant biodiversity loss.

Consequently, since the 1990s, the industry has faced scrutiny from environmental campaigns led by global



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NGOs like Greenpeace and Oxfam. These campaigns targeted both producing countries and major buyers, Western corporations such as Ferrero, Unilever, Procter and Gamble, resulting in the “no palm oil” label and a general stigma towards the product and the industry.

The crop's exclusive suitability for tropical regions has naturally favored specific countries for its production. Currently, palm oil production is predominantly concentrated in a limited area of maritime Southeast Asia. Malaysia, Indonesia, and Singapore collectively contribute to 80% of global production and 90% of world exports. Before the Covid pandemic, palm oil constituted 8% to 10% of the GDP of these nations. These countries organize production through large-scale plantations, and the industry operates as a geographically concentrated cluster, highly specialized in agribusiness operations. This local specialization adds complexity to the







controversy surrounding the use of palm oil which is often overlooked in the West. A comprehensive understanding can be gained by examining the historical development of this industry since colonial times. The crop is native to Western Africa. Its introduction to Southeast Asia in the mid-19th century led to domestication for plantation agriculture, gaining prominence in the early 20th century. However, it wasn't until the 1920s and 1930s that palm oil emerged as a significant alternative to the region's dominant crop - natural rubber. Similarly to palm oil, rubber trees were introduced in the British and Dutch Southeast Asian colonies to meet the growing demand of the fledgling automotive industry and, later, the war effort. In less than two decades, this demand transformed the region into a plantation cluster that nearly monopolized world rubber production.

In the 1920s, as the rubber industry grappled with overproduction and diminishing demand, Western companies overseeing plantations in the region shifted to palm oil, seen as an ideal diversification strategy. By the 1960s, with the ascendancy of synthetic rubber and the decline of natural rubber for car tires, palm oil became the primary crop for these countries. Simultaneously, Malaysia and Indonesia's independence led to land redistribution to local farmers, leveraging plantation agriculture for economic development and political support.

While maximizing profitability, clustering production

yielded exploitative outcomes, concentrating knowledge and capital in colonial companies' hands, subjecting labor to the prolongation of semi-slavery conditions, and causing environmental damage and uneven distribution of the fruits of growth. Throughout this history, plantation expansion consistently threatened forest resources, prompting the introduction of conservation measures. In response to rising concerns and aggressive environmental campaigns by international NGOs, Southeast Asian governments countered the accusations by means of a neocolonial narrative, contending that they had inherited an industry shaped by colonial exploitation.

Coming under criticism from Western NGOs, producing countries had to grapple with a tropical dilemma - ensuring industrialization and the livelihoods of thousands while balancing resources crucial for global environmental sustainability. However, this situation is the result of the way the industry was organized and developed under European colonial governments and multinational corporations. They started disengaging from the area only in the 1960s and have often remained involved as buyers until today. So far, only partial solutions to these problems have been designed, as all alternatives to plantations fail to meet the needs of huge global demand. The most promising solutions involve the breeding of tree varieties that can grow at different latitudes, promising higher yields per plant ■

# The lunar transition

*The space sector has always been supported by public money as space is a strategic industry that is functional to the geopolitical standing of states. To consolidate the position of private actors, increasingly active in a growing market which will be worth up to \$1 trillion in 2040, Italy needs to redefine the governance of the space industry and establish a national law on space*

by Andrea Conconi and Filippo Papamarengi @

**T**he economic value of the space economy is estimated to be at around \$546 billion dollars in 2022 (Space Foundation, 2022), with an expected growth to \$1 trillion by 2040. Military space programs and civilian space programs, traditionally funded by governments, are gradually joined by projects financed by private investors. Europe is the world's second largest space economy, for a total value of nearly \$100 billion (Euroconsult, 2022); Italy is the third largest contributor to ESA, the European Space Agency, after France and Germany, but is ranked first for optional programs. The Italian space industry has formed an ecosystem of companies spread across the entire supply chain, from upstream (design and construction of launch infrastructure and space systems) to downstream (management of applications and services) sectors; this characteristic is found in few countries in the world. The companies are supported by research centers, universities, public institutions and other stakeholders who assist the evolution of the space sector.

Italy has allocated a total of approximately €7.2 billion to the national space industry over the next few years. At a private level, if Europe has attracted around 9.3% of capital between 2014 and 2023 (Q1), Italian investment is at around \$62 million, corresponding to 0.25% of European capital investment in the same period.

These data paint an image of the importance and breadth of the Italian space industry, which remains a sector of excellence when compared with what happens in the rest of the world. Its development has so far been guided by the public hand which, by acting according to an entrepreneurial state model, proposes and directly funds a series of space programs which are then developed by the private industrial sector. The financing flows that support the sector, therefore, are largely of public origin; this is actually in line with what happens in almost all other countries in the world, as space sectors were born and developed as a nationally strategic industries directly functional to the geopolitical positioning of



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states. Today, the United States is the country that most of all is trying to stimulate the expansion of the private commercial market in space, both in terms of obtaining financing and in terms of the end customer base to be addressed. Looking ahead, the objective would be to have governments increasingly play the role of mere customers of a private product, financed at least mostly if not completely by private funds, designed and built with technologies developed by the private space industry.

This transition trend is generally shared on a global scale, at least at the level of intent; but the implementation of such a paradigm shift is anything but trivial. Following the global trend, the Italian system is also exploring ways to assist the expansion of the space sector to the private commercial market. One of these, and among the most important, is certainly the regulatory one: Italy needs a new law on space, which can take into account the development trends that the sector is experiencing and its economic, commercial and social expansion. Regulatory intervention would be essential, not only useful, because it would serve as the first element of structural innovation within which the private sector can imagine new possibilities for expansion, development of business models, approaches to private marketing - all avenues that would be difficult to imagine with the present structure. The point is therefore to intervene at a systemic level, with a top-down approach. In the face of a series of works conducted jointly by the Space Economy Evolution Lab (SEE Lab) of SDA Bocconi in collaboration with the Leonardo Foundation and Sapienza University of Rome, it emerges that the ecosystem of Italian space actors (industry, associations, institutions, SMEs) hopes for a regulatory intervention that unfolds in five areas: national strategy, industrial policy, financial policies, redefinition of national governance and the structure of a national law on space ■





## THE BOOK

The space economy goes far beyond the space sector in the narrow sense to encompass many others: think of agriculture, environmental protection, natural resource management and transportation, to name a few. Most importantly, it will provide opportunities for less developed countries, contributing to the achievement of sustainable development goals. From these considerations begins the fascinating journey that fills the pages of "Space Economy" by Simonetta Di Pippo (BUP, 2023, pp. 182, €28).





