

viaSarfatti 25

BOCCONI UNIVERSITY, KNOWLEDGE THAT MATTERS

Issue 4 / 2023

ISSN 1828-6313

TO DO LIST

November 1st marks the 30th anniversary of the entry into force of the Treaty on European Union. What has been done and what remains to be done to build a truly 'united Europe'

Bocconi

follow us



@unibocconi



Bocconi's European soul

In the year of the 30th anniversary of the European Union, Bocconi has launched the Institute for European Policy Making, which we first presented in a beautiful and moving event last December in the presence of President Mattarella and President von der Leyen. The IEP@BU is not only a true testimony of gratitude and esteem towards Mario Monti, who is its Honorary President, but it is also consolidating itself as a think-tank that already counts 70 Fellows. Also this year, the Bocconi alumni community has awarded the Alumnus of the Year to Mario Nava, now head of the European Commission's DG Reform, who has been working in the European capital for 29 years to accelerate the integration of the 27 EU member states, fulfilling his dream as a young Bocconi student: "To work in Europe and have an impact on people's lives", as he tells us in the thorough interview we publish in this special issue of our magazine dedicated to Europe. In a Europe that is ageing, which is a continent of

immigration and that is once again the scene of wars, Europeans and non-Europeans alike are witnessing day after day, despite the contradictions and sovereignist escapades, is the progressive increase in European integration. Admittedly, this integration is often dictated more by convenience and economic and social necessity than by ideological will. But, to paraphrase Massimo D'Azeglio, "once Europe is made, Europeans must be made". A cultural process that is certainly long and cannot be improvised, made of ideas that need to be cultivated and integration that needs to be put into practice. But reading this issue of our magazine, looking at the photos of our community, representing the 27 countries of the Union, it is increasingly clear that, despite the many things that still need to be done, the future will be more and more European.

Francesco Billari
Rector



VIEW POINT Photo by Paolo Tonato



A community



Technology impacting Europe

CONTENTS

6	THE INTERVIEW	32
Sylvie Goulard and Mario Monti: The European Union, thirty years later <i>by Stefano Feltri</i>		
12	ALUMNUS OF THE YEAR	34
Mario Nava's european dream: if the EU manages to raise the bar, we'll all be better off <i>by Michele Chicco</i>		
16	VIEWS	36
National identities are holding the EU back <i>by Guido Tabellini</i>		
20	OPINIONS	38
Europe yes, but not too integrated <i>by Catherine De Vries</i>		
22	FINANCES	
New EU fiscal rules: old wine in new bottles? <i>by Daniel Gros</i>		
24	FUNDAMENTAL RIGHTS/1	
Values need to be reconquered at every generation <i>by Marta Cartabia</i>		
26	FUNDAMENTAL RIGHTS/2	
Europe has a coherence problem <i>by Eleanor Spaventa</i>		
28	FUNDAMENTAL RIGHTS/3	
Keeping immigrants out does not protect democracy <i>by Giunia Gatta</i>		
30	HISTORY / 1	46
Unequal Europe <i>by Guido Alfani</i>		
	HISTORY / 2	
The courage to call an empire by its name <i>by Andrea Colli</i>		
	BANKING	48
Stronger banks, but bank runs are still a possibility <i>by Elena Carletti</i>		
	POPULATION	
Escape is hard, once you fall into the demographic trap <i>by Arnstein Aassve</i>		
	WELFARE	
The Old Continent is getting older <i>by Vincenzo Galasso</i>		
	DIGITAL INNOVATION	40
We have been more guardians than innovators <i>by Gianmario Verona</i>		
	INTEGRATION PROCESS	42
Europe must expand and deepen, or else <i>by Carlo Altomonte</i>		
	GREENHOUSE GAS EMISSIONS	44
Between ambition and delusion <i>by Gianmarco Ottaviano</i>		
	ECOSYSTEMS	
Biodiversity, protection for our future <i>by Stefano Pogutz</i>		
	ENERGY MARKETS / 1	48
Green energy? Yes, but Made in EU <i>by Matteo Di Castelnuovo</i>		

50 ENERGY MARKETS / 2

The EU is now better prepared to deal with the interruption of gas flows
By Rosalba Famà

52 LABOR LAW

The path taken is the right one
by Elena Gramano

54 RESEARCH

Will the ERC be able to defeat the European paradox?
by Stefano Breschi and Andrea Fosfuri

56 SINGLE MARKET

The cornerstone of Europe
by Grace Ballor

58 CONFLICTS

The long shadow of war
by Massimo Morelli

60 CRISIS

Imminent collapse or relaunch of European integration?
by Justin O. Frosini

62 SPACE ECONOMY

Europe (and Italy) must be in the front row
by Simonetta Di Pippo

64 CIVIL PROCEDURE LAW

The Italian civil trial looks to Brussels
by Marcello Gaboardi

66 DISINFORMATION

In the regulatory race, the EU is beating the US
by Oreste Pollicino

MONETARY POLICY 68

Like a pilot in the fog not revealing the flight plan
by Tommaso Monacelli

CLIMATE CHANGE / 1 70

How to make the polluter pay
by Edoardo Croci

CLIMATE CHANGE / 2 72

Four missions with a single objective
by Benedetta Lucchitta

ACCOUNTING 74

Control comes at a cost
by Annita Florou

TRANSPORT 76

High speed rail unites Europe
by Oliviero Baccelli

INTERNATIONAL LAW 78

Taking Putin to court?
by Roger O'Keefe

ONLINE ADVERTISING 80

Targeting issues
by Francesco Decarolis

CRIMINAL JUSTICE 82

It's not true that Italian law applies
by Tommaso Trinchera

NEXT GENERATION EU 84

Integrating Europe through public spending
by Maria Antonia Panasci



Issue 4 / 2023
Publisher: Egea Via Sarfatti, 25
Milano

Editor-in-Chief
Barbara Orlando
(barbara.orlando@unibocconi.it)

Editorial Office
Andrea Celauro
(andrea.celauro@unibocconi.it)
Susanna Della Vedova
(susanna.dellavedova@unibocconi.it)
Tomaso Eridani
(tomaso.eridani@unibocconi.it)
Davide Ripamonti
(davide.ripamonti@unibocconi.it)

Translation and revision
Alex Foti
(alex.foti@unibocconi.it)
Jenna Walker
(jenna.walker@unibocconi.it)
Rosa Palmieri
(rosa.palmieri@unibocconi.it)

Contributors
Paolo Tonato (photographer)
Michele Chicco, Stefano Feltri
Pietro Masotti, Camillo Papini

Secretariat
Nicoletta Mastrommauro
Tel. 02/58362328
(nicoletta.mastrommauro@unibocconi.it)

Layout project: Luca Mafechi
(mafechi@dgtpprint.it)

Production
Luca Mafechi

Registered at Court of Milan
numero 844 del 31/10/05

The project of European unification and common fiscal rules, the Single Market, the role of the Council of Heads of State and Government, the environmental question, the hypothesis of EU enlargement: Sylvie Goulard and Mario Monti take stock of these three decades to reflect on the future of the EU, on the occasion of the anniversary of the entry into force of the Maastricht Treaty

by Stefano Feltri @

Over the course of thirty years, certain things have undergone significant changes, while others have remained consistent. On November 1, 1993, the Maastricht Treaty came into effect, introducing the European Union alongside the European Community and laying the foundations for the euro. The United Kingdom, a nation that had been particularly committed to the Single Market, has since exited the EU. Germany, a country that had prioritized fiscal rules, continues to dominate discussions on the issue. Italy, which had played a significant role in the process leading to Maastricht with the

The European Union

European Council meetings of Milan in 1985 and Rome in 1990, is now less pivotal in the European integration process.

For an assessment of these thirty years and a discussion of what lies ahead, there are no better interlocutors than **Mario Monti** and **Sylvie Goulard**. Goulard, a French national who is very active in public discourse also in Italy and Germany, has served as an advisor to President Prodi's Commission. She was also a Member of the European Parliament, and Deputy Governor of the Bank of France. During the last decades, she has always been at the center of all major debates stemming from the changes brought about by Maastricht, ranging from the EU's institutional framework to enlargement and the current challenge of Europe's response to the climate crisis. Monti, formerly President of Bocconi University and Prime Minister of Italy, and currently a senator for life, during his tenure as European Commissioner (1995-2004), lent effectiveness and ambition to the Single Market envisaged by the Maastricht Treaty. In 2012, Goulard and Monti co-authored the book *La democrazia in Europa. Guardare lontano* (Rizzoli, Flammariion).

→ **When the Maastricht Treaty came into effect thirty years ago, what was the prevailing conception of the European project and what were your expectations?**

SYLVIE GOULARD It was a period characterized by great optimism about the future of the European Union, following the reunification of Germany and the return of Eastern Europe to democracy. The Maastricht Treaty also laid the foundation for the common currency, but its ratification marked the first instance of tensions in public discourse and highlighted a certain complexity of the process. Subsequently, every step taken in European integration has been contingent upon sub-optimal agreements, thereby hindering the creation of the necessary conditions for these innovations to truly be effective.

, thirty years later

MARIO MONTI At the time, I saw in the Maastricht Treaty Europe's attempt to adapt to the major geopolitical change of the time, the fall of the Berlin Wall. It was a significant milestone in the journey that led Germany to give up its currency, historically a source of pride and strength, in exchange for the effort of the rest of Europe to become somewhat more like Germany. I have always believed that member countries benefit from the European project not only because they integrate into it but because they are transformed by it. Therefore, as an Italian, I saw the Maastricht Treaty as a push towards the transformation of our economic and institutional structures in the direction of the "social market economy", which I have always advocated for but that was scarce or non-existent in Italy.



SYLVIE GOULARD
IEP@BU Vice
President
MARIO MONTI
IEP@BU Honorary
President

→ *The Maastricht treaty famously introduced more binding limits to member states' deficits and debt. What have we learned over the past three decades about the coordination of national public finances at the EU level?*

SYLVIE GOULARD Before the process initiated in Maastricht, a single central bank, namely the German Bundesbank, had such a disproportionate influence that its monetary policy decisions shaped all other European economies. All of us, particularly France and Italy, willingly agreed to transfer a degree of sovereignty to the European Central Bank in order to collectively decide on monetary policy. It is within this context that we freely accepted the debt and deficit thresholds outlined in the Maastricht Treaty.

MARIO MONTI Today, the kind of constraints introduced by the Maastricht Treaty and later by the Stability Pact may seem rudimentary. However, at the time, the purpose of these constraints was not to persuade economists that these parameters would determine optimal policies, but rather to persuade public opinion in the countries with strong currencies - Germany and the Netherlands - that they should

not worry about the value of their savings and pensions after the introduction of a single European currency.

→ *Has the Single Market, the notable success of the Maastricht Treaty, and the culmination of the initial phase of European integration, become vulnerable today?*

High quality research on the major policy issues facing Europe

Founded by Bocconi University and Institute Javotte Bocconi, the Institute for European Policymaking @ Bocconi University combines the analytic rigor of a research institute, the policy impact of a think tank, and the facts-based effort of raising public opinion's awareness about Europe through outreach activities. The Institute, fully interdisciplinary, intends to address the multi-fold obstacles that usually stand between the design of appropriate policies and their adoption, with particular attention to consensus building and effective enforcement. The Institute's mission is to conduct, debate and disseminate high quality research on the major policy issues facing Europe, and the EU in particular, its Member States and its citizens, in a rapidly changing world.

SYLVIE GOULARD When assessing the health of the European single market, we must always consider what Germans refer to as Standort, which encompasses the conditions for business development and competitiveness. Safeguarding the single market as we have known it in recent decades is insufficient, as the reference context is evolving amidst crises in multilateral trade governance and new vulnerabilities in global value chains.

Furthermore, in the face of the urgent need to address the climate crisis, we can no longer confine ourselves to promoting trade; rather, we must promote fair and sustainable trade.

MARIO MONTI The single market is one of those things whose importance is truly appreciated only when it begins to weaken. When Norway voted against joining the EU in 1994, it desperately sought, and succeeded in, remaining within the single market. Today, Britain would go to great lengths to have access to the single market without being a part of the EU. However, the insistence on not subjecting itself to the judgments of the European Court of Justice is unacceptable because a functioning market relies on rules and institutions (such as the European Commission and the European Court of Justice) that are tasked with enforcing them. Today, in major countries like France and Germany, too many people argue that a functioning single market can be an obstacle to full European sovereignty because it limits the room for maneuver, for example, in response to subsidies offered by the United States in the Inflation Reduction Act. However, if the current expansion of the role of the state in the economy occurs at the national rather than the European level, it will lead to a distortion of the single market - which is the primary driver of competitiveness for the EU - and it will hinder the development of European sovereignty.

→ *Already a decade ago, in the book you co-authored, you were pointing out that the European Council of Heads of State and Government was becoming a concern for the Union, with its unappealable decisions made behind closed doors. How has the European Council evolved since Maastricht?*

SYLVIE GOULARD The European Council has considerably exceeded its original mandate. The concept of the European

Council can be attributed to French President Valéry Giscard d'Estaing. Jean Monnet accepted it in conjunction with the direct election of the European Parliament, with the ambition of creating a union not only of governments but, above all, of citizens. For many years, the European Council was not even regulated by treaties; it functioned as an informal assembly of national leaders. It was only with the 2007 Lisbon Treaty that the European Council was officially recognized as having a role in providing stimulus to the decision-making process, albeit without legislative powers. While all members of the European Council are accountable for their decisions at the national level, as a European body, they are not subject to any form of oversight. Their decision-making lacks transparency, to the extent that they even hold 27 separate press conferences. In 2004, the European Council initiated negotiations with Turkey without any public debate, and we have observed the subsequent disappointing outcome of that approach.