# Why economists get predictions wrong (and why they don't)



*Political donations by economists may not be a factor in biasing forecasts on GDP trends. Indeed, as a Bocconi research study highlights, they can help make them more accurate by embodying more information*

by Claudia Imperatore @

**G**DP forecasts announcements receive ample media attention as they provide future expectations about the economy as a whole. Economic agents like managers and capital providers use this information in their investment decisions. However, GDP forecasts are often wildly different from actual GDP data, casting doubts on whether managers and investors should use them when considering their investment decisions. Although forecasting macroeconomic trends is not an easy task, there is concern that economists strategically reduce the accuracy of GDP forecasts. For instance, anecdotal evidence suggests that US economists release more optimistic forecasts when Presidential Elections are approaching and they are making donations to either candidate. Then, if the funded candidate loses the election, the same forecast turns out to be pessimistic. In *Economists' Political Donations and GDP Forecast Accuracy*, recently published in the *European Accounting Review*, Andrea Bafundi (University of Padua) and I tackle this issue analyzing whether economists that donate to politicians release GDP forecasts that are less (or more) accurate. On the one hand, economists making political donations could make less accurate forecasts as political donations reflect personal orientation and activism. As a result, when individuals make political



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donations, they may be biased in interpreting information according to their partisan beliefs, and the same is true for economists' political donations. On the other hand, political donations may foster interaction with politicians, facilitating access to political information. Political information is highly relevant for economists as it shapes economic policy (e.g., fiscal reforms and budget cuts) and thus affects macroeconomic trends they attempt to predict. Analyzing a sample of U.S. GDP growth forecasts included the Wall Street Journal Economic Forecasting Survey (WSJ) from 2003 to 2020, we find that that economists with political donations are more accurate than their peers. Thus, although economists' political donations reflect their ideological orientation and can lead to a partisan bias, they can provide an information advantage in predicting GDP. We also document that the informational benefits of donating are stronger when the party financed by economists controls both the Senate and House of Representatives and when their employer also finances the same political party. Instead, the information advantage fades in periods of uncertainty and when economists are exposed to heterogeneous and more impartial political information. For instance, we document that economists making political donations issue less accurate GDP forecasts when their employers finance candidates from both political parties. In this case, economists receive more inputs but these are more likely to be discordant and difficult to process. Thus, our evidence challenges anecdotal evidence suggesting that political donations can be a driver of forecasting error in estimating future GDP. At the same time, we delve into the potential circumstances under which donations can have downside effects. In this way, we have managed to deepen our understanding on why GDP forecasts are often inaccurate ■



## THE PAPER

**Economists' Political Donations and GDP Forecast Accuracy**, by Andrea Bafundi and Claudia Imperatore

*Reduced funding, higher inflation and growth of needs are putting Italian health care under stress. Add to this the aging of doctors and the shortage of nurses. There are now two options regions and companies must evaluate*

by Francesco Longo and Alberto Ricci @

**T**he OASI 2023 Report looks at the Italian National Health Service and finds a scenario of great stress caused by three major elements. The first is financing, which in the coming years will reach between 6% and 6.5% of GDP, which is at least three percentage points below France, Germany and the United Kingdom. The second, it's high inflation. The third is the growth of needs, inevitable in the country of Europe that has the oldest population: Italian statistical agency ISTAT forecasts a growth in the population over 65 from 14 to 19 million in the next twenty years, of which 6 million will live alone. In addition to these, there are two other crucial factors of tension: the aging and the shortage of the Italian health service



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personnel. Aging affects all medical occupations: doctors have an average age of 51 and nurses 47, while general directors of regional health management organization are 60 years old on average. Labor shortage, although attenuated in the two-year period of the pandemic (+3 % of new medical employees between 2019 and 2021), is exacerbated by trends in internal imbalances for which there are no signs of reversals.

Italy has medical staff that is in line with the rest of Europe and is growing after the recent expansion of admissions to medical schools in Italian universities. Some significant deficiencies concern specific disciplines such as emergency medicines, anesthesiologists intensive care, or laboratory medicine. However, the most macroscopic critical issue today is the dearth of nurses: there are 62 per 1,000 inhabitants, comparable to Spain (63) but far below France (85), the United Kingdom (87) and Germany (121). The problem here is the growing shortage of people wanting to embrace the nursing profession: for the 2023-24 school year,

Italian nursing schools recorded on average 1.2 applications for each position. In 2012-13 the corresponding value was 2.7. In 2023, medical schools have supplied the health industry with as many doctors as nurses (around 10,000), when the need for the latter is approximately 2.5-3 times that of the former, even when considering only



# Rationing or re





replacement rates.

Faced with this scenario, two different responses are possible on the part of those who, be they Italian regions or companies, have no way of determining the level of spending, which is set by the central government: health rationing or reorganization.

Rationing reduces the cost of individual items at the margin, or at least slows down their growth, while trying to maintain the same volume of supply. This approach can fight economic waste in health, but this will never be reduced to zero. The criteria for evaluating managerial work are simple: a better relationship and economic balance between health service volumes and the resources provided define success. As the budgetary constraint becomes more severe, staffing levels, the breadth of support services and the intensity of care are progressively reduced, increasing waiting times and dissatisfaction of users. However, the latter continue to flow without filters towards service models that have now revealed themselves deeply inadequate.