MARIO MONTI The role of the European Council can be significant, but after the Great Financial Crisis of 2009, given the almost absence of a substantial community budget, the main tool for resolving crises proved to be money, primarily supplied by national governments, and with

money came power. Even when the European Council has subsequently addressed not strictly economic issues, it has retained a certain presumption of supremacy. There is, therefore, a distortion in the Union's decision mechanism, especially now that the concept of national interest has taken precedence, and members of the European Council in Brussels negotiate in the interest of their own country rather than that of the Union. The dominant intergovernmental dimension within the European Council then extends to the Commission and other bodies. The entire system becomes infused - I would dare say "infected" - with the tangled web of national interests.

→ *At the time of the Maastricht Treaty's entry into force, environmental concerns held a rather marginal position. Has the EU now made climate a top priority?*





THE INTERVIEW

SYLVIE GOULARD The pivotal UN summit that brought the climate issue to the fore was the one held in Rio de Janeiro back in 1992. While there are some references to the environment in the Maastricht Treaty, there is no consistent commitment commensurate with the knowledge available on the problem as early as three decades ago. A resolute commitment to addressing the climate crisis at that time would have been significantly more effective and less costly than the efforts we are currently compelled to make, given that we are approaching the limits of the planet's resources.

MARIO MONTI Indeed, the EU did not do enough in 1992-1993, but after the Rio and Kyoto summits, the flag of environmental protection was waved primarily by Europe. And it's the European Union that has gradually persuaded the United States, particularly under the Biden administration, to become a key player in the response to the climate crisis. However, I must point out that, as Commissioner for the Single Market in 1997, I attempted to propose a

directive on a carbon tax that did not even find consensus within the Commission and never made it to Parliament.

Certainly, I was a novice commissioner, not as influential as that issue would have required. Or perhaps the timing was not right.

→ *The EU has started to discuss the entry of another eight members by 2030, including Ukraine, which is still embroiled in conflict. Would a larger EU also be a stronger one?*

SYLVIE GOULARD Extending aid and hope to those facing bombings or existential threats is both noble and necessary, whether in the case of Ukraine or Moldova. However, if we intend for the EU to be a community of citizens rather than just of governments, then this process should be shared with the population and accompanied by substantial reforms. Regrettably, this is not happening. The European Council has set a geopolitical imperative, and all must conform to it. Nevertheless, the EU is not an informal club; it has policies, some of which require funding and a framework of rights overseen by a common court. I find it quite perplexing that we contemplate further enlargement of the EU – including Turkey? – without a clear strategy for establishing a common foreign and defence policy.

MARIO MONTI I believe it is important to keep countries like Ukraine, which are not currently EU members, close to the EU. That's why I didn't dislike the idea of a European Political Community proposed by French President Emmanuel Macron. It would allow us to provide support without taking commitments that could distort our current EU. Unfortunately, the only enlargements that seem to have a geopolitical imperative are those towards the East. Certainly, what happens in Georgia is of great importance, but closer to the EU border, in places like Libya, we have Turkish and Russian presence that poses no fewer challenges to the European project than what is happening on the eastern front.

In the decades to come, immigration issues will be decided more in the South than in the East. Therefore, like many others, I have significant reservations about possible new enlargements, if they were to be full-fledged ■



CAREER ADVICE LIBRARY



EXCLUSIVE CONTENTS SUPPORTING ALUMNI'S PROFESSIONAL PATH AND PERSONAL DEVELOPMENT

ENHANCE your career with video advice from experts about personal branding, leadership, soft skills, mindfulness and more.
DISCOVER useful tips to face the job market.
WATCH the video recordings of Career Advice webinars.

START EXPLORING NOW ON:

WWW.BOCCONIALUMNI.IT



Bocconi ALUMNI



Mario Nava's European dream: if the to raise the bar, we'll all be better off

The head of the Directorate-General for EU Reform is Bocconi Alumnus of the Year of 2023.

After graduating from Bocconi he began his long career in Brussels and now looks to the future with confidence: "But the Union shall always remain consistent with its vocation of being a social market economy"

by Michele Chicco @

Mario Nava and Bocconi University

Mario Nava, born in 1966, is Alumnus of the Year 2023 at Bocconi University. Born in Milan, he graduated in 1989 with a thesis in Financial Mathematics. Attracted by Europe, in the nineties he began his thirty-year career in Brussels and in 2018 he had a few months as president of Consob. "I always advise Bocconi students to not pass between the lions (at the Sarfatti entrance) and to study hard from the beginning: it is one of the places in the world where the coolest are also the best. Those who have just graduated should often return to university and maintain contact with former students: it is a network of friendships that lasts a lifetime. It takes rigor, study and respect for others."

He is among the most influential Italians in Brussels, he's spent 29 years in Europe's capital to accelerate the integration of the 27 member countries composing the Union.

Mario Nava made the dream he had as a young Bocconi student come true: "Working in Europe and having an impact on people's lives". Not an easy goal to attain. Today he is at the helm of DG Reform, the latest creation among the general directorates of the EU, and in the past he worked alongside Mario Monti, when he was Commissioner for Competition, and Romano Prodi, when he was President of the Commission.

→ **Mario Nava, you get to see Europe up close: how is the Union faring?**

This is my eleventh job in 29 years I have spent in Brussels. If I may use a calembour, I would say that Europe is better than yesterday, but less well than it will be tomorrow. In these thirty years we have had an evolution and now when crisis strikes we are all Europeans. We have seen it with Covid and with the war in Ukraine, but also on specific issues such as migration, that Europe's intervention is invoked. In three decades I have seen the European Union's perimeter of action progressively expand: the joint procurement of vaccines would have been unthinkable until three years ago and also the Eurobonds issued to finance the National Recovery and Resilience Plan (PNRR) were a taboo. Our own work at DG Reform, a sort of joint procurement of technical expertise, was unimaginable until five years ago. There is a

LEGGI L'ARTICOLO IN ITALIANO 

EU manages





ALUMNUS OF THE YEAR

progressive increase in European integration and this is not due to ideological factors: it is a simple economic and social necessity.

→ **We cannot just wait for crises to make progress.**

This is why we try to make long-term designs. We are doing this by anticipating the next crises, and it's clear to everyone what they will be: the environmental crisis and the climate crisis. We want to anticipate the response, with objectives for 2030 and 2050, and try to ensure that member states converge on the EU's positions. But as the Eurobarometer polling opinion reveals, citizens expect Europe to respond to crises. When everything goes well, our national government can satisfy us, but when the crisis is much larger, the EU becomes fundamental.

→ **What is the work of DG Reform?**

It is a fairly new directorate general, as it was founded in 2020. But it is also innovative in its conception: we bring technical help to member states to carry out structural reforms,

transferring knowledge and experience. An idea that was implemented at the time of the Greek-Cypriot crisis and was then progressively extended to all countries. It is not a remedial course for less proficient students, but a master class: member states ask for support, we organize the work,

we granulate all the efforts and accompany the countries along the way. We work on 170 projects a year, many of which are multi-country.

→ **What type of reform have you contributed to writing in Italy?**

There is a very clear example, which moreover originated at Bocconi: that of Italy's capital market reform. DG Reform, with the help of the OECD, prepared a report in 2020 identifying what needed to be done, this report was slowly digested by national authorities who began working on it with the Green Book on capital markets. After some interactions, in 2023 Italy prepared the DDL Capitali which is currently going through Parliament. It is an interesting example because it comes from the work done by DG Reform in 2020 which has continued over time. If we had stopped, not much would have happened, but instead we continued working on it, because for us it is important that the support provided turns into a concrete reality.

→ **Next Generation EU gives ample room to investments but equal importance to structural reforms. How does your DG support national governments?**

On this there is a beautiful phrase by Ursula von Der Leyen who at Bocconi said that reforms are the engine of Europe and that investments are the fuel. National recovery plans constitute two thirds of our work, we support the member states in designing the reforms and we verify the steps undertaken to implement the projects.

→ **Is there the need of common reforms within the EU?**

Yes, there are common traits regarding digital, attention to social issues and sustainability. Europe is a social market economy and what we want is that everyone is enabled to truly make the green and digital transitions, not just those who can afford investments in solar panels or connectivity. Another common trait, whose importance was revealed by Covid, is the need to strengthen public administrations: the pandemic

The Alumnus of the year

Mario Nava, "a policy maker with enlightened thinking and at the service of the highest institutions", so in the words of Silvia Candiani, president of the Bocconi Alumni Community, is the 40th Bocconi Alumnus of the Year. The award is conferred by the Bocconi Alumni Community (which currently gathers over 135,000 members in 75 chapters around the world) every year since 1987 to an alumnus or alumna who excel through their commitment to the Bocconi values of professionalism, entrepreneurship, integrity, responsibility and openness to pluralism.

has shown that without public authorities capable of translating ideas into practical actions, it becomes difficult to implement any plan. It is an additional difficulty because public administrations, in addition to providing services, must now increasingly act as leaders in project management.

→How can Europe weather the risks that threaten its future?

Consistency is certainly an important aspect. This virtue has so far allowed Europe to present itself on capital markets with an image that exactly reflects its current identity: world leader in the green transition and digital transformation, with attention to social issues. Consistency across markets is key. President Ursula Von der Leyen, during her recent State of the Union Address, emphasized competitiveness, with the report on it being assigned to Mario Draghi, and on geopolitical issues, with additional enlargement we will have to deal with in the coming years. An aspect that plays out externally, towards the countries that will join the EU, and internally, because it presupposes changes necessary to welcome the new members.

→In your CV there is an unusual detail that struck me: your passion for football. You have been a player and a coach: is there something of sports you bring into your work?

I have been an FC Inter fan for 58 years, that is, since before I was born. I love sports and it certainly brought me discipline, timeliness and management of stress that sport teaches. It especially teaches that every activity we do is never an end in itself ■



National identities are holding the

A stronger and more centralized Europe would be needed to overcome global challenges, as Mario Draghi has recently argued. It is argued the European opinion differs too much between countries to achieve genuine political integration. However, cross-country heterogeneity is small compared to within-country heterogeneity in the EU, pointing to the possibility of transnational coalitions in the European interest. National identities work against this, but they are malleable, thanks to education and cultural interaction

by Guido Tabellini @

“ The dilemma we have in the European Union right now is to face objectives that would require different tools: the slowdown in the economy would suggest economic and monetary policies that are not too restrictive, while galloping inflation would suggest a fairly decisive rate hike. At the same time, however, we must also make further considerations on the composition and nature of the inflation that we have today in the EU: the inflation that we register is in fact not so much linked to an overheating of demand, but mainly to supply issues and production costs that have soared above all due to gas and energy price increases. It is therefore necessary to coordinate monetary and fiscal policies, but in this specific case a third element must also be added: intervention on energy markets. ”



GUIDO TABELLINI
Full Professor and Intesa
Sanpaolo Chair in
Political Economics,
President of IEP@BU,
Bocconi University

In a recent public lecture on the European Monetary Union and its future, Mario Draghi has forcefully argued that it is time for the EU to take some concrete steps towards a political union (15th Annual Martin Feldstein Lecture, National Bureau of Economic Research, July 2023). The challenges faced by European member states are increasingly global: climate change, defense and security, migration, energy, cannot all be tackled at the national level. Even policy areas that in the past squarely belonged to the national domain, like health policy, now require a coordinated European response, like in response to COVID. In the words of Mario Draghi: “The strategies that had insured our prosperity and security in the past – reliance on the US for security, on China for exports and on Russia for energy – are either insufficient, uncertain or unacceptable. The challenges of climate change and migration only add to the sense of urgency to enhance Europe’s capacity to act.” Following this logic, Draghi advocates the initiation of a political process that leads to a new EU treaty, with the goal of achieving more centralized decision-making in several policy areas, as well as a different form of political representation of EU citizens. Mario Draghi is not alone in thinking along these lines. The notion that the EU should play a greater role in the provision of these basic public goods, and that this requires a centralization of decision-making at the EU level, is widely shared by EU citizens. Already in a 2016 Eurobarometer survey, a vast majority of respondents declared themselves in favor of more European-level decision-making in areas such as defense (80% in favor), promotion of peace and democracy (80%), environment (77%), immigration (71%), and energy policy (69%). So what is holding Europe back? A common concern is that, although aware of the benefits of

e EU back

integration, citizens of various EU member states are still too different from each other in their views of the world and in their policy preferences. To work effectively, EU political integration requires the formation of transnational political coalitions. But this, in turn, presupposes that views do not diverge too much between member states.

Is this concern justified? Are Europeans really so different from each other? To answer this question, in a paper written a few years ago with Alberto Alesina and Francesco Trebbi, we used survey data to compare the views of European citizens belonging to the 15 core EU member states. The questions focused on a variety of broad issues, such as the role of the state in market regulation and redistribution, gender equality, religiosity, trust and tolerance of others, priorities in child education (Alberto Alesina, Guido Tabellini and Francesco Trebbi, *Is Europe an Optimal Political Area?*, Brookings Papers on Economic Activity, Fall 2017). We found that indeed there was a very large heterogeneity among respondents.

Europeans do disagree on these

issues. But to our surprise, we also found that the additional heterogeneity between citizens of different member states is minuscule, relative to the large disagreement within each country. Additional disagreement is of the order of 5-10% of the average distance in the views of respondents belonging to the same country, depending on the issues.

In other words, when we say that Europeans have different views and different policy preferences, we forget that there is a very large heterogeneity of views within each country. And yet, this internal disagreement has not prevented successful conflict resolution through our national democratic institutions.

In that paper, we also compared the heterogeneity of views within and between different EU member states, with that of respondents within and between

IRENE TINAGLI
Bocconi alumna
and president of
the European
Parliament's
Committee on
Economic and
Monetary Affairs



different US states, on the same general issues. We found the EU and the US to be very similar in this respect. In particular, heterogeneity between respondents belonging to different states is the same in the EU and the US.

This analysis had two potentially relevant limitations. First, it did not include the member states of Central and Eastern Europe. Due to their past political regimes, these new members may differ more significantly from the rest of the EU. Second, it focused on very general questions, rather than soliciting views on current policy issues. It could be that, while Europeans have similar views of the world and similar value systems, they still disagree on specific policy issues where national interests are at stake. In a recent policy brief written jointly with Alberto Binetti, we have addressed these limitations, by extending the analysis to the entire EU, and also studying opinions on currently relevant policies, such as privacy regulation, immigration, environmental and market regulation, redistribution and civil rights. The results were essentially the same. Again, he found a large disagreement between respondents, but the additional disagreement between respondents of different countries is small (5-10% greater) relative to the large disagreement that there is within each country. This does not imply that the EU

is ready to become a full-fledged political union, of course. But it clarifies the nature of the obstacles in the path towards political unification. The difficulty is not that Europeans differ too much from each other, and that national interests diverge. Rather, the main obstacle rests with our national identities. Due to our histories, traditions, languages and institutions, we identify with our nations. On the one hand, this amplifies perceived contrasts between nations. Our national stereotypes exaggerate the perceived differences between Italians and Germans, or French and Italians, and make us forget that there is not a single Italian, German or French point of view. On the other hand, strong national identities also make it more difficult to strike compromise and resolve conflicts between nations.

But these difficulties are not insurmountable. Identities are malleable, through education, social interactions, public debates. In fact, survey data also reveal that European identity is already strong, although weaker than our national identities. European institutions matter, too. If collective decisions at the EU level are taken with intergovernmental methods, political debates inevitably strengthen national identities. Nationally elected representatives want to show their voters that they have protected the national interest, and can blame failure on other countries. National delegations and intergovernmental methods, by inducing politicians to bring "trophies" back home and claim victory over their foreign rivals, strengthen nationalist tendencies in public opinion. If instead collective decisions at the EU level are taken by institutions elected by all European citizens, the forming of cross-border coalitions would reinforce common European identities. If the EU heeds the advice of Mario Draghi, and starts to think concretely about how to achieve further political integration, it is important to be aware of what the true difficulties ahead are, and how they can be overcome ■

A Library guide to understanding Europe

For this issue of the magazine devoted entirely to Europe, the Bocconi University Library has put together a comprehensive bibliographical guide on the subject, produced in particular through the resources of the Library's European Documentation Centre (EDC). The EDC was established in 1983 based on an agreement between Bocconi University and the European Commission. The center is part of a network that includes 600 centers across the world. The scientific review of the bibliographic guide was edited by Paola Mariani, associate professor of International and European Law.

A leading MBA for tomorrow's leaders

Ranking 2023

FT FINANCIAL
TIMES



6th
worldwide | **3rd**
in Europe

1-Year Full-Time MBA.
For people who just won't stop.

sdabocconi.it/mba

SDA Bocconi
SCHOOL OF MANAGEMENT

Europe yes, but not too integrated

Among European citizens, support for remaining in the European Union is overall higher today than in previous years. However, support for expansion and further political and economic integration remains rather lukewarm

by Catherine E. De Vries 

In 2023, we celebrate the 30th anniversary of the European single market. Established on the 1st of January 1993, the European single market is a cornerstone of European integration securing the European Union's so-called four freedoms: free movement of goods, capital, services, and people. The single market is clearly one of the EU's greatest achievements. In fact, based on calculations by the European Commission Europe's GDP is almost



CATHERINE E. DE VRIES
Dean for International Affairs,
Full Professor of Political science,
Bocconi University

10% higher because of it. The single market will also be crucial for Europe's future, especially when it comes to securing the digital and green transitions.

That said, the single market is also contested. For example, the Bolkestein directive (officially the Services in the Internal Market Directive) that established a single market for services in 2006 was highly controversial. Critics feared that the directive would lead to social dumping, the process whereby employers rely on cheaper labor from other countries, or moving production to a low-wage member state to keep labor costs down. The functioning of the European single market has also come under pressure due to its potential role in increasing inequality within and between member states. While it is difficult to establish what exactly contributed to growing inequality, the ability of EU institutions to combat it is not completely warranted, especially due to the fact that social policy is not an area in which in the EU has much authority.

The European Commission has focused on proposing steps to complete the single market to improve on its weaknesses in order to increase growth and competitiveness in the EU. A variety of proposals have been discussed, such as the deepening and completing of the capital market and banking union to spur EU-wide investment or accelerating the green and energy transition. What these different proposals have in common is that they would entail steps towards further integration, and require support of member states and their populations. In light of this, it might be important to know where the public stands

An Alliance for the future

CIVICA – The European University of Social Sciences, of which Bocconi is a founding member, unites 10 leading European universities in the social sciences, humanities, business management and public policy. CIVICA was selected in 2019 by the European Commission as one of the pilot European Universities, funded under the Erasmus+ program. The universities together aim to build an ever-stronger combination of education, research & innovation, and civic outreach, offering seamless mobility and contributing innovative solutions to societal challenges. Members are Bocconi, CEU, EUI, Hertie School, IE University, SNSPA, Sciences Po, SGH Warsaw School of Economics, Stockholm School of Economics and LSE.

when it comes to more political and economic integration.

Together with Isabell Hoffmann of the Bertelsmann Foundation, we have conducted public opinion surveys, eupinions.eu, on a representative survey of EU citizens four times a year since 2015. For the sake of brevity, I will rely on two sets of questions. First, we asked about people's support for EU membership, especially if there would be a referendum on your country's EU membership today, would vote for your country to remain or leave. Second, we asked if people would be in favor of more political and economic integration in the future. Let's start with reviewing public support for EU membership.

At the start of our survey period in 2015 with the migration crisis and Brexit in 2016, the EU's trajectory looked very shaky. This was reflected in people's opinion towards the EU. For example, support for EU membership in Italy dipped under the 50 per cent in March 2017. After another dip during the start of the COVID-19 pandemic, Italian support for EU membership by mid-2023 is now quite high at 68 percent. The Italian developments actually reflect EU-wide trends. Support for remaining in the EU is overall

quite high at an average of about 74% across EU member states in June 2023.

Yet, this support does not necessarily imply that the EU public supports further integrative steps. The survey suggests that within the EU-27 support for further integration actually decreased between July 2015 from 58 per cent to 49 per cent in June 2023.

Overall, these findings suggest that while public support for EU membership is strong, enthusiasm for "more Europe" is at best lukewarm. What does this mean for further steps to complete the single market? The political path to achieve these will be far from straightforward, but highly uncertain ■



New EU fiscal rules: old wine in new bottles

Over the last three decades, there have been numerous attempts to reform the Stability and Growth Pact. It remains to be seen whether the new fiscal rules proposed by the European Commission, based on national paths of adjustment, can take us to sustainable public finance

by Daniel Gros @

To understand the fiscal rules of the Maastricht Treaty, one must understand that they were crafted with the recent past in mind. The main concern during the 1970s and 1980s had been high and variable inflation, which was often accompanied by large fiscal deficits. For the policymakers at the time, there was a clear association between lax fiscal policy and inflation.

This can also be seen in the landmark report of the Commission in 1991-92 titled “One Market, One Money”, which provided the intellectual base for the Treaty, setting out the main economic issues, as viewed at the time. A

simple textual analysis of the 200 pages of this document gives a clear indication of the dominant concerns at the time. Inflation is mentioned, 880 times. ‘Deflation’, by contrast, appears only twice (both in annexes). ‘Stability’ is mentioned 290 times, ‘deficit’ 190 times (‘debt’ over 220 times), but the word ‘surplus’ appears only 36 times.

The result of this preoccupation with inflation and



DANIEL GROS
Director of IEP@BU,
Institute for European
Policymaking,
Bocconi University

deficits was that the Maastricht Treaty included two constraints that to this day remain at the core of EU fiscal rules: deficits should not exceed 3% of GDP, and government debt should not exceed 60% of GDP, or at least declining it should decline at a reasonable pace.

These reference values were also part of the convergence criteria that governed the entry into the Economic and Monetary Union (EMU). By 1998 Italy just about satisfied the deficit criterion and the debt level was disregarded essentially because Belgium also had a similar stock of debt.

The Stability and Growth Pact operationalized the meaning of ‘reference values’ for fiscal policy surveillance after the start of EMU in 1999. The Pact specified that member were supposed to aim for a balanced budget over the business cycle. The purpose was to allow countercyclical policies in recessions, when fiscal deficits could increase from zero to a maximum of 3% of GDP. In addition, the Stability Pact introduced an escape clause (“exceptional circumstances”) that allowed larger deficits in case of severe downturns. To ensure compliance with these prescriptions, the Pact created an elaborate ‘Excessive Deficit Procedure’ with a number of stages of escalation, finally leading to fines for Member States with persistent excessive deficits.

The Pact did not survive contact with reality. (Most) Member States did not run balanced budgets during the favorable times of EMU’s first years thus ran into higher deficits when the first downturn came in 2001-2002. In late 2003, the Italian Presidency rallied the three largest Member States to a proposal of the Commission that would have applied the Excessive Deficit Procedure to France and Germany. This episode showed the fundamental problem with the enforcement of fiscal rules in the euro area. Member States

When I hear people talking about distant European bureaucrats in their ivory towers I get very annoyed. Because I see this young generation is so passionate and does so much to promote the European public interest. What does Europe mean today? I can say that the driving force is the same of the origins: overcoming the resurgence of nationalism in Europe and promoting peace and a sense of community -- a common destiny, in some sense. We need to rediscover that sense of the origins. After monetary union, at times we have seen a return to a very intergovernmental way of operating, member states compromising and negotiating. It would be a good thing if we could recover a little bit the community spirit at the roots of the European Union.

ew bottles?

are always very reluctant to impose harsh measures on their peers because they might need their votes for something else in the future.

Subsequent rounds of reforms confirmed this Achilles' heel. In 2005 the Pact was made more 'intelligent' (Commission President Prodi had earlier called it 'stupid') but also became more complicated. This was not the last reform. The 2011 reform even attempted to overcome the enforcement problem with the reverse-majority voting system under which an Excessive Deficit Procedure by the Commission could be overruled by Member States having a 2/3 majority in the ECOFIN Council. However, this transferred the problem only to the Commission which then became more reluctant to propose fines.

During the spell of tranquility in the 2010s after the financial and public debt crises of 2007-2012, Member States made little progress in reducing debt levels with constant frictions with some countries, including Italy, but also Spain (Greece being a special case because under an adjustment program) regarding the implementation of budgetary plans at the limit of the acceptable under the (revised) fiscal rules. Then the limits on debts and deficits were

suspended, as stipulated by EU rules, when the Covid-19 pandemic led to a severe downturn.

The Commission has now proposed new budgetary rules, that require much less adjustment than the old ones. Moreover, the basis for the new rules should be tailor-made paths for fiscal policy negotiated one by one with Member States, hoping that this will create more national ownership, solving the enforcement problem.

It is often said that generals always fight the last war. This applies also to the drafters of the original Stability Pact who did not anticipate that deflation rather than inflation could become the main problem. But, to continue the military analogy, there are some fundamental factors at play in all wars. The enduring lesson of history that was distilled in the Maastricht Treaty is that low public debt makes financial crisis much less probable and helps governments deal with all sorts of crises. The challenge for this round of discussions on new EU governance rules is put this lesson into practice ■

ANDREA ENRIA
Chair of the ECB's
supervisory board,
Bocconi Alumnus
of the Year 2019





Values need to be reconquered at every level

History shows how the foundational principle the Union is predicated should not be taken for granted, but need to be reaffirmed periodically. If cohesion around values falters, the law is at a disadvantage to defend them

by Marta Cartabia @

For a long time, the values on which the European Union is founded were taken for granted and considered little more than obvious points which could be recalled with some rhetorical emphasis in the occasional speech. Words such as solidarity, non-discrimination, democracy, rule of law have been repeated in official speeches as dutiful but spent tributes to the memory of the origins of the European Union, more or less convincingly. In recent years, history has confronted us with the fact that the great ideals on which the European edifice was built are exposed to turbulence and the risk of erosion. Even in the Old Continent, home of political and legal tradition, democracies can degenerate into autocracies; the independence



MARTA CARTABIA
Full Professor of
Constitutional Law,
Bocconi University,
President Emeritus
of the Italian
Constitutional Court

of courts and the guarantee of rights - cornerstones of the rule of law - can be threatened by political regimes intolerant of the limitations of power; the safeguards of freedom of thought can be overwhelmed by new forms of propaganda that use of the power of digital communication; peace can give way to war; solidarity can falter under the pressure of migration flows. It is in the face of these scenarios that a new awareness of the importance of European values is developing. It has been found that when those values are lost sight of, social life is very concretely affected, mutual trust between states is eroded and the vitality of the Union itself loses strength. The founding values proclaimed in the Treaties, which have often been superficially dismissed as abstract rhetorical formulas, show all their relevance in the concrete lives of people when they fall into crisis. For this reason, the changes negatively affecting the state of health of democracies raise great concerns and push EU institutions to search for new tools capable of preventing and counteracting the decline of foundational values. The European Courts have repeatedly intervened to give legal censure to states - especially Poland and Hungary - that do not respect the values set out in EU Treaties, starting from the principle of the independence of the judiciary. Monitoring the respect for the rule of law has become a priority of the Commission, as President Ursula von der Leyen observed in her State of the Union speech of 13 September. Since 2021, a new European regulation has introduced a general regime of conditionality which subjects the disbursement of EU funds to compliance by individual states with the principles of the rule of law and other fundamental values. On the other hand, in the wake of the 1993 Copenhagen criteria, developed in view of the major enlargement of 2004, the candidacy of the new member states, including Ukraine, is subject to the completion of institutional reforms aimed at ensuring effective compliance with democratic principles, the independence of judges and other values of the Union. These developments suggest a twofold set of considerations. The first is that history,

including European history, is never a linear progress towards the achievement of the great democratic ideals in the name of which the path of

“ The contribution of an auditor of the European Court of Auditors is to offer an external point of view to the other institutions and EU Member States. Being able to see every nuance of the big picture is important as the Court of Auditors is tasked with carrying out audits across Europe, providing recommendations inspired by – among others – national examples of delivering a European project. In the past I was responsible for intermodal transport while today I follow the issues related to road safety.