Reorganization, on the other hand, is a deeper process of change, which acts on multiple fronts. It is first of all a question of analyzing consumption of services and identify areas of inappropriateness (the patient receives more than necessary) and of inadequacy (the patient receives less than necessary),



## THE BOOK

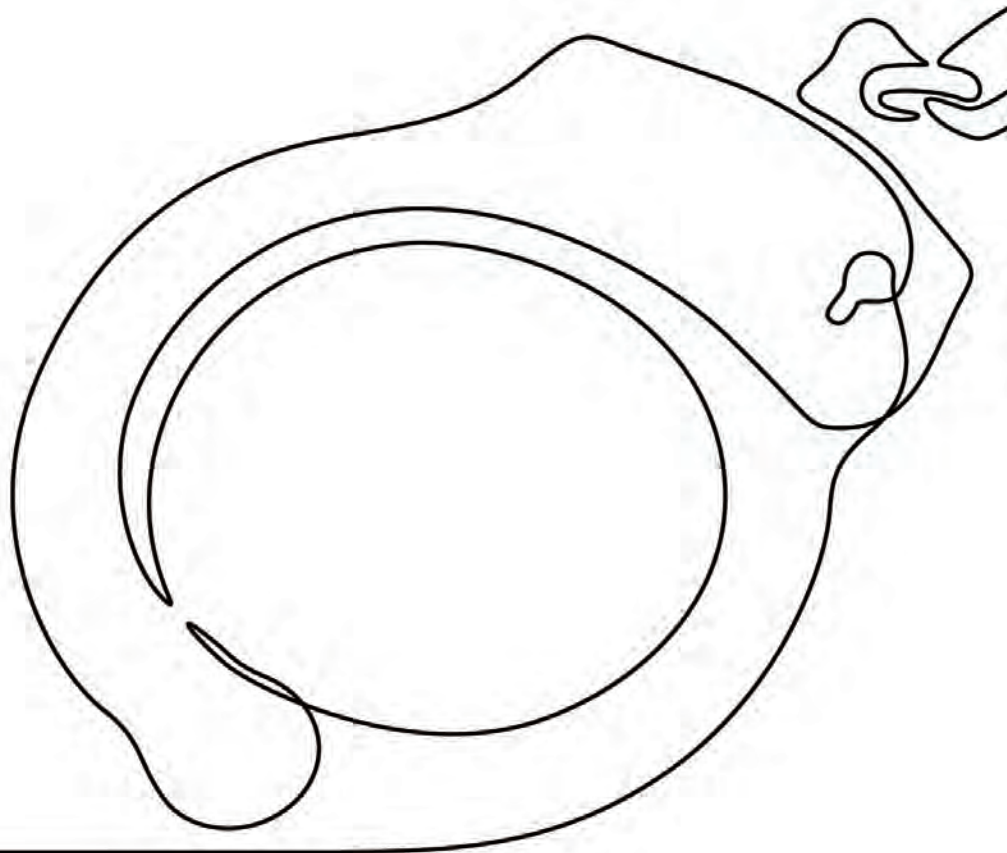
At a time characterised by a new austerity in healthcare spending and by important investment opportunities provided by the PNRR funds, the renewal of healthcare systems is more than ever at the centre of political and scientific debate. The OASI 2023 Report illustrates the current situation of the Italian NHS (institutional profiles, structure, activities, expenditure, outcomes) and of the Italian health sector, setting it in a national and international comparative perspective.



trying to equalize treatment provided to patients with homogeneous profiles. It then involves defining intervention priorities, studying access paths, reallocating resources, rejigging professional roles, developing and disseminating new technical and managerial skills. The key often lies in creating more appropriate and diversified settings in relation to patients' needs, also by using digital resources. This approach evaluates its success through dimensions that are more difficult to measure: the coverage rate of medical needs, equity in access, and the quality of health services provided ■



# organization?



# The state of

*Italian prisons are overcrowded and migrants represent 31% of inmates (as opposed to 10% of the Italian general population), while government policy is hindering re-education projects inside and outside jail. Looking at Italian penal institutions it is increasingly difficult to answer the question: are they actually preventing crime?*

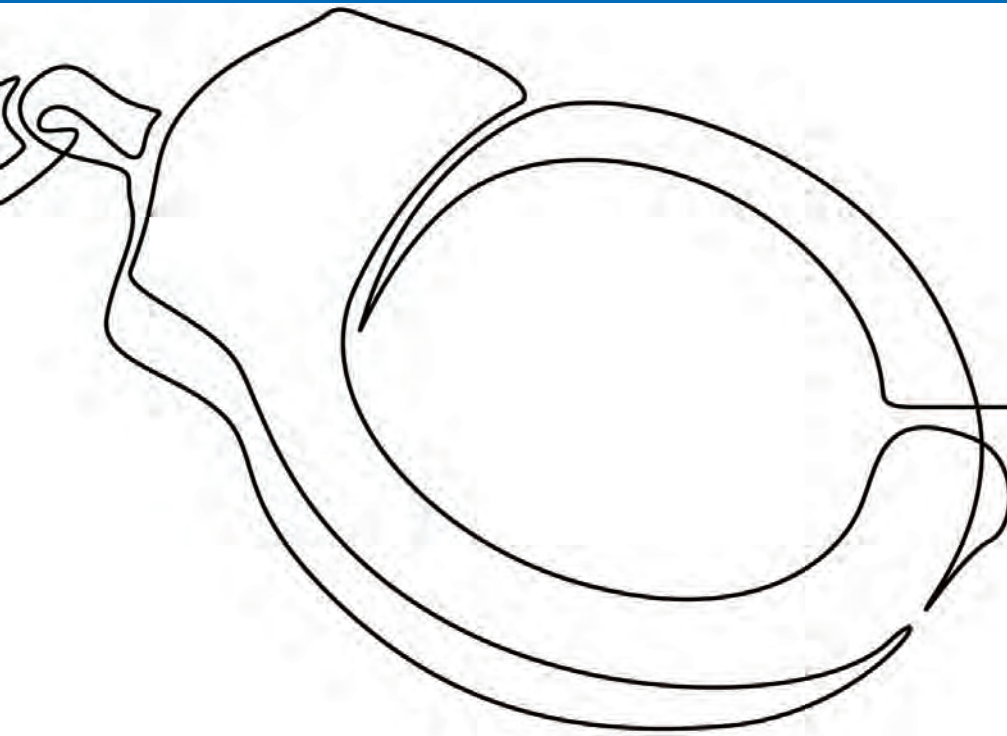
by Melissa Miedico @



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**O**vercrowding in Italian penitentiary institutions is now alarming: as of 31 October 2023, 59,715 people were detained compared to a capacity of 51,275 places (Ministry of Justice data). The same data highlights that migrants are more often recipients of jail sentences and imprisonment while awaiting trial with respect to Italian citizens. Legal and illegal immigrants are currently estimated to constitute around 10% of the Italian population: in jail, this proportion climbs to 31%.