(This text reflects the personal opinions of the interviewee, and not those of the European Court of Auditors.) **“**

every generation

the unification of the European peoples was set out. In the political and social spheres, progress never proceeds by progressive accumulation on the basis of past acquisitions. Every generation must face a new beginning. Certainly, newer generations can build on the experience of those who preceded them and can tap into the wealth of knowledge of all humanity. But they can also reject or ignore such ideals. The construction of the supporting structures of civil coexistence is never a task concluded once and for all, but is a reconquest that need to be made by each generation. The second concerns the role of the legal and institutional tools put in place to protect fundamental values. To guarantee their durability over time, it is not enough to have clearly engraved in the texts of Treaties that the European Union is founded on human dignity, freedom, democracy, equality, the rule of law and respect for human rights (art. 2 of the Treaty on European Union). Having enshrined these values in Treaties is an important fact, as is the action of the Courts and other institutions that operate on the basis of increasingly adequate EU regulations. But all this is not enough. When the problem does not arise from individual and specific violations, but from the widespread degradation

of the cultural and political climate, even the law has its power blunted. It is no coincidence that the art. 2 of the Treaty, after having listed the fundamental values, continues by stating that they can only be realized within a society that lives us to values of pluralism, non-discrimination, tolerance, justice and solidarity. The founding values were born from the shared experience and the lived history of European peoples. For their full potential to continue to be expressed, they must continue to live in the lives of European people. The true protagonist of European values is society: legal structures draw their lifeblood from roots that sink into the depths of a shared cultural fabric. The renewal of the cultural fabric in the name of the fundamental values of our origins, is therefore a priority for the Europe of tomorrow. We are all called to do this work, starting from those who come into daily contact with younger generations in schools and universities ■

GUIDO FARÀ
Auditor at the
European Court of
Auditors
Bocconi Alumnus





Europe has a coherence problem

On the one hand we see the EU struggling to enforce its principles internally and on the other we see it wavering in its commitments externally, sometimes sacrificing the protection of fundamental rights to achieve other objectives, as is the case with the management of migratory flows

by Eleanor Spaventa @

The treaty of Maastricht was a watershed moment for the European integration project - it marked the evolution from market integration to a much broader enterprise (and not completely defined neither then nor now). New areas, and most notably police and judicial co-operation and common foreign and security policy, were attracted within the umbrella of EU action, areas which like monetary policy, which had been traditionally seen as the preserve of state sovereignty. And, it is the

Treaty of Maastricht that establishes European Union citizenship, a supranational citizenship the contours of which we still struggle to understand given the concept of citizenship is deeply rooted in the notion of the nation-state (at least post-19th century,) to describe a special



ELEANOR SPAVENTA
Full Professor
of European Union Law,
member of Steering
Committee of Blest,
Bocconi lab of european
studies,
Bocconi University

“transnational” status. But Maastricht also acknowledged, for the first time, the existence of what will later be defined as the foundational values of the EU: the democratic nature of its Member States, this reference being introduced with enlargement in mind; and, its own commitment to fundamental rights, as guaranteed by the European Convention on human rights, the common constitutional traditions of the Member States and the general principles of European law.

The EU’s commitment to the protection of fundamental rights becomes also part of a self-congratulatory narrative: the EU not only goes beyond its economic origins and ventures into new areas, even asserting a potential role as a geopolitical power, but also becomes a Union founded on higher ethical values - democracy and fundamental rights to which, at a later stage, a longer list of values will be added - some foundational, such as the rule of law, some aspirational, such as pluralism and tolerance. Yet, as the EU grows into a more complex and also more “political” community, its commitment to fundamental rights and even to the rule of law is not always entirely consistent: on the one hand we see the EU struggling to enforce these principles internally and on the other hand we see it wavering in its own commitments externally. Internally, and as it is well known, a combination of political and legal constraints has produced an utter inability to deal effectively with the rule of law crises in Poland and

Promoting research and informed debate in European studies

Bocconi Lab in European Studies seeks to foster cross-disciplinary research and promote informed debate in European Studies so as to reach a more comprehensive understanding of the challenges faced by the European Union in years to come. The Lab was funded by a donation from the Invernizzi Foundation. Its activities centre around 6 research streams (future of Europe; Europe and the world; economic and monetary integration; digital and sustainable Europe; transparency and accountability in Europe; financial and banking integration) and its expertise is drawn from the Bocconi Community at large.

Hungary. But beside the objective difficulties in enforcing values within the EU, difficulties which as mentioned also derive from an ill-conceived Treaty mechanism which requires unanimity to impose sanctions, we increasingly see EU political institutions sacrificing the protection of fundamental rights to achieve other goals. This is true first and foremost in the field of migration “management”, where the EU’s record in relation to its fundamental rights protection is patchy to say the least. It is sufficient to recall the involvement of Frontex (the EU’s Agency for border management) in the cover up of, and participation in, pushbacks, i.e. asylum seekers being pushed away from EU territorial waters, often in dangerous ways and towards unsafe jurisdictions, a practice that is not compatible with the EU Charter of Fundamental Rights and with international law. Or the deals, directly or indirectly (i.e. through its Member States), made with third countries to “securitize” the EU’s external border: from returning failed asylum claimants, often in camps where the conditions of detention are far from being safe; to “training” third countries’ border guards to ensure that asylum seekers do not reach EU territorial waters, even when those countries are not considered safe countries (e.g. Libya). Furthermore, we see the EU consistently using its economic might to achieve non-economic aims, again in the field of migration –

we have seen this with Morocco, and we are seeing this now with Tunisia. On top of this, the post-Maastricht architecture even after the changes brought about by the Lisbon Treaty, almost entirely shelters the Common Foreign and Security Policy from judicial oversight – threatening our commitment to fundamental rights protection given that a right which cannot be enforced is, by definition, ineffective. Of course, this is not to say that all is bad – after all, the EU’s response to refugees from Ukraine has been outstanding demonstrating that unplanned migratory influxes can be successfully absorbed when there is the political will to do so. And in some fields, such as data protection, the EU has become international standard-setter. Rather, this is to say that if the EU’s ambition is to be a Union founded on common values, it has to do better to ensure that those values are respected by its own institutions ■





Keeping immigrants out does not p

The risk of promoting the European way of life is excluding those who are outside and want to be part of it, as already underscored by Hannah Arendt in the 1950s, when she warned that such vision could slide towards totalitarianism

by Giunia Valeria Gatta @

Many citizens, scholars, and politicians have long lamented the democratic deficit within the European Union, so mentioning a new push for European democracy among the six priorities of the Commission is certainly politically important. In fact, one may wonder why democracy is listed as the last priority, at the risk of solidifying the lore about Europe as primarily an economic and cultural entity, rather than a political one. Equally important is the call for transparency and integrity of the



GIUNIA VALERIA GATTA
Adjunct Professor
of Political philosophy,
Bocconi University

legislative process and of a greater engagement of European citizens. But I want to focus on the small clause “protecting EU democracy from external interference.” It is likely that the clause was prompted by the strong suspicions about Russian involvement in the elections of the United States and other European countries, and we have seen after the formulation of these priorities the extent to which indeed foreign powers allegedly bribed EU bureaucrats and representatives in order to obtain favorable treatment. My concern is that the clause may be used, in unfortunate connection with the other priority of “promoting our European way of life,” as a way to exclude immigrants who may be perceived as posing a threat to European democratic institutions. Viktor Orbán raised the issue in 2015 with the unfolding of the Syrian exodus towards Europe to justify his building of a steel fence at the border of Hungary with Serbia and Croatia, talking about the threat they supposedly posed to Europe’s Christian and democratic way of life. Orbán is notoriously considered the promoter of an illiberal form of democracy, one which invokes the will of the people’s majority as paramount to trump the rights of minorities and human rights in general. With his pronouncements about the threat of immigrants to (his understanding of) democracy, he implicitly challenges Europe and Europeans to articulate the kind of democracy they want to push for: either one that is tied to fundamental rights, or one that relies on views of democracy grounded on ethnic homogeneity and therefore on exclusion.

In the early 1950s Hannah Arendt foresaw what is at stake in this choice. In a famous chapter of *The Origins of Totalitarianism* she discussed the

“ The European Investment Bank funds the projects of European Union companies thus promoting EU policies. But my job is also to contribute to identifying any market issues that have not yet been presented to the EIB. The objective of this research, which I carry out within the consulting and technical assistance services, is to keep the Bank constantly updated on the changes taking place in the market. There is an increasing focus, for example, on ecological and digital transitions, but there are also the emerging areas of quantum computing and the bio-economy that need to be monitored today ”

Protect democracy

massive migration flows triggered by the redrawing of boundaries in Eastern Europe after the treaty of Versailles and the Russian revolution. She shows how putting ethnic homogeneity as a condition for the cohesion of states had the effect of severely infringing on the rights of non-homogeneous minorities. This allowed the emerging totalitarian governments to find in the situation proof that no inalienable human rights actually existed, and that self-proclaimed democracies affirming the contrary were simply being hypocritical. But that is not all. Arendt also noted that exclusion from integration and citizenship, besides creating incentives for the excluded to break the law, also jeopardizes democratic institutions and the rights of well-established citizens: the more the excluded, the larger the domain of people falling outside the rule of law, the greater the emancipation of police forces from law and government, and the greater the danger of a gradual transition to a police state.

Today, too,

these outsiders pushing at the borders seem to put the lie to Europe's proclamations about allegiance to democracy and human rights. Unlike the threat coming from powerful governments seeking to tamper with elections or policies in the European Union and its member states, however, these outsiders appear to be much less a threat than an opportunity for Europe. We teach our students that the modern state is based on the freedom to sign a social contract, so we may ask ourselves why we think it is right to prohibit outsiders from signing that contract. And if we do not think it is right, but just expedient, we might want to follow Arendt's advice and think of the democratic costs of exclusion in the long run ■



EDOARDO CARLOTTI
Advisor, European
Investment Bank,
Bocconi Alumnus



Unequal Europe

In the early modern period, the 'Little Divergence' shifted Europe's economic from South to North. Reducing the North-South divide was a priority objective of the process of European integration, while today the focus is on reducing the gap between Western and Eastern Europe. These efforts have achieved substantial results, but there are problems that remain unheeded

by Guido Alfani @

The inequalities between regions and macro-regions which are, today, one of the main obstacles to the process of European integration have always been a feature of the Continent. The historical character of inequality explains its persistence. Viewed from a long-term historical perspective, it is easy to spot a crucial moment of historical discontinuity: the displacement of the center of the European economy from south to north in the Renaissance. During Antiquity, the expansion of the Roman Empire had created an integrated economic system which included most of Europe and the whole of the Mediterranean, with Italy at its center. This situation persisted across the Middle Ages, with the flourishing of the communes and then the emergence of city-states able to dominate trade,



GUIDO ALFANI
Full Professor
of Economic history,
Bocconi University

finance and the production of luxury goods. The situation began to change during the early modern period, with the progressive displacement of the center of the European economy from south to north, beginning with the Low Countries.

The historical process which led the center of the European economy to shift northwards is known as the "Little Divergence", to distinguish it from the "Great Divergence", which refers to the rise of Western Europe compared to the great economies of Asia. The Little Divergence led to the emergence of the Low Countries, and from the seventeenth century especially of the Northern Low Countries (today's Netherlands), as the economic heart of the European continent. England would take over this role during the Industrial Revolution.

The Little Divergence, which is a phenomenon having complex and somewhat debated causes, is basically at the origin of the economic (and not only economic) hierarchies that characterize Europe today. The existence of a more-developed area capable of influencing commerce and production beyond its boundaries tends to create a distinction between a center and various peripheries, with unavoidable consequences in terms of power equilibrium and balance of political influence. This is one reason why, in that kind of pactum unionis which gave origin to the process of European integration, the reduction of inequality at first within the EEC, and then within the EU, has always been a priority objective. In an early phase much effort was put into overcoming the

“ We have a duty to ask ourselves whether the current European treaties are sufficient to meet the challenges ahead. And if we need to reform them, we need to consider further enlargements. We need to strengthen the European Union, which is still too small compared to its global competitors, and we need to learn from the recent history of enlargement and exit, since for the first time a member state, the United Kingdom, has left the Union. It is time to reflect without taboos and to put on the table the objectives that we, as the European Union, want to achieve in 20 years' time, recapturing the forward-looking vision of the founding fathers. **”**

North-South divide but in the new millennium, with the expansion of the Union, the priority has become reducing the West-East divide, which also has ancient origins. In the meantime southern Europe had substantially reduced the gap with northern Europe. This was one of the main successes of European integration, which we now see being replicated in the fast economic development of eastern European countries.

The undeniable achievements of Europe in reducing inequality between member states should not hide the problems that remain unsolved. First, reducing inequalities is not the same as eradicating them, and progress becomes harder as the relative positions get closer. The very existence of economic (and political) hierarchies has a different meaning if consider from the center (which benefits from it) or from the periphery (which suffers it). The perspective of losing a situation of relative privilege can easily generate insecurity across whole societies and can lead, at a national level, to the success of political platforms characterized by the lessening of solidarity towards other countries.

Secondly, the EU has been much more successful in fostering the reduction of inequalities between countries than within them. Italy, with its strong (and growing) North-South divide, is a textbook case but also other countries, France or Spain for example, suffer from substantial and

enrooted cross-regional inequality. Outside the Union there is the exemplary case of England, where according to many the popular vote in favor of Brexit was the direct result of a strong divergence between London and the South-East on one side, and the rest of the country on the other side. In England, the strong territorial concentration of economic progress was seen by many as the consequence of belonging to the European Union. This was erroneous reasoning, also from a historical point of view (the progressive concentration of English wealth in the South-East of the country was already underway in the late Middle Ages), but potentially believable for many voters. The case of England should act as a warning: without combating inequality and solidarity, the process of European integration risks being shipwrecked ■

ARIANNA VANNINI
Chief Economist-
Strategic Foresight,
DG International
Partnership,
European
Commission
Bocconi Alumna





The courage to call an empire by its name

Today Russia and China display a contemporary version of imperial behavior. Europe must decide the place it wants to have in this new geopolitical vision in order to continue to survive as a liberal construction

by Andrea Colli @

Russia's "military special operation" seriously questions the identity of the European Union. So far, the reaction has been commendable; realism however is asking for something else. The end of the Cold War saw the emergence of a hegemon, the US, in a world order characterized by a consensus around liberal values, shared by two powerful allies, the EU and Japan. Then, globalization itself turned the "unipolar moment" on its head. In 1999, after two decades of reforms, the Chinese GDP per capita was nearly \$900 dollars (at 2021 constant prices), while in 2013 was well over \$7,000.



ANDREA COLLI
Full Professor
of Economic history,
Bocconi University

Globalization made Russia an indispensable energy provider (particularly for Europe). Granting huge political consensus to its leadership, Russian per capita GDP rose from \$1330 dollars to nearly \$16,000 in the same time span.

Convergence had three relevant effects. First, revisionist powers, unhappy with the Western-centered world order, became stronger and more assertive. Secondly, because of this a new kind of ideological clash emerged: in the words of Mr. Putin, "liberalism has outlived its purposes". Thirdly, geopolitics is back. Both Russia and China share an "imperial size", comparable to that of the US. China controls strategic technologies, while Russia enjoys a vast endowment of strategic natural resources. While remaining inferior with respect to the US in terms of military spending, both countries are nuclear powers. Size apart, they ostensibly exhibit a contemporary version of "imperial behavior", both in cultural terms and through their revisionist nationalistic stances, including aggressive behavior at their external borders.

What is Europe's role in the new "Great Game"?

This depends a lot from the EU itself.

Understandably, Europeans have several issues with the concept of empire itself - after all, in 1957 all the founding members of the Union still were motherlands of empires (France in Western Africa, Belgium/Luxembourg in Congo), held colonial possessions (the Netherlands in Western New Guinea) or had just lost their imperial territories (Italy and (West) Germany) as a consequence of their defeat in World War II. After a painful decolonization process, no surprise that empire and imperial pretensions were erased from the vocabulary of Europeans. Ukrainian Foreign Minister Dmytro Kuleba, interviewed by the New York Times in June 2022, put a new spin on the concept of "empire". According to

Supporting the economic, digital and ecological transformation of European companies while preserving competitiveness and social cohesion

within the EU: these are the main objectives of the EIB, the European Investment Bank. Through its research, the Economics Department supports the Bank's operations and contributes to its strategy by analyzing the impact of its policies. The biggest challenge? Understanding what investment constraints exist and how to overcome them to foster growth. And the case of Italy? I would say positive. Italy has historically been the largest beneficiary of EIB resources

him, the EU may be seen as “the first ever attempt to build a liberal empire”, that is a supranational institution based on liberal and democratic principles endowed with powers superior to those of its single units. “I understand that people do not like the word empire, but this is how history is written... You have to show that different things of a similar scale [emphasis added] can be built on different principles: those of liberalism, democracy, respect for human rights, and not on the principle of imposition of the will of one on the rest.”

To survive as a liberal construct in a world of empires, the EU must recognize that “size” matters. Size includes relevant attributes of power, such as population (which means, of course, human capital quality), control over strategic technologies and resources, offensive and defensive capabilities and, last but not least, cultural influence and soft power. None of the single member states has enough of these elements. But size is nothing without a clear identity; and identity calls for historical consciousness.

First of all, Europeans must start considering “empires” not as political relics of the past. As all things in the continuous flow of history, they can come back under certain conditions.

Imperial history must therefore be studied, as a useful comparator for the present.

Second, Europeans must understand that the present geopolitical revolution calls for a deep rethinking not

simply of the governance of the Union. An economic community is a very good solution in periods of international liberalism, cooperation, and expanding global integration. The present is different.

Europeans must recognize the necessity of a political entity powerful enough to defend what is even more important than economic growth, which is liberal democracy.

Finally, the EU must come to terms with its imperial legacy. The opportunity lies in this paradox: post-imperial colonial powers can now forge a solid political entity of the size of an “empire” which is no longer based on asymmetric exploitation of the periphery by the metropole, but on a liberal, respectful and mutually advantageous relationship among its multiple identities ■



Stronger banks, but bank runs are still a threat

Basel III and the Single Supervisory Mechanism have strengthened the European banking system over the years. The recent series of failures of lending institutions such as Silicon Valley Bank, however, remind us that we must not let our guard down, especially in times of tightening monetary policy

by Elena Carletti @

The European banking sector has weathered various shocks in the last years, showing significant resilience. Faced with the Covid-19 pandemic, the Russian invasion of Ukraine and the sudden inflation surge, European banks have continued supporting the real economy while at the same time strengthening their capital and liquidity levels, as shown also by the results of the latest stress tests. Such resilience results, at least partly, from the wide regulatory package implemented in the aftermath of the global financial crisis together with the stricter supervision enforced through the creation of the Single Supervisory Mechanism. The regulatory efforts contained in the so-called Basel III reforms have concentrated on strengthening bank capital levels



ELENA CARLETTI
Full Professor of Finance,
Dean for Research,
Bocconi University

through, for example, a reduction of non-performing loans or the introduction of new prudential buffers. The last year has, however, marked a structural break in the macroeconomic environment and banking landscape. For the first time after decades of low interest rates, banks are confronted with tightening monetary policy and a consequent sudden rapid increase of interest rates. While higher rates have contributed to improve bank profitability via higher net interest margins, they have also raised concerns in relation to the management of interest rate risk and bank liquidity positions. The failure of Silicon Valley Bank and other mid-sized banks in spring 2023 has reminded us of the importance of properly managing the maturity mismatch between long-term assets and demandable liabilities. The massive and fast outflow of deposits has shown the potential abrupt effects of bank runs in a modern world of digital banking and has raised the attention on the appropriateness of the liquidity regulation introduced with the Basel III rules. The accounting and regulatory treatment of the security investments in the banking book has raised the attention to how banks manage and hedge interest rate risk within their asset liability management, and on the appropriateness of the current Pillar 2 treatment of such risk. The last stress tests conducted by the European Banking Authority and the European Central Bank have however shown that the issue of potential “unrealized losses” in the banking

The age of non-peace

We thought that connecting the world would lead to lasting peace. Instead, peace is moving away from us. In the three decades since the end of the Cold War, world leaders have worked to bring about a connected world: they have integrated the economy, transportation and communications on a planetary level, breaking down borders in the hope of making war impossible. In *L'era della non pace* (BUP, 2023, pp.240, €29.50, in Italian) Mark Leonard, a leading authority on international relations, illustrates the ways in which globalization has broken its fundamental promise of making our world safer and more prosperous, seeking to understand how to wrest a more hopeful future for this age of non-peace.

still a possibility

book is less worrisome in Europe than in the US, despite deserving close monitoring going forward. The initial disruptions in the funding costs of European banks following the failure of Credit Suisse have been reabsorbed and market conditions are almost the same as in the pre-crisis period.

The new monetary environment is also creating a new structural trend in bank deposits. Both US and European banks have experienced a reduction in their total deposit volumes in the last year, although with an apparent stabilization in the second quarter of 2023. At the same time, the pricing of deposits is changing rapidly, with substantial heterogeneity across banks and countries depending on the structure of the banking sector, the type of clients and deposits and the alternative assets available (e.g. government bonds).

Corporate clients are either using their cash deposited at banks in an attempt to avoid taking new loans at higher costs or are demanding higher remuneration on the deposits left in current accounts. In some countries, retail clients are switching to term

deposits paying higher rates (e.g. in Germany and Austria) or investing the cash in their deposits in alternative assets such as short-term government bonds (e.g. Belgium). A few countries (e.g. Spain, Portugal, Italy and Ireland) are currently outliers in that deposits seem to be rather sticky in terms of pricing. Yet, even in those countries, a few banks are starting to "break" the equilibrium and offer higher rates in an attempt to attract new clients.

The future development of deposit funding deserves close attention. Deposits are the most important source of financing for banks and it is by far still the cheapest. Higher deposit rates entail lower returns but leave liquidity available in the bank. Lower deposit volumes shrink the possibility for banks to continue lending and thus have broader implications for banks' ability to support the economy going forward ■

MARK LEONARD,
L'era della
non pace,
Bocconi
University Press



Escape is hard, once you fall into the trap

Europe risks falling to the ultra-low fertility rates of some East Asian countries, yet the problem of demographic decline no longer seems to be at the center of the EU's policy agenda

by Arnstein Aassve @

The European Union has achieved remarkable successes since its inception. It has fostered peace and stability, established a thriving single market, and made substantial economic progress. Alongside these achievements, the EU has enhanced consumer protection, implemented stringent environmental standards, and made significant strides in upholding human rights, democracy, and the rule of law.

These results were achieved despite a number of obstacles, such as the financial crisis of 2008, the debt crisis of 2010, the



ARNSTEIN AASSVE
Full Professor
of Demography,
Bocconi University

migration crisis of 2015, Brexit and after 2020, the Pandemic, along with the emergence of a new crisis involving war and inflation.

As we assess the state of the EU today, it is evident that challenges persist, with the climate crisis looming large. Yet, lurking behind the scenes is another pressing issue: the demographic decline of EU member states. Currently, Italy's Total Fertility Rate (TFR) stands at a mere 1.25. To put this in perspective, the replacement rate necessary to maintain a stable population is 2.1 children per woman. With the TFR which has been persistently low for decades, we are now witnessing a demographic trap characterized by shrinking generations of potential parents and a consequent decline in the number of children born. Regrettably, this issue is not unique to Italy; declining fertility rates are now becoming evident in Nordic countries as well.

One might wonder if it's the responsibility of policymakers to address low fertility rates. Tellingly, the issue of low fertility is no longer a central focus on the EU policy agenda. This shift can be attributed partly to a reluctance to engage with what most people consider a personal choice and partly to the fact that previous policy efforts to boost fertility have had a poor track record.

While low fertility rates may have faded somewhat from the EU policy agenda, influential figures such as Elon Musk and Pope Francis advocate significant changes in procreation. However, even by taking strong positions on childbearing (notably, Elon Musk is the father of 11 children), there isn't a realistic expectation for the EU to return to the replacement rate in the foreseeable future. The EU seems destined for population decline and its member states must prepare for this new reality. In fact, the primary policy challenge at hand is to prevent a steeper

 My tasks in the International Relations Unit of the Directorate General for Energy at the European Commission include participating in the organization of international political dialogues promoting energy cooperation.

My work requires strong internal collaboration, sometimes with other Directorates General. This is true especially in view of meetings with countries that are, depending on the topic at hand, not part of the European Union or from different market situations.

Here I have the chance to see European political dynamics up close and understand how to build a career at a European institution.



e demographic trap

decline in fertility, akin to what many East Asian countries, such as South Korea with its concerning 0.78 fertility rate, are experiencing. As the EU grapples with the challenges stemming from its aging population, a further decline in fertility will only exacerbate these issues.

So what is behind the fertility decline? Becoming a parent today is increasingly associated with success and privilege in other aspects of life. While historically lower socioeconomic classes tended to have more children than those with a higher status, this trend has weakened or even reversed in many parts of the EU. For example, in the Nordic countries, childlessness has grown most rapidly among individuals with lower educational levels. This suggests that the concern should not be that those with fewer resources have "too many children," but rather that childbearing becomes socially polarized, and individuals with fewer economic and social resources feel compelled to opt out of parenthood altogether. Regrettably, there isn't a simple and swift fix for the demographic challenges facing the EU. It seems that

decreasing birthrates in Europe stem from more than just family policy; it's a broader problem related to family formation. Recent studies indicate that people's desire to have children is influenced by their level of social trust and personal resilience, while feelings of uncertainty, political polarization, and social exclusion lowering such propensity. Still, provision of affordable and high-quality early childhood education to all families has a significant correlation with higher fertility. Moreover, investing in early childhood education is beneficial in the long run, as it enhances the well-being and development of human capital in future generations. Universal, high-quality early childhood education also helps mothers maintain their presence in the workforce while ensuring the well-being of their children. On this issue, the EU nation states still have some way to go ■

FRANCESCO BILLI
Bocconi student,
internship at DG
Energy, European
Commission



The Old Continent is getting older

The labor market will be increasingly affected by an aging population, barring offsets from additional migration and increases in the female labor force and retirement age. And the more elderly people there are, the more their political weight in welfare choices increases

by Vincenzo Galasso @

Europe - the Old Continent - is becoming the continent of the elderly. On 1 January 2022, the EU population was estimated at 446.7 million. Only 15% of the population was younger than 15 years old. 15.1% was between 65 and 79 years old and 6.1% older than 80. In 2060, the share of young individuals (younger than 15) is forecasted to shrink to 13.6%, while the elderly (65-79 years old) will rise to 17.8% of the population and the



VINCENZO GALASSO
Full Professor of
Economics,
Director of Department
of Social and Political
Sciences,
Bocconi University

very elderly (80+) will double to 12.5%. Of course, these average numbers hide large cross-country variations. In Germany, Greece and Italy, the share of very elderly is already above 7.2% and will grow fast.

The social and economic effects of population aging have been and will continue to be extremely evident in Europe. The European labor market will largely be affected. The share of the population of working age is expected to decline and elderly people will account for an increasing share of the total population. Unless additional migration, higher women labor force and increased retirement age compensate these demographic effects, workers in the EU will be older and fewer. Welfare systems will be affected too. Pension systems, which are predominantly PAYG in the EU, rely on contributions paid by the current workers to finance benefits to the currently retired. Public healthcare in the EU mostly use general revenues to finance healthcare services that are largely targeted to the elderly. The expected increases in the dependency ratio - the ratio of the share of the elderly (65+) to the share of the working age population (18-64) - risk jeopardizing the financial sustainability of public pension and healthcare systems. In 2007, there was only one elderly person - whose pension and healthcare expenditure needed to be financed by workers - for every four individuals of working age. In 2022, there is one elderly person for every three working age individuals. But already in 2045, there will be only two individuals in working age to financially support each elderly person. Less attention has instead been devoted to the political effects of the aging process. National and European political institutions play a crucial role in deciding economic, social and environmental

Checking on the ground how EU funds are being spent in partner countries including Togo, Rwanda and Fiji is just one part of my job. Ensuring that each project is following and fulfilling its various predetermined steps means to not only check the correctness and compliance with all rules, but also talking directly to the people involved. Understanding, for example, if the computers arrived or why they have not been used.