The greater incidence of migrant people inside prisons is attributable to the lack of legal support and social assistance outside prison and the condition of extreme marginalization these people are forced to live in. A first element that all foreign



# our prisons

immigrants (at liberty or in prison) have in common is how they are affected by the crisis of the welfare system. Resources are scarce (for public housing, social services, health care, etc.) and this has disproportionate repercussions on migrants, given that they often do not have a family structure or other resources to escape the profound hardship in which they find themselves.

For detained foreigners, the situation is even more dramatic. The absence of documents or the expiration of the residence permit during the sentence are veritable disasters that affect the convicted person and are really difficult to pay remedy to. Those without papers will not be able to have them issued unless they personally go to their own Consulate, something that those who are in jail

cannot do. Without a valid document (passport or ID card) the person will not obtain their tax code and, therefore, have access to prison benefits. In this way, however, we are giving up on the rehabilitation purpose of prison sentences.

If the residence permit expires while you are in prison, the ways to renew it are closed or very complex, also due to bureaucratic procedures that are difficult to reconcile with the state of imprisonment (inability of Police Headquarters to go to prison and absence of agreements with the postal service), while the prison system is struggling due to limited resources. The presence of cultural mediators is also insufficient to cover the needs of detained people who sometimes do not speak a word of Italian and are from having a minimal competence



in matters of criminal responsibility and criminal procedure. Furthermore, it is difficult for foreign people to work outside prison during the day, given the absence of suitable domicile and local employment (sometimes aggravated by the absence of regularization), thus hindering re-education programs outside prison even for those who have committed crimes of lesser gravity.

And outside penitentiary institutions the situation is even worse. Migrants suffer from an extreme vulnerability that Italy is unable to cope with: progressive cuts in welfare provisions, long regularization times (the 2020 immigration amnesty is not yet complete, and many of the procedures are inaccessible to migrants due to the IT methods envisaged and the absence of mediators and interpreters in government offices), so that this lack of essential services produces years of precarity and worry for countless family households.

All this produces segregation and exclusion, ghettoization and impoverishment, and adds fragility to fragility, by preventing access to welfare support for poverty and vulnerability. As we know well, all this inexorably leads to feelings of anger and despair, and sometimes in the perpetration of crimes against property and people. We should therefore not be surprised to find these vulnerabilities filling prisons, if we consider that penal law interventions often target disadvantaged classes and vulnerable subjects, thinking of solving something with the introduction of new crimes or by tightening criminal sanctions. There is a lot of talk about increasing security but too little is done to support mediation and re-education paths that could serve this purpose. Above all, data on recidivism tell us that this prison system is not doing anything to reduce it. And prison data are scant and this should be denounced, because it is an indication of a lack of will to make careful and in-depth assessments, but the few data we have speak of criminal recurrence for around 60% of prison convicts. This percentage drops dramatically for those serving their sentences outside prison with suitable control, support and assistance tools, and also in 'model' prisons where the attention is focused on serious resocialization projects. But so the all-things-penal policies of recent years that are producing a surge of inmates in (increasingly inhumane) carceral institutions and reducing the opportunities for rehabilitation projects, what crimes are they actually trying to prevent, what victims to protect? ■

## The law of relativity

*With the modification of Article 4bis, which does not eliminate the presumption in itself, but its absolute character, the Italian legislator, prodded by the Constitutional Court, has overcome unappealable prison for life. But there are many aspects that still need to be clarified*

by Simone Lonati @



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In a legal system based on the principle of reserve of law and jurisdiction in criminal matters (Art. 13 of the Constitution), absolute legal presumptions should not exist: they are the symptom of a distorted system that places little trust in judges. The ultimate effect of every *iuris et de iure* presumption, and of the rigid regulatory automatism that follows, is in fact to debase the meaning of the reservation of jurisdiction, effectively relegating the prerogatives of the judiciary to mere notarial certification activities. There really is no need for such absolute presumptions.

Even more so in a particular sector of the legal system, the penitential one, where the re-educational purpose of the criminal sentence (Art. 27 of the Constitution) requires always reserving to the supervisory judiciary the evaluation of the progress made by the convicted person with a view to their progressive reintegration into society, because if it is true that prison is a punishment for deeds that should not have been carried out, it is equally true that the person is never completely wholly defined by the deed they make, whether good or bad.

If one agrees with these premises, the two rulings (Sentence 253/2019 and Order 97/2021) of the Constitutional Court which decreed the overcoming of the absolute presumption at the basis of the impediment mechanism prefigured by Art. 4 bis of the law on the penitentiary system (Law 354/1975) certainly marks an important milestone in the process aimed at bringing life imprisonment back under constitutional coverage.

In its original fort, as is known, Art. 4 bis of the penitentiary law provided for a large number of people convicted of "major crimes" (e.g. organized crime and other instances) the prohibition to have access to measures alternative to detention and other penitential benefits, which could be overcome exclusively by virtue of a qualified good conduct, such as collaborating with justice (in concrete terms: reporting other people's crimes) which, by virtue of absolute legal presumption, became the legal indicator of certain repentance.

The Court's criticisms, in both rulings, focused precisely on the (too) rigid regulatory equation "collaboration equals repentance": because collaboration is a procedural attitude, while repentance is an internal state; because the choice to collaborate can also be due to purely utilitarian evaluations and conversely, its opposite, silence, is not necessarily an indication of continuing social danger; because there is ultimately a difference between rewarding

collaboration and sanctioning non-collaboration.

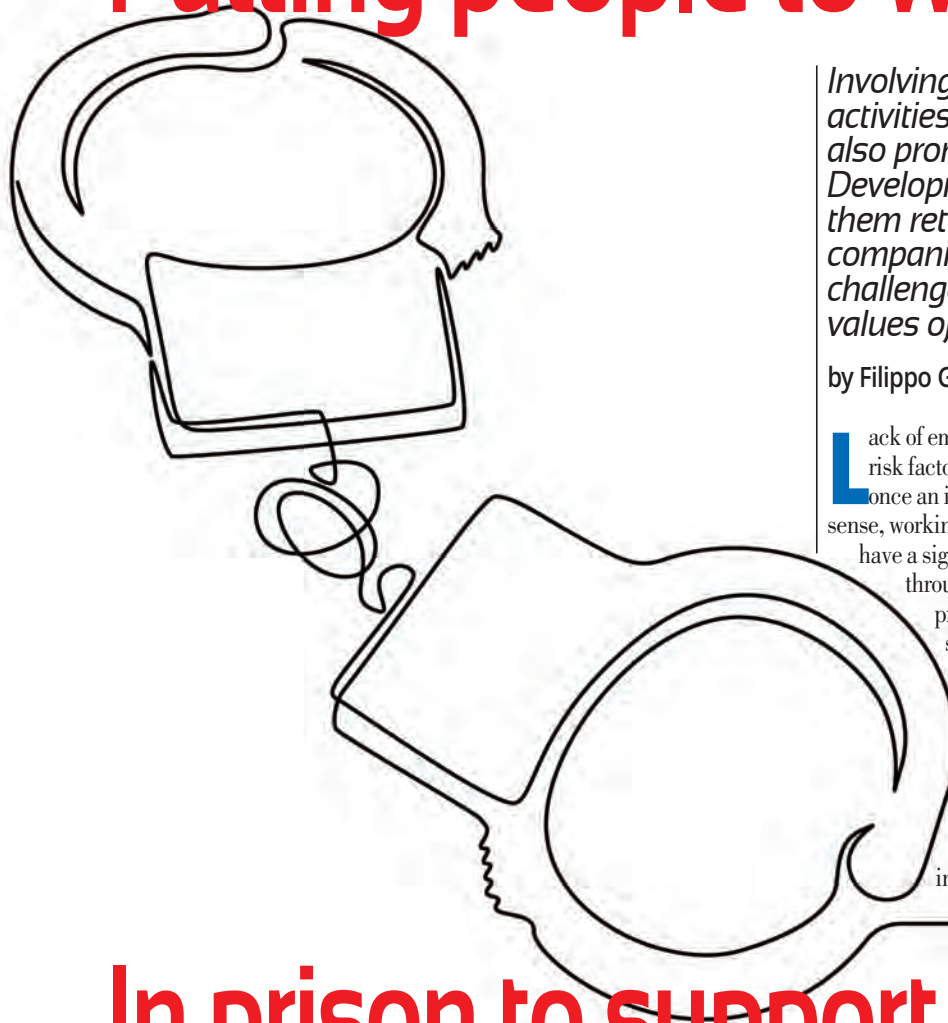
Let's be clear: the Council did not censor the choice to consider collaboration with justice as a condition for access to penitentiary benefits, but rather the option of considering it as a *sine qua non*, the alternative capable of excluding all the others. In other words: what is void is not the presumption in itself, but its absolute character. Hence, in the name of the overarching need for institutional collaboration, the intimation addressed by the High Court to the legislator was to transform the presumption of social danger deriving from the choice not to collaborate from absolute to a relative one and, at the same time, identify the conditions that would allow the convict who decides to not cooperate to still be able to access penitential benefits. The Court's invitation, at least this time, did not go unheeded.

The legislator, also to avoid further issues of unconstitutionality, did not eschew responsibility and drafted a reform text (Legislative Decree 162/2022 converted with amendments into Law 199/2022) which, although going in the right direction, nevertheless raises additional doubts. It must immediately be said that in the "new" Art. 4 bis of the Italian Penitential Law on collaboration with justice, while remaining the main path, is no longer – and could not be otherwise – the exclusive condition for accessing penitentiary benefits. On paper, there is no doubt, the absolute presumption has been transformed into a relative presumption which, at least in the abstract, lends itself to being contradicted by contrary evidence.

In the abstract, precisely. In practice, things are very different. In fact, in the absence of collaboration with prosecutors, the legislator has established rather stringent limits and conditions that are extremely difficult to demonstrate in order to have access to prison benefits: the convict is now asked to provide specific elements that exclude, not only the actuality of connections with organized crime, but also - mind you - the danger of their resumption in the future. A requirement, the latter, that seems to evoke shamanic predictive abilities: in fact, the convict is asked to demonstrate that in the future what already doesn't exist today will continue to be perpetuated. The burden of proof is diabolical to say the least, if not downright impossible: it is thus worth asking whether the law has really eliminated the absolute presumption of social danger for the non-cooperator or whether, in substance, behind the veil of appearances such presumption is still present.

Of course, much will depend on the concrete implementation of the reform, but the feeling is that Parliament proved incapable (or unwilling) to fully grasp the indications contained in the Constitutional Court rulings that were aimed at re-establishing the right to have hope, which, according to the European Convention on Human Rights, must be guaranteed to every prisoner ■

# Putting people to work means



*Involving prison inmates in training activities and work opportunities, while also promoting UN Sustainable Development Goals, reduces the risk of them returning to crime. But Italian companies are not rising to the challenge thus betraying the trumpeted values of diversity and inclusion*

by Filippo Giordano @

**L**ack of employment is recognized as a fundamental risk factor for delinquency, as well as for recidivism once an individual is released from prison. In this sense, working and job training activities for inmates can have a significant impact on recidivism, mainly through two channels. First of all, the fact that a prisoner participates in an activity of this type signals their propensity to work to potential future employers, enriching their CV and therefore facilitating hiring upon release from prison. Secondly, having worked gives the inmate experience and skills which increase the chances of holding onto the job once hired. Rehabilitation activities in prison, especially those work-related, are in line with the Sustainable Development

# In prison to support prisoners

*Through the experience of the Bocconi Legal Clinic, School of Law students come face to face with the reality of prison institutions, by providing a listening and legal support service to inmates*

by Pietro Masotti@

**B**orn out of an initiative of the late president of the Constitutional Court Valerio Onida, legal offices in prisons immediately took on the dual purpose of supporting people on legal issues, supporting during the deprivation of liberty, and eliciting the involvement of inmates themselves as legal volunteers to help other convicts. At Bocconi today this experience is coordinated by

Melissa Miedico, Professor at the Department of Legal Studies who oversees for the Legal Clinic project in which faculty and students work at the Bollate Prison and, for a few months, also at the San Vittore Prison of Milan. In order to be eligible for the experience, students must pass selection rounds that are held three times a year. They must be students in their fourth and fifth year of law school and have certain curricular requirements, but above all a strong personal motivation. “The interest in the topic of criminal punishment, on which I am also writing my thesis, pushed me to apply to participate,” says Bocconi law student Carla Moras. “I have a very strong memory of my first impact with the penitentiary and my first contact with the inmates, in particular the inmates of the women’s ward. With them there was a level of confidence and openness that gave an emotional value to the experience that I had not expected.”