This is one of my tasks in the whole complex process of transaction testing. What all our audit efforts have in common is to ensure that the EU makes the best use of its finances and looks after the interests of EU taxpayers.

polices. Citizens of different ages may have different preferences regarding these policies. The political institutions are called upon to aggregate these different instances, by putting together the pieces of the puzzle to design EU and national policies. Yet, population aging unsettles this political process. Demographic dynamics may modify individual views on policies with strong intergenerational elements, such as welfare states and the environment. Certainly, aging puts under stress the economic sustainability of welfare systems. But most of all, aging modifies the population pyramid and hence the age structure of the electorate. In 2007, the median age in the EU population - thus also including young individuals, not yet of voting age - was 42 years. In 2022, 44.5 years. This increase clarifies how the electoral incentives faced by national and EU politicians are affected by aging. With an older electorate, politicians find it convenient to pander to elderly voters. These voters are very sensitive to issues related to pensions and healthcare, which tend to be respectively their main source of income and their most used service. Hence, while aging creates economic distress to the major welfare programs, the same demographic trend increases the political power of those individuals, who represent the main supporters of these

programs. The political demography of aging may thus induce more resources to be moved to elderly individuals and less to the (fewer) young. How can the young be rescued from the political effects of aging? This is difficult to do at the national level, where electoral incentives are strictly binding. Perhaps the EU could continue the endeavor started with Next Generation EU and propose an intergenerational equity rule to protect the young from the political power of the elderly. Every euro spent on transfers or policies clearly targeted to the elderly, such as pensions or early retirement policies, should be matched by a euro spent on the younger cohorts - for example, on education or family benefits. EU constitutional rules may be needed to save the young from the side effects of the aging process ■

ANGELA ORTIZ
MUNOZ Audit
Assistant Analyst
of the Lithuanian
Cabinet at the
European Court
of Auditors
Bocconi Alumna





We have been more guardians than

In these thirty years of the World Wide Web, Europe has focused above all on the protection of users, but has somewhat lost the race to create big tech companies like the American and Chinese corporations that dominate the digital market

by Gianmario Verona @

Exactly thirty years ago the internet protocol became open and transformed itself into the World Wide Web, thus officially inaugurating the fourth industrial revolution. The strings of 0 and 1 bits started being propagated themselves across the world, transforming the “isolated” knowledge of computers and computing machines into the “information ocean” we navigate today on a daily basis.

Not that telecommunications had not intersected



GIANMARIO VERONA
Full Professor
of Technology and
innovation strategy,
Bocconi University

with digital before 1993. The first experiments date back to 1969 – the message sent over the ARPANET by Professor Kleinrock from UCLA to the Stanford Research Institute of computer science. But for several decades the network remained basically closed and inaccessible, mostly aimed at projects linked to the world of defense and security.

It took the HTTP protocol created by Tim Berners-Lee at CERN in 1991 to create a standard that could be easily used by computer users around the world. And CERN’s subsequent wise decision to let the network go public in 1993 enabled communication between machines in all parts of the globe.

Since then the world has changed. Big tech are now the companies that govern the economy and Cold War 2.0 is no longer fought around nuclear threats between the USA and the USSR, but with threats backed by data and artificial intelligence in the competition between the USA and China. What has Europe done in these thirty years, after helping create the Net? Let’s start by noting that it has unfortunately lost the R&D race to create big tech companies that can match the American FAANGM (Facebook/META, Apple, Amazon, Netflix, Google, Microsoft) and the Chinese BAT (Baidu, Alibaba, Tencent). It has also clearly lost the chip production race, today led globally by TSPM (Taiwan Semiconductor Manufacturing Company), with its €1.6 trillion in turnover. And it has failed to replicate innovation clusters like Silicon Valley or come up with projects like China’s “Greater Bay Area” that connects Hong Kong and Macau with nine big cities in the Guangdong province – including the megacities of Shenzhen and Guangzhou. Clusters capable of churning out digital startups that turn into

Was Jean Monnet right?

Rebuilding better after pandemic and war will require bold policy decisions based on sound analysis, secure institutional competence and the esprit de finesse that are always needed in the EU coordination game. This is one of the conclusions of Marco Buti, one of the very few European and international policymakers to have traversed in his institutional role the three crises that have hit Europe in the past fifteen years: the financial and sovereign debt crisis, the pandemic crisis, and the crisis caused by Russia’s war of aggression (*Jean Monnet aveva ragione?*, BUP, 2023, pp. 288, €34.90, in Italian).

innovators

unicorns and contribute to GDP and employment, creating the new jobs of the digital world.

Perhaps, however, precisely because it continues to represent an immensely important market from a demand point of view, Europe has paid attention to Internet users. Both by continuing to innovate in the network infrastructure - in Europe the high quality and low cost of data reception is envied in other parts of the world - and by devoting considerable attention to the regulation of the fourth industrial revolution. Starting from the e-Commerce Act of 2000, recently updated by the Digital Service and Market Act, the EU has aimed to regulate the work of the actors involved in the production of digital services, from retail to news. Consider the influential GDPR Act of May 2016 which has become a global standard to protect users from the perils of data appropriation, as the Cambridge Analytica scandal has shown us. Up until the most recent AI Act which is being finalized by the EU after initial proposals

from the European Council and the European Commission. There are many expectations on the latter in light of the intrusiveness into data privacy that ChatGPT's generative AI and its equivalents are proving to have. It is good that Europe stands up to defend users in this evolutionary leap of the Internet. Even nicer would be to see that there is equal attention dedicated to fostering startups in the fields of artificial intelligence and quantum computing which represent the growth foundations of the next industrial revolution. We are only at the starting blocks of the latter and, thanks to the robust academic base in computational computing that we have in Europe, we should at least be able to participate in the new R&D race that has opened ■

MARCO BUTI,
Jean Monnet
aveva ragione?,
Bocconi
University Press





Europe must expand and deepen,

On the one hand, it will have to be able to finance the huge amount of investment to remain at the forefront; on the other hand, it will have to think about enlargement into the Mediterranean and toward the Caucasus ridge, perhaps thinking about a system based on a Confederation of States

by Carlo Altomonte @

Step by step, in the decade immediately following the end of the Cold War, the European Union was able to reshape itself in a way apt to restore peace and stability on the Continent, as well as gaining competitive traction in the emerging new global equilibrium. This was done through the creation of novel institutions. On the one hand, through a deepening of the process of economic integration from the Single Market to the Single Currency, thus developing the larger economies of scale needed in a market that was becoming increasingly globalized.

And on the other hand, with procedures able to absorb the Central and Eastern

European countries that had been freed by the dissolution of the Soviet regime, guaranteeing the build-up and preservation of democratic institutions, the market and the rule of law, through an orderly widening of the same Union.

Such an



CARLO ALTOMONTE
Associate Professor
of European economic
policy,
Bocconi University

institutional setup has enabled the EU to navigate through a number of crises, notably the financial crisis of 2008 and its aftermath, and later the Covid-19 pandemic, with mixed results, less spectacular during the financial crisis, much more successful during the pandemic. Importantly, however, the EU responses have always been sought within the same global political framework, and the general conditions of economic and political stability in the Continent.

The new disorder emerging from the Russian invasion of Ukraine, however, is creating a number of tectonic fissures in the state of world affairs that put into question the viability of the current EU institutional setup.

Making a parallel with the situation that the EU faced at the end of the Cold War, a number of elements point to the idea that a novel combination of deepening and widening in the process of European integration will be required to face the new situation.

As for deepening, the EU needs to develop a common financial capability able to finance the sheer volume of investment needed to remain at the forefront of the digital and green transition, a figure estimated at some €500 billion per year. To these areas the EU also needs to add investments to guarantee the security of energy supplies, as well as the development of a defense policy able to project itself beyond EU borders to geographically close allied countries, through a strategy coordinated with, but functionally autonomous from, the US. The latter two issues, energy and military, require significant steps forward not only financially, but also in the decision-making procedures of the 27 Member States, bypassing the unanimity rule.

“ The EU is a unique supranational body to which, by Treaty, some competences are ceded by national institutions; the integration process therefore follows cyclical phases of ups and downs, while also being conditioned by external events such as Brexit, Covid and the current war in Ukraine. These are events that put the EU at risk but, at the same time, somehow strengthen it. The Russian invasion of Ukraine, for example, gave the EU the opportunity to strengthen the foreign policy role it has always been accused of not exercising ”

or else

When it comes to widening, the concept of EU strategic autonomy must acquire greater centrality. The latter implies the capacity to project power to protect European interests over an area necessarily wider than that of the EU-27, to include all the Balkans and the countries of the Caucasian ridge from Ukraine to Turkey, as well as the southern Mediterranean, with respect to which the problem of immigration must be managed in a common way. Hence the idea of a broad Confederation of countries, geographically linked to Europe, which can participate in an economically integrated market area.

Various proposals have already been made in this direction, and some institutional elements of this possible Confederation already exist today, by virtue of the network of bilateral association agreements that the European Union already has with almost all of these countries. Each of these agreements provides for an 'Association Council' between the EU and the partner country. Hence, a first step towards a European Confederation could be the creation of an Assembly body that brings

together all the Association Councils, in order to determine a common strategy of this enlarged trading area.

Without these further steps in our integration process, both on the internal and external fronts, there is a real risk that for the first time in the postwar period Member States could fail to adapt to new geopolitical developments, such as the one determined by the Ukrainian conflict. In this context, the EU-27 appears to be at the same time too small, because it is geographically limited, and too large, because it is politically heterogeneous, with respect to the ability to satisfy the demand coming from its citizens for new European public goods in terms of energy, military and economic security. But when an institution fails to efficiently respond to the needs of its citizens, sooner or later it is handed over to the history books ■

GIANCARLO VIOLA
Attaché for
Infringement
Procedures,
Permanent
Representation of
Italy to the EU,
Bocconi Alumnus





Between ambition and delusion

The Carbon Border Adjustment Mechanism, by providing for the levying of a carbon tariff on imported products, avoids the risk of 'carbon leakage'. However, there are two critical issues: taxing imports does not help the international competitiveness of European companies and the incentive for countries that do not have it to introduce carbon taxation is overestimated

by Gianmarco Ottaviano @

The European Union is adamant about the fact that climate change is a global problem that calls for global solutions. An important cause of climate change are greenhouse gas (GHG) emissions associated with carbon-intensive production. Left to their own devices, firms typically do not consider the negative impact of their emissions on climate when making their production decisions. Hence, the idea of using a tax on GHG emissions (aka carbon tax) which imposes a "fair price" on firms and forces them to internalize the damage that carbon-intensive production causes to climate.

Unfortunately, not all countries tax carbon. As a result, according to the World Bank, less than 25% of global



GIANMARCO OTTAVIANO
Full Professor
of Economics and Achille
and Giulia Boroli Chair in
European studies,
Bocconi University

emissions are taxed, and only 5% of them lead to a carbon price compatible with the Paris Agreement's goal of keeping the rise in global temperatures below 2 degrees Celsius with respect to pre-industrial levels this century. Moreover, countries with higher carbon taxes face the risk of "carbon leakage", which occurs when their domestic companies move their carbon-intensive production abroad to countries which have lower or no carbon taxes, or when their products are replaced by more carbon-intensive imports.

Due to its ambitions in terms of carbon taxation, the European Union would be particularly exposed to that risk. For this reason, it has planned the introduction of a Carbon Border Adjustment Mechanism (CBAM) whereby a carbon tariff is imposed on imported carbon intensive products that are at risk of carbon leakage (such as cement, iron and steel, aluminum, fertilizers, electricity, hydrogen). As part of the EU Green Deal, the CBAM entered into force last May and will take effect in 2026.

By requiring that certain imports pay a price for the carbon emissions embodied in their production, the objective of CBAM is to make sure that the carbon price of imports is equivalent to the carbon price of EU domestic production. This way, by putting a "fair price" on the carbon emitted in the production of goods entering the Single Market, the CBAM should align the pursuit of EU's climate ambitions and the incentives for domestic firms and, hopefully,

Studying Europe in the name of Achille and Giulia Boroli

In 2018, Bocconi University and the Achille and Giulia Boroli Foundation committed to further strengthening their longstanding relationship in the form of a Strategic Partnership with the naming of an academic position: The Achille and Giulia Boroli Chair in European Studies assigned to Professor Gianmarco Ottaviano.

The research activity aims to focus on the cost-benefit analysis of European Union Member States, touching four main themes: European Integration and the reborn nationalism trends, single market and globalization in the era of neo-protectionism, immigration and sustainability of the European Economic model and development and inequalities in the new European economic geography.

encourage cleaner industrial production in non-EU countries that pay less attention to emissions. The “fair price” of CBAM will be linked to price of the EU allowances as determined within the European Union Emissions Trading System (ETS) and its gradual introduction will parallel the phaseout in the allocation of such allowances.

As highlighted in a recent review by the French economists Lionel Fontagné and Katherine Schubert, while there is broad agreement that the risk of carbon leakage is real, it is a matter of debate whether the CBAM will succeed in removing it.

Two main aspects among others have been stressed by critics. The first is that taxing imports to ensure that their carbon price is equivalent to the carbon price of domestic production may well succeed in leveling the playing field in the EU domestic market. It does little, however, to help EU firms compete in foreign markets with respect to producers from countries that do not tax carbon. For this aim an export subsidy would be needed, but this is hardly compatible with the rules of the World Trade Organization.