# combating recidivism

Goals (SDGs) of the United Nations 2030 Agenda.

Access to education, work and training while in prison (or while serving non-custodial sanctions) not only contributes to Goal 1 (Zero Poverty) of SDGs, but also to Goal 4, which is to provide quality and learning opportunities for all, and Goal 8, namely the promotion of inclusive economic growth characterized by full and productive employment and decent work for all. Providing employment and training opportunities to inmates is in fact important to combat the forced idleness and the sense of apathy and boredom typically induced by the prison condition through meaningful activities, and at the same time improve the inmates' post-release job prospects, often quite poor. For this to happen, the work must be of high professional value, as well as being carried out in safe conditions and with the necessary protections. For work and training activities implemented in a prison context to be effectively able to improve the future employment prospects of convicts, it is necessary to involve actors external to the penitential world, something foreseen by the Italian legislator (art. 17 of Penitential Regulations). In particular, in the case of training and work activities, the intervention of business actors would be invaluable in guaranteeing, firstly, the matching between training provided to inmates and the skills required by the labor market, and secondly to ensure, in case of fruitful collaboration with the prisoner, their direct insertion into the world of work following their release.



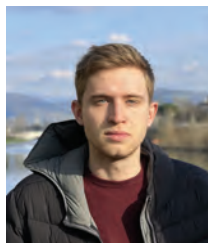
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However, data shows us that companies are not very committed to employing these people and therefore to embracing the social cause of combating recidivism. According to Italian government data, in 2022 only 0.4% of detained people, compared to a prison population of 56,196 as of 31 December, had employment relations with companies. Mostly, job opportunities not coming from the Penitentiary Administration are offered by social cooperatives (but they still account for less than 5% of the total). The limited presence of private firms in prisons is certainly attributable to a difficulty of relations with prison administrations, both due to the different organizational cultures and the need to create and adapt spaces for job activities, but it is also a symptom of the social stigma and cultural prejudice still present in Italian society, a prejudice mostly due to lack of knowledge about this world. Yet, the social impact that companies could generate is large not only with respect to the aforementioned contribution to SDGs but also by decreasing the social cost of recidivism, and increasing security and legality. Furthermore, collaborating with prisons or being partners of social cooperatives already active in penal institutions would help foster a culture of inclusion in private working contexts and therefore make a significant contribution to company policies on diversity and inclusion ■

The work of the legal clinic is organized in a way not too distant from that of a law firm: from meeting clients to apportioning legal research and intervention to task forces. "The clinic is active in Bollate and San Vittore every week and we students are involved on a rotational basis," says Jacopo Musso, enrolled at the Clinic since September. "Basically, each of us works in prison for one morning every two weeks or so. There we meet with the inmates and collect the cases in a report that we present at the Tuesday meeting. At that point everyone is assigned a task, be it research, contacts with a consulate, with a lawyer or with an educator to reach an agreement with them or assist them in preparing requests (permits, compensation, etc.)." "We deal a lot with penitential law, family law, and immigration law," adds Moras. "In this sense it's essential to have a constant weekly presence in the two prisons and to do networking between us." The clinic's activity takes on different nuances depending if it is a jailhouse or a prison house, as Ludovica Lombardi, working at San Vittore, explains. "Those who

have been convicted need to be listened to, supported and oriented on issues related to the execution of the prison sentence. Sometimes we intervene to facilitate contacts with lawyers or bring certain situations to the attention of other prison operators. In San Vittore, however, there are mostly people awaiting trial who often still need to understand the situation they find themselves in, what the charges are, what the law says, what criminal penalty they risk incurring, what the next steps will be: this orientation work is very precious, especially when it comes to foreigners". Beyond the technical aspects, the experience of the Legal Clinic acts on students as an accelerator for reflections on the role of prisons in society and their future jobs in their professional careers. "There is no lack of desire to combine the social aspect with the legal practice, but it is often difficult to do so in one's professional activity," reflects Musso. "The Clinic is perhaps one of the last opportunities for a student to be able to reconcile the two dimensions before immersing themselves in their legal careers" ■

*CARLA MORAS, JACOPO  
MUSSO, LUDOVICA  
LOMBARDI  
Law students, working at  
Bocconi Legal clinics*



# Those who want to outso

In the most recent years, migration pressure urged different countries to resort to “externalization” policies. Some recent examples, which spread much discussion, include the United Kingdom (UK) and Italy, although their respective tools embody significant differences. In April 2022, the UK adopted the so-called Rwanda policy. This was a scheme according to which the UK considered Rwanda as a “safe third country” where people seeking asylum in the UK could be moved, so as their asylum application could be processed by Rwandan authorities, according to that country’s law. In parallel with facing strong criticism at the political level – based, first of all, on Rwanda’s dubious compliance with the principle of non-refoulement – this policy was challenged before UK courts and, in November 2023, the UK Supreme Court delivered its final ruling. The Supreme Court ruled the policy unlawful because there are “substantial grounds” to believe that, if removed to Rwanda, asylum seekers will be deported to their country of origin, including when they may face torture and ill-treatment once there. In other words, Rwanda is very likely to violate the principle of non-refoulement. Importantly, the Court upheld the non-refoulement argument on the basis of the 1951 Refugee Convention and its 1967 Protocol, and of article 3 of the European Convention on Human Rights (incorporated in the UK legal system through the Human Rights Act 1998), while it dismissed the grounds based on so-called EU retained law. According to these claims, the policy violated the “principle of connection”, contained in the EU Asylum Procedures Directive and meaning that asylum seekers can be sent to safe third countries only if there is a “connection” between the migrant and the country (family ties, previous stays, etc.). Per the Court reasoning, the principle of



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connection is no longer applicable after Brexit, because it is among those provisions of EU law that were explicitly excluded from retention in the UK legal system after the end of the transition period. In this way, the Court highlighted a clear “break” in the field of migration law between the pre-Brexit and the post-Brexit era.