A second aspect is that the EU might overestimate the incentive CBAM creates for countries that do not have one to introduce adequate carbon taxation. The idea is that access to the Single Market is important enough to incentivize such countries to also price carbon and avoid compensation through the CBAM. In a changing

world economy, in which trade relations are reorganizing around geopolitical fault lines, for several countries with low or nonexistent carbon taxation the attractiveness of the Single Market is fading, and with it also the incentivizing leverage of the CBAM.

In this respect, a briefing by the European Parliamentary Research Service stresses the importance of tighter coordination with the US. As one of the world’s largest markets and emitters, the US should be a key partner in bringing the world closer to reaching the goals of the Paris Agreement. However, so far the world’s #1 economy has largely gone its own way, especially since the Inflation Reduction Act (IRA) invested billions of dollars in public funds to favor “made in America” clean energy and technology ■





Biodiversity, protection for our future

We are in the midst of the Sixth Extinction: Europe is committed to protecting at least 30% of its land and sea surface, in line with what was decided at COP15. But in Italy environmental protection is still seen as a cost

by Stefano Pogutz @

The scientific community has been sounding the alarm over the loss of biodiversity for many years. The data shows that we are experiencing what is called the sixth mass extinction: since 1970 there has been a loss of more than 70% of populations of vertebrates (mammals, birds, fish, reptiles and amphibians) and more than 75% of ecosystems is damaged or seriously compromised. The causes of this rapid transformation are linked to the exploitation of natural resources,



STEFANO POGUTZ
Professor of Practice of
Corporate Sustainability,
Director of the full-time
MBA program,
SDA Bocconi
School of Management

deforestation and changes in land use, the climate crisis, pollution and the spread of invasive species.

The consequences of these dynamics risk compromising the vitality of ecosystems and their ability to provide the services we depend on. Biodiversity is in fact a fundamental organizational factor of ecosystems, which influences their productivity and functionality. From their health comes the possibility of providing the services on which our well-being depends, including the supply of resources (food, water, wood, fiber, etc.), climate regulation, photosynthesis, waste disposal, the recycling of nutrients, without forgetting cultural, aesthetic and recreational value. The World Economic Forum (2020) has estimated that more than half of global GDP (approximately \$44 trillion) depends on the functionality of ecosystems. Entire industrial sectors are exposed to risks resulting from the loss of natural capital.

At a policy level, a fundamental step was taken at the COP 15 in Montreal, Canada (December 2022) with an international treaty of great importance, involving 188 countries and representing for biodiversity what the Paris Agreement did for climate. This is a complex action plan that includes various measures to try to counteract the loss of terrestrial and marine habitats. Among these, the protection of 30% of the planet (to date, only 17% of the earth's surface and 8% of the oceans are protected), the recovery and restoration of the functionality of 30% of damaged ecosystems and the active involvement of industry and finance to make natural capital an asset worth investing in.

An unexpected convergence

In *L'insospettabile convergenza* (Egea, 2022, pp.224, €22, in Italian), published posthumously, Franco Mazzei brings together his reflections on a topic that has engaged him in recent years: the geopolitical convergence between Europe and China. By comparing the geocultural pattern of the two civilizations and debunking Western stereotypes and prejudices about the "Middle Kingdom," what emerges unexpectedly is a rapprochement that could nominate Europe and China to become the new players in the limelight of world politics. This convergence concerns not only major international issues but also, and more importantly, the underlying values that underlie the two cultural models.

Europe is undoubtedly at the forefront. In 2020 it presented a new strategy to protect terrestrial, marine and forest ecosystems, aligned with the objectives of the Green Deal. The plan is supported by significant allocations from various EU funds, but also aims to mobilize huge private resources and could generate up to 500,000 new jobs.

In line with the Montreal agreement, Europe aims to protect at least 30% of the land and sea surface (+4% land and +19% sea surface compared to today). Special attention is paid to areas with high biodiversity value, which must be protected in a more rigorous and binding way. The program requires that at least 10% of protected areas comply with these criteria. The strategy also identifies other measures. Among these, a radical change in European agriculture, with a new plan on biodiversity which must be integrated into the "From Farm to Fork" strategy and a new Common Agricultural Policy, promoting organic farming (which by 2030 must represent at least 25% of existing agricultural surface), and reducing pesticides and chemicals (-50%), and fertilizers (-20%).

Other innovative measures focus on the risk of extinction of pollinators and the creation of urban

green areas, an increasingly important fact to address the climate crisis since city greenery acts as a thermostat to regulate temperatures. Unfortunately, too little is still being done in Italy to protect nature. Although Next Generation EU has allocated approximately 37% to climate and biodiversity resources (over €400 billion), the National Recovery and Resilience Plan (PNRR, the Italian acronym) is decidedly too timid on these issues. The protection of our habitats is still seen as a cost, not as an investment to protect our future and an opportunity to guarantee the competitiveness of the country ■

FRANCO MAZZEI,
L'insospettabile
convergenza,
EGEA

FRANCO MAZZEI L'insospettabile convergenza

Perché Europa e Cina
si stanno avvicinando
più di quanto non sembri



Egea



The Green Deal Industrial Plan, which the Union introduced this year, aims to decarbonize the economy and reduce dependence on foreign energy imports, while strengthening the competitiveness of European companies and ensuring that European technology plays a major role in the development energy from renewables

by Matteo Di Castelnuovo @

In 2021, the European Commission adopted the Fit for 55 climate package, which includes legislative proposals to achieve a 55% reduction in greenhouse gas emissions compared to 1990 levels by 2030, with the aim of reaching to carbon neutrality by 2050. This is certainly an acceleration compared to previous climate policies, with more or less immediate implications for all sectors of the economy. The 2022 invasion of Ukraine has forced policymakers to review the priorities and

Green energy? Yes,



MATTEO DI CASTELNUOVO
SDA Associate Professor
of Practice of Energy
Economics, Director of
MASEM - Master in
Sustainability and Energy
Management,
Bocconi University

timing of the energy and climate strategies. The resulting energy crisis of 2022 has further highlighted the vulnerability of the EU from the point of view of the security of energy supplies, starting with the dependence from Russian gas. In response to the difficulties and disruptions in global energy markets, it introduced two important initiatives: REPowerEU in 2022 and the Green Deal Industrial Plan (GDIP) in 2023. In the first case, it is a plan with a triple objective: to enhance energy savings, accelerate the production of energy from renewables and diversify the energy supply. GDIP, on the other hand, is a strategic program to strengthen European industrial competitiveness, while pursuing faster decarbonization. In particular, this plan aims to create a more favorable environment for increasing the EU's production capacity for the zero-emission technologies and products needed to achieve Europe's ambitious climate goals. It builds on previous initiatives and builds on the strengths of the single market, complementing actions taken under REPowerEU and the 2019 European Green Deal which detailed how the EU intended to boost investment in clean technologies in order to continue on the path towards climate neutrality. The GDIP should also be read from the perspective of a European response to the international initiatives on industrial protectionism that have emerged in recent years, such as the massive green transformation program in China or the Inflation Reduction Act (IRA) in the United States. The latter is a strategic plan to facilitate the energy transition of the US through investments and tax discounts for companies operating in US territory. The IRA allocates an unprecedented amount of subsidies (almost \$370 billion) to convince companies to return to invest

Brussels Chapter Bocconi Alumni Community

More than 300 active alumni and, as one can imagine, significant emphasis on European institutions and policies: this is the BAC Brussels Chapter. Founded in the 1990s, since 2021 it has been led by Marco La Marca, an officer at the European Commission. "Our events often focus on what we here call the 'European bubble,' that is, all the institution members, lobbyists and journalists who orbit the EU institutions." Over the years, the chapter has hosted European Commissioners, Commission DGs, and members of the EIB. "In addition to entrepreneurs such as Pietro Salini, after the completion of the new Morandi Bridge, and Massimo Moratti, after Inter's treble."

but made in EU

in the United States, as well as granting robust tax breaks to households to convince them to buy Made in USA technology, starting from electric cars.

The Green Deal Industrial Plan is Europe's response to the IRA and similarly aims to reduce dependence on foreign supplies of raw materials and clean technologies. It is based on four pillars: 1) a simpler regulatory environment to facilitate net zero productions; 2) accelerating access to finance; 3) upgrading the skills needed to achieve the transition, and 4) strengthening global trade cooperation on cleantech and raw materials.

Of these four pillars, the simplified regulatory context for net zero industries certainly represents a change of direction compared to the policies of the past and is enacted through three regulatory proposals: i) Electricity Market Reform, to make the electricity market more resilient to external shocks and protect consumers; ii) the Critical Raw Materials Act, to make the entire value chain

of the energy transition more sustainable, starting from critical raw materials (e.g. lithium); iii) the Net-Zero Industry Act (NZIA), seeking to internally produce at least 40% of the technologies necessary to achieve European climate objectives by 2030.

Although many details are still missing which prevent an estimate of its economic impact, it appears clear that the GDIP represents a historic step forward for Europe's green economy, which will receive significant additional public funds. Therefore, while on the one hand recent European initiatives such as Fit for 55 are pushing on the accelerator for the production of green energy, the Green Deal Industrial Plan seeks to guarantee that green energy is mostly produced with Made in EU technologies ■

MARCO LA MARCA
Member of the
Cabinet of
European
Commission Vice-
President,
Dubravka Šuica,
Head of
Demography and
Democracy,
Bocconi Alumnus





The EU is now better prepared to de

Russia's weaponization of the European energy industry and the widespread price hikes of 2022 have been met with a rapid reaction from the EU to cut its dependence on Russian gas, with measures ranging from gas storage regulations to the launch of REPowerEU to stabilize energy prices

by Rosalba Famà @

Following the Russian aggression on Ukraine, the EU has been very active in the field of energy law. The EU is one of the largest energy consumers worldwide. However, it is not energetically self-sufficient. Energy is a key geostrategic asset and the war in Ukraine highlighted the vulnerability of the EU, being Europe highly dependent on Russian gas, calling for a swift reaction. The energy crisis posed a dilemma between climate ambition and energy security. At the same time, it offered momentum to speed up the green transition. Energy is a shared



ROSALBA FAMÀ
PhD Candidate
Department of Law,
Bocconi University

“ Covid will be remembered as the moment when European integration paradoxically accelerated and the Union prepared itself for new crises. It was soon followed by Russia's invasion of Ukraine. If we managed to unanimously adopt 11 sanctions packages in a very short time, it was precisely because we were united. Similarly, during the energy crisis, we acted together to reduce our dependence on Russian gas. Staying united is essential, many have always thought so, but today everyone has realised it. ”

competence of the EU and appears in a dedicated Title of the Treaty on the Functioning of the EU (TFUE). Here, Article 194 TFEU enlists the aims of the Union's energy policy which are: ensuring the functioning of the energy market, security of the energy supply of the Union, promoting energy efficiency and energy saving, and the development of new forms of energy and, finally, promoting the interconnection of energy networks. It foresees an ordinary legislative process in which the European Parliament and the European Council act on an equal footing. Energy is also referred to in an emergency clause placed in the Economic Policy Chapter of the TFEU, which is Article 122(1). This article, little used before the pandemic, is gaining importance as it is currently the legal basis for the Recovery Instrument, one of the key pillars of the NextGenerationEU, the funding plan adopted in the aftermath of the Covid-19 crisis. Article 122(1) TFEU provides that the Council may take decisions in a spirit of solidarity between Member States, upon the measures appropriate to the economic situation, if severe difficulties arise in the supply of certain products, notably in the energy sector. The explicit reference to the energy sector allowed the EU to rely extensively on it to tackle the current energy crisis. However, this choice has been contested as Article 122 TFEU leaves crisis decisions in the hands of the Council only, sidelining the European Parliament.

The EU's reaction to the Russian “weaponization” of the European energy sector was at 360 degrees. First, the EU introduced a Gas Storage Regulation, based on Article 194 TFUE, which sets filling targets for the aggregated capacity of all underground gas storage facilities located in the territories of the EU Member States. This measure considers that supply disruptions of pipeline gas can occur anytime, and it

al with the interruption of gas flows

is crucial to safeguard the security of the gas supply for the winter. At the time of writing the Member States have already reached the 90% filling target provided for in the Regulation. Other initiatives are based on Article 122 TFEU and are temporary. They include Council Regulation setting a target for Member States to reduce their natural gas consumption by 15% voluntarily or mandatorily if the situation so requires; Council Regulation which creates a joint gas purchase platform where gas undertakings can aggregate their demand. The idea is to strengthen solidarity among Member States in gas import decisions. This Regulation also provides a temporary intra-day tool to manage excessive gas prices and solidarity rules to follow in case of a gas emergency. The EU has also introduced new rules to simplify the deployment of renewable energy and established a "solidarity contribution" on excess profits for companies operating in the fossil fuel sector.

On top of these measures, the EU launched the REPowerEU plan to support investment in the energy sector indispensable for

European energy resilience financed by Next GenerationEU's funds. In the meantime, the Commission has issued a proposal for reviewing the EU's internal electricity market design with the ambition of making electricity bills less dependent on short-term fossil fuel prices. The skyrocketing electricity prices experienced last year forced the EU to step into the energy legislative sphere. The emergency actions introduced are remarkable in terms of scope and speed and make the EU more prepared to deal with winter energy shocks ■



VALERIA MICELI
Policy Coordinator
for Economic and
Financial Policies,
Cabinet of
President von der
Leyen, European
Commission
Bocconi Alumna



The path taken is the right one

With a series of initiatives undertaken in recent years, the European Union has shown that it has become aware of the new issues related to the social protection of European citizens. This is the right path, but there is still a long way to go

by Elena Gramano 

The single market has represented the EU's principal stronghold since its inception, hand in hand with fundamental economic freedoms. The EU's social focus developed later on, as the initial assumption on which the EU was founded, i.e. that the single market would foster social equality and growth by removing all restrictions on the movement of people, goods, capital and services, has been partially debunked by the course of EU



ELENA GRAMANO
Assistant Professor
of Labor Law,
Bocconi University

history. Although the single market certainly fostered economic growth and social development and cohesion across the European continent, it was not enough to protect and support to a satisfactory extent individuals who are at the mercy of market dynamics, workers in particular.