After the decision of the Supreme Court, the UK Government took two steps. First, it renegotiated another agreement with Rwanda, where Rwanda commits to stronger compliance with human rights standards; second, it introduced a bill in the House of Commons, the Safety of Rwanda (Asylum and Immigration) Bill 2023, where it declares Rwanda a “safe country” and prevents courts and other decision-makers from making any different assessment on this point. The draft law is the object of several concerns, especially because it hinders courts’ ability to review the decision to deport migrants to Rwanda, a country where recent history shows discouraging evidence in terms of human rights record.

The UK policy has been compared to the Italian recent strategy of migrants’ externalization. At the beginning of November 2023, the Meloni Government announced an agreement with Albania for the construction of two centers in the Albanian territory to hold migrants rescued at sea by Italian ships. The agreement has not been ratified yet, as the ratification procedure has been suspended by the Albanian Constitutional Court in order to assess its constitutionality (the final decision should be delivered by March 2024), while the Italian Houses of Parliament are currently discussing the draft legislation that would authorize the ratification. The Italian policy may seem very similar to the UK one, but a relevant difference is that the deal between Italy and Albania explicitly provides that the centers will be under the Italian jurisdiction, and so Italian law will be applied. Reference to respect

# urce the solution

by Chiara Graziani @

for “international and European law” is envisaged as well.

Although the Italian approach seems less worrying than the UK one, there are some legal issues that should at least be monitored in the practical implementation of the agreement with Albania.

The first is that, according to EU asylum law – even if one looks at the reform that it is undergoing – Member States (as Italy is) cannot carry out asylum procedures outside of their territory (and the mere jurisdiction seems not enough to satisfy this requirement).

Second, despite the application of Italian jurisdiction, it will be not so straightforward to ensure that those asylum applications examined in Albania are de facto treated equally to those

examined in Italy.

Third, these centers are de facto detention centers, and guarantees provided by Italian law to apply detention (review by a judicial authority, limits to the length of the stay, etc.) seem unlikely to be respected and enforced.

In conclusion, much remains to be seen as to the UK scheme and the Italian-Albanian agreement. In any case, these policies (and the comparative scenario shows further examples, such as Australia) point out a common trend towards “externalization” of migrants that, on the one side, can be seen as a response to the (uneven) migration pressure that some countries face, but, on the other side, poses serious risk in terms of human rights standards ■





**O**n November 19 last year, before the packed stands of Turin's Pala Alpitour, Novak Djokovic and Jannik Sinner played the final match of the ATP Finals. It was no coincidence that the cameras lingered for a long time on Antonino Cannavacciuolo, the Neapolitan chef and owner of the three-Michelin-starred Villa Crespi, situated on the shores of Lake Orta. Chefs are not only celebrities within the star system, but also the kings of their kitchens. Earning one or more stars from the Michelin Guide, the most prestigious of gastronomic handbooks that has been evaluating restaurants around the world for over a century, means adding an entirely new dimension – a stellar one, in fact. This distinction comes with much pride and, oftentimes, burdens, as explained by Giada Di Stefano – Associate Professor at Bocconi's Department of Management and Technology, as well as author of numerous studies on the creative industry, including the restaurant industry.

→ **Why is acquiring a Michelin star so important for a restaurant?**

There are numerous gastronomic guides, each with its own rating system. The Michelin Guide is not only international and the oldest, but the one in which all chefs aspire to appear. Earning the first star propels you into another dimension; it is a status recognition that allows you to enter an elite market.

→ **With some burdens and, above all, a lot of expectations...**

A study that we did in 2022 observed the behavior of restaurants that have been included in the Michelin Guide



GIADA DI STEFANO  
Associate Professor  
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in cities where the Guide was not previously present. Not only does there seem to be an increase in prices, but even the way of writing the menu becomes more sophisticated. The same applies for information regarding the techniques used and names of the raw materials' suppliers. The restaurants actually meet customer expectations, which grow tremendously with the awarding of a star.

→ **Some restaurants do not make it and fail. Why does this happen?**

They greatly increase investment, sometimes too much, in order to be able to compete at a higher level. Daniel Sands, a colleague currently working at University College London, has a working paper in which he observes the effect of earning a Michelin star on restaurants in New York. Unfortunately, although one would not expect it, many of them close – partly because of the higher investment I mentioned earlier, which cannot be compensated for by raising prices.

→ **According to some studies, however, the real risk is going from one to two and then three stars. What are the reasons for this?**

The world of one-Michelin-starred restaurants is wide and varied. Placed beside truly upscale restaurants, you find others that are not at all. The going gets tough when the second star comes along, propelling you into the limelight. In that case, there are many risks – especially if you are in a large city such as Milan and Rome, where costs are high and the competition is very fierce. While it is true that high prices allow you more leeway in terms of experimenting, for

# Michelin stars: a blessing and

*It is the most coveted award, a goal to which every young chef aspires throughout their career. But this recognition also entails responsibility and attention to managerial aspects, at the risk otherwise of failure, as Giada Di Stefano explains in this interview*

di Davide Ripamonti @





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# AI? Neither to be overestimated nor snubbed

*The right approach, says Stefano da Empoli in his book on the economy of ChatGPT, is the one that focuses on what we can ask and therefore expect from generative artificial intelligence. AI is already having an impact on major economies: from America and China, the two top players, to Europe (for now more focused on regulation), down to Italian SMEs, which stand to benefit due to their characteristics*

by Pietro Masotti @

**L**ike all major technological revolutions, artificial intelligence has quickly triggered a division between doomers and boomers, that is, between the opposing attitudes of those who fear AI or exalt its virtues beyond any rational limit. AI, and above all generative AI, presents itself as such a radical revolution that everything suggests tackling it with the tools of rational analysis, measuring benefits and risks both in breadth, i.e. in the breadth of possible applications, and in length, that is, in the projection over the next decades. This is what **Stefano da Empoli**, president of the Institute for Competitiveness (I-Com) and Professor of Economics at the University of Rome III, does in *L'Economia di ChatGPT* published by Egea, starting from the most discussed and famous chatbot of the new generation of AI.

→ *In its short history, AI has already disappointed futuristic expectations several times. Why should ChatGPT be different and what are its economic consequences?*

Chatbots like ChatGPT are an expression of generative AI, which is just one part of AI, but the one that is the most talked about. Presently, it represents a fifth of the AI market and in any case, according to growth estimates for this decade, it will never exceed a third of the total. The objective of the book, therefore, is not to discuss its greater or lesser relevance, but to refute the narrative that is made of it today. In fact, there are those who extol AI tools by overestimating them beyond all limits and therefore prefiguring a future in which machines will replace humans with catastrophic results. On the other side, there are those downplaying and trivializing AI, while highlighting its limitations and errors at every opportunity. The correct approach, however, is to start asking what kind of questions we need to ask generative AI and what kind of answers we can expect.

STEFANO DA EMPOLI  
President of the Institute  
for Competitiveness

→ *The ability to interrogate machines is the first requirement to obtain better answers. Do you feel like we're not asking AI the right questions?*

We are too early for this to be the case. So far, generative AI has been questioned mainly by computer scientists, by scientists, by experts who know how to interact with machines. With ChatGPT this intermediation has been lost and we can all use AI, with consequences that today we are struggling to comprehend but which will be extremely far-reaching. → *How do you build an economy, and therefore firms, investments, industries, training, on something that we don't yet know exactly where it will lead us to and according to what time frame?*

As always, there will be industries investing first and others last, but I believe that the impact of generative AI will generally be faster than that previous industrial revolutions, such as electricity or information technology, for example, because it doesn't require huge infrastructural or technological investment. On the other hand, however, it requires a cultural and organizational rethinking of the way of we work and conceive employment. Therefore, everyone will try to implement generative AI in their activities, but only those who are quickest and most effective at changing their mindset will be able to put it to good use.

→ *You dedicate a chapter to describing if and how AI increases productivity. Is it still a parameter that interests us, despite the growth in the share of immaterial products and services?*

As an economist I feel like saying yes, productivity is still the basis of an efficient economy. We can discuss social costs, distribution, sustainability, but it still remains a fundamental parameter to assess. Even more so from an Italian perspective, since the decline of our



country in the last thirty years is closely linked to its stagnation in productivity.

→ *On a global scale, the US/China competition on automation and machine learning applications is increasingly evident. Could generative AI tilt the balance towards America?*

Generative AI highlights the structural limits of the system built by Beijing. Although investment by Chinese companies is very high, some factors weigh on context, primarily internet censorship. Apart from the case of software code, for which the problem is less evident, for everything that concerns the generation of ideas, texts, images, videos and audio, the control of input data limits the results that chatbots can provide. Furthermore, most of the internet texts on which the models are trained are in English, and this is a great factor of competitive advantage for the US. On the other hand, outside the field of generative AI, the lesser attention to privacy in China makes applications that work with individuals' data simpler and more advantageous. However, there are also other issues than need to be considered: the US and their allies, starting with Taiwan, have quite clear control over the value chain of very advanced semiconductors and this greatly penalizes Chinese companies which have so far failed to attain the same standards with their domestic suppliers.

→ *Between rules and investments, Europe has chosen to insist more on the former than on the latter, carving out the role of referee rather than player for herself. From your vantage point as member of the European AI Alliance promoted by the European Commission, what are the prospects for European companies?*

In justification of Europe, I feel like saying that in Brussels it is certainly easier to regulate the economy than carry out industrial policy, because the latter is an area fiercely defended by national states. The so-called Brussels Effect arises from here, from the proven ability of the EU to provide well-structured legislative products to regulate various fields and industries, which are then adopted by other countries or multinationals, as occurred, for example, with the GDPR directive, the regulation that protects online privacy. For a long time, therefore, the idea prevailed that by regulating AI first, the same dynamic would be triggered, but generative AI has changed the picture. In recent months, for example, the debate has focused on how to regulate the foundational models underlying ChatGPT, because the text of the AI Act did not provide for them at all, limiting itself to regulating the uses of AI and its applications. The problem is that models like GPT-4 can be used for any activity, some considered high-risk activities according to the AI Act, others not at all. And while the EU is discussing, other countries are moving, the US first and foremost,



## THE BOOK

The debut of ChatGPT at the end of 2022, has brought generative AI to the center of a revolution whose implications are widespread across every industry in the short term and in the coming decades. In his book (*L'economia di ChatGPT. Tra false paure e veri rischi*, Egea, 150 pages, €18), Stefano da Empoli, president of the Institute for Competitiveness (I-Com) and Professor of Economics at the University of Rome III, addresses the benefits and potential risks of this disruptive technology with the rational and analytical approach of the economist.



taking other paths, such as exchanges with corporations and executive orders, the equivalent of our ministerial decrees, and they are taking this approach on a global scale through the G7. At this point, if the EU were to regulate these models too rigidly, it would paradoxically find itself slowing down innovation and damaging its companies on international markets.

→ *However, your book ends on a note of optimism, also regarding the Italian situation. What makes you think our future could be bright?*

As mentioned, AI requires little investment in technology, and this is a positive fact for Italian companies which are mostly undercapitalized and small in size. Even the theme of cultural change is easier to apply in less complex organizations, as SMEs typically are, in which fewer people decide, and tend to have a long-term vision, particularly if they are family companies in terms of ownership.

→ *However, aging Italian entrepreneurs and the low level of managerialization in small firms have inhibited much change in Italy...*

That's true, and this is why I took the liberty of concluding my book with the proposal to allocate funds not only to investment in technology and training, but, even before that, to help companies evaluate the state of their technological preparedness and measure the divide that separates them from the industry benchmarks. There is a lot of focus on investment, but Italy needs to strengthen the preparatory phase, so that technology development programs, currently paid for mainly through Next Generation EU funds, can give better results ■

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È difficile trovare nel dibattito pubblico una questione più divisiva dell'accoglienza delle persone in cerca di asilo, eppure la questione è spesso trattata in modo approssimativo. Con questo libro, Ambrosini cerca di fare chiarezza.