Therefore, there has been a steady but sure propulsion towards a truly socially conscious EU, where social rights go hand in hand with economic freedoms and take on equal importance.

In the past few years, the social agenda driven by the European Pillar of Social Rights has been at the center of the attention of the European institutions and especially of the European Commission. In this framework, the Covid pandemic served as a trigger to accelerate some processes and to add to the EU's to-do list a number of social issues that were neglected in the past.

We could mention a number of initiatives in this regard.

Undoubtedly, a good example is represented by the Guidelines About Collective Agreements Regarding the Working Conditions of Solo Self-Employed People, adopted in 2022 by the European Commission as an attempt to address the complex issue of equating self-employed workers to undertakings for the purposes of Art. 101 TFEU and the consequent serious limitations on their collective rights, specifically the right to collectively bargain over pay and working conditions.

Significantly, a regulation on promoting fairness and transparency for concerning business users of online intermediation services has recently been enacted: it represents a fundamental step forward in ensuring full transparency of contractual terms, ranking, and procedural safeguards if user-created accounts are restricted or suspended.

The regulation seeks to protect those who operate

Ensuring the day-to-day functioning of European institutions by rendering the bureaucratic machine more efficient is a very concrete way of contributing to the process of European integration. The European Union and its institutions are founded on the rule of law. It is our responsibility to ensure that this abstract principle is applied in practice during the multitude of decisions that are taken on a daily basis, and to defend these decisions and their compliance with the law when it is challenged in court. It is also our responsibility to maintain a channel of communication with academia to ensure that our stances are always in line with the latest developments in legal doctrine, and to foster dialogue among the stakeholders involved.

on online platforms and partially meets the need for protection spelt out in the Proposal for a Directive on Improving Working Conditions in Platform Work, submitted on 9 December 2021. Such proposal represents a major step in the understanding of new social needs in the labor market, especially of those workers, such as platform workers, who often lack union representation and in most cases are not contractually classified as employees, therefore missing the opportunity to enjoy the legal protection granted at the European and national level for subordinate employees.

Other initiatives include Council Decision 2020/1512 of 13 October 2020 on guidelines for the employment policies of Member States. Moreover, the Communication from the Commission to the European Parliament, the European Council, the European Economic and Social Committee and the Committee of the Regions, "Europe's Moment: Repair and prepare for the next generation" states that "[t]he crisis is a test for our social protection systems and necessary investments need to fill the gaps in coverage that have become apparent in the crisis."

Finally, a politically hot debate has been risen on the Proposal for a Directive of the European Parliament and of the Council on Adequate Minimum Wages in the

European Union, that in its intentions shall foster collective bargaining on minimum wages, make effective the access to minimum wage for workers who are entitled to it and more in general make sure that workers receive a fair salary for their personal work.

The path is still long and most probably never ending, as it needs constant review and constant acknowledgement of the social needs of the populations in a global context.

Still, the recent initiatives signaled an overall realization by the European institutions of new issues related to the social protection of European citizens, in a context of rapid technological growth and of increasing economic disparities among people and also among generations. Definitely a long way to go, but off to a good start ■

ANTONIO LUCA RISO
Head of Horizontal Services - Directorate General for Legal Services at ECB
Bocconi Alumnus





Will the ERC be able to defeat the European paradox?

A study highlights how research funded by the European Research Council is more likely to inspire inventions than unfunded research of comparable quality. However, to dispel the myth of an EU incapable of transforming research into innovation, a more favorable environment is needed

by Stefano Breschi and Andrea Fosfuri @

How effective is Europe in transferring the results of scientific research into technological innovation? The so-called 'European paradox' is the conjecture according to which the quantity and quality of scientific production in the EU is comparable to that of its main international competitors, primarily the US, yet the EU has a significant lag in transforming the results of this scientific excellence in innovations and consequently in a competitive



STEFANO BRESCHI
Director of the Invernizzi Center for Research on Innovation, Organization, and Strategy (ICRiOS), Bocconi University



ANDREA FOSFURI
Dean of PhD School and Innovation, Full Professor of Management, Bocconi University

advantage. In recent years, this gap has resulted in a much smaller number of "unicorns" and tech giants compared to North America and East Asia. The idea that such a European paradox exists is not new: the term was first coined in the Green Paper on Innovation published by the European Commission in 1995.

However, the very existence of such a paradox has been questioned by several scholars, according to whom the premise behind the argument is not valid. In other words, the quality of European research would not be comparable to that produced by countries such as the US and the UK. Europe's problem, therefore, would not be that it does not know how to transform research into innovation, but that it does not produce enough high-quality research.

Meanwhile, recognizing the strategic importance of science as a driver of international competitive advantage and motivated by criticisms such as the one mentioned, the European Commission established the European Research Council (ERC) in 2007. The mission of this agency is to support excellent and frontier scientific research through the provision of funding to individual researchers. To date, over 14,000 projects have been financed for a total of over €25 billion.

Despite this massive effort, we still know relatively little about the ERC's true economic impact. To what extent can we still talk about a European paradox even with respect to scientific research of actual excellence, such as the one financed by ERC? To answer this question, in a recent paper we collected data on the scientific production of all the projects financed by ERC. To understand the impact of scientific research on innovative activity we used patent data. The idea is that the impact of a scientific article on innovative activities can be measured by

ERC and Bocconi / 1

The European Research Council (ERC) is the European Union's funding body for excellent researchers of all ages and nationalities who wish to conduct frontier research in EU Member States or associated countries. The ERC supports research projects led by Principal Investigators (PIs) with internationally outstanding track records. Since 2007, the year ERC was founded, Bocconi has participated in the starting, consolidator and advanced calls. In total 61 ERCs have been won. In the following pages we present the 8 starting grants won by Bocconi researchers in September.

European paradox?

whether it is cited as "prior art" in invention patents. The results obtained are quite significant. Scientific articles produced by ERC research have a higher probability of being cited by patents, compared to articles of comparable quality but produced by European researchers not funded by the ERC. Furthermore, patents that are based on scientific articles from ERC searches correspond to higher-quality inventions, measured by the number of citations these patents receive from other patents. In summary, publications originating from ERC projects are more likely to inspire inventions with significant technological and commercial potential.

Despite these positive notes, however, a more worrying aspect must be highlighted. The question we asked ourselves is: which are the subjects that most profit from the results of ERC research to innovate and where are they located? The answer to this question is that the inventive activity that is inspired by and uses the results of ERC-funded research is concentrated mainly in universities located in the United States. This result

suggests that the United States has a more favorable environment for assimilating and exploiting high-level scientific research for innovation.

Returning to the European paradox, our work seems to suggest that even where Europe is able to produce scientific research of excellent quality, the mechanisms and capabilities to translate this research into innovation and therefore competitive advantage must be strengthened, especially when compared to the United States. Following this logic, the European Innovation Council (EIC) was established in 2021 which, with a budget of around €10 billion, supports disruptive innovations along the entire life cycle, from initial research to proof of concept, to technology transfer, financing and the growth of firms. Can we definitively leave the European paradox behind? We will find out in the near future ■





The cornerstone of Europe

The Single Market remains one of the most meaningful aspects of Europe's regional integration, for supporters and detractors alike. Among the criticisms, there is that of corporate influence over its creation and functioning, and the opening of EU archives now adds new elements to the debate

by Grace Ballor @

2023 marks the 30th anniversary of not only the European Union (EU), but also of the Single Market. Launched in 1985, the 1992 Program to complete an internal market worked to remove all legislative barriers to trade so that goods, services, capital, and people could move freely between member states. On that “cornerstone,”
Commission President Jacques Delors



GRACE BALLOR
Assistant Professor
of International Economic
History,
Bocconi University

(1985-1995) argued, the European Economic Community (EEC) of the twentieth century could become a Union fit for the twenty-first, complete with a common currency by the turn of the millennium. And as the Brexit referendum and its aftermath showed, the market remains one of the most important aspects of regional integration for supporters and detractors alike.

But the centrality of the market to the European project has also fueled Euroskepticism. Already, the fact that the EEC emerged as the leading regional organization amid the multiplicity of postwar “Europes” revealed the primacy of trade over other cooperation objectives – like the Council of Europe’s mission to defend human rights or the collective security promise of the Western European Union. In the context of widespread liberalization in the 1980s, the Single Market Program looked to its critics like an effort to encase the market in supranational institutions, insulated from democratic accountability. For skeptics, business efforts to influence market policymaking seemed to confirm their concerns that the integrity of Europe’s market foundations had been compromised by corporate interests. Until now, answering questions about business influence in the making of the Single Market has been hindered by archival rules, which typically seal sensitive documents for 30 years. As of this year, though, it is possible to consult the corporate and institutional records required to answer questions about the past, present, and possible futures of the EU and its market. These newly available sources have enabled me to reconstruct the Single Market Program through the lens of European business and connect the market’s historical origins to contemporary debates about reforming the democratic deficit, remedying

ERC and Bocconi / 2

Luca Braghieri's ERC project **SOME** (Social Media: Measuring Effects and Mitigating Downsides) has two main objectives: firstly, to address gaps in our understanding of how social media affect individuals and society, and secondly, to assess the effectiveness of interventions to counteract the negative aspects of social media. The overarching goal is to generate new scientific knowledge about the use and impact of social media, identify potential areas for policy interventions, and evaluate practical solutions to mitigate downsides.

socioeconomic inequality, and regulating corporations. This research has revealed three things about business and the Single Market. First, while more work is needed to democratize governance in the EU, firms and business associations often struggled to influence policymaking for the internal market. As with all social groups, interest associations suffered from fragmentation and coordination problems. Some individual chairmen were able to leverage their personal contacts in Brussels, and policymakers in the Commission did solicit input from industry groups in their attempts to create a market that would increase the global competitiveness of European business. But overall, business interests exerted less direct influence on market policymaking than we might expect.

Big businesses did play a considerable role in shaping the Single Market by other means, however. Multinational corporations were particularly well-positioned to benefit from regional economies of scale, and by Europeanizing, they integrated subsidiaries into their supply chains and developed region-wide standards for goods and services. They also facilitated valuable technology and capital transfers as they invested across member-state borders. But revenues, earned in part by exploiting wage level

differences between countries, were often repatriated to home country headquarters, typically in Northwestern Europe, thereby exacerbating regional inequality.

Finally, European corporations valued the certainty of clear regulation. In fact, some automakers appealed to the Commission for stricter emissions standards in the 1980s to align European norms with those of international markets and to enable manufacturers to plan production farther in advance. This history offers lessons for the EU's governance of the green transition and its efforts to achieve a more humane social market economy in the wake of recent crises and in response to critics: the promise of certainty can motivate even businesses to advocate for more regulation ■



LUCA BRAGHIERI
Assistant Professor
of Mathematics,
Bocconi University

The long shadow of war

The Russian-Ukrainian conflict risks undermining the political stability and internal cohesion of the EU, as well as the solidity of NATO. For this reason, the Union must decide how to play its role and, once the war is over, what position to take between bipolarism and a return to global cooperation

by Massimo Morelli @

On Europe and the Russia-Ukraine war Mario Draghi said: “Ukraine has to win the war, otherwise there will be very negative consequences for the European Union.” It is obvious that any country that puts high weight on the objectives of international stability and democracy must hope that the outcome of an aggression ends with the defeat of the



MASSIMO MORELLI
Full Professor of Political
Science and Economics,
Bocconi University

aggressor. But Draghi’s words seem to emphasize that the EU would have something more to lose in the opposite scenario. Why? The risk for the EU hinted by Draghi has to do with political stability, internal cohesion, credibility, and the likelihood of further political integration. The Russia-Ukraine war is in part a proxy war, where the consolidation of the EU, democracy and NATO are as much at stake as the defense of a country and international law. Moreover, there are EU countries like Hungary and Bulgaria, just to give some examples, whose public opinions are split in half on the war, only in part due to the dependence on Russia for oil and gas. Russian propaganda that the war is ultimately caused by NATO expansionism and the consequent existential threat for Russia is believed by a large fraction of people also in other countries. In case of an outcome perceived as a Ukrainian defeat or surrender, all the EU governments who sustained Ukraine in various forms would be accused by their electorates of wasting resources, and some governments could fall. The blame could be particularly high for international elites, and populist and nationalist forces inside many countries could receive a crucial boost. For this reason, the EU support for Ukraine will remain high at least until the next European elections. The outcome of a war is very rarely full victory for one or the other, and hence a connected concern is which kind of peace agreement Europe should be advocating for in the diplomacy game. Any peace agreement must give both governments a way to sell it internally as a success. A partial success of the Ukraine

ERC and Bocconi / 3

Stereotypes are often at the origin of biased behavior and can contribute to the widening of socioeconomic inequalities in diverse societies. SOFIA (Stereotypes and Opportunities: Fostering Interactions and Awareness) is a project by Michela Carlana which aims to study the formation of stereotypes and test policies designed to mitigate educational inequalities, building on insights from behavioral economics and machine learning techniques.

counteroffensive on one hand and an international recognition of a border slightly different than that of 2014 could be a possibility regardless of EU policies. However, given that Ukraine aims to join EU and NATO, the EU has to decide what best to ask in return, in order to reduce the risk of future further conflicts. As Nobel prize winner Roger Myerson already advocated in 2013, greater autonomy for the Donbas republics (to be redefined) and Crimea, greater openness to multilingual education in schools and local reconciliation policies will be crucial. While in 2013 a federalism reform with greater autonomy and multiculturalism would have been necessary and perhaps sufficient to avoid civil war in 2014, now it may be necessary to support independence of a subset of the contested territory, with a peacekeeping role given to Turkey for example. Most important, in the aftermath of the war the EU will have to decide whether it sides fully with the United States in the direction of a bipolar and divided geopolitical order or whether it needs to push for a return to global cooperation and free trade. Both for its political weight in diplomacy for peace and its geopolitical role in big choices after the war, the EU should

increase the pace of political integration, in the direction of common defense and stronger governance. Hence Draghi's concern is well taken, because the many global challenges we face require a European Union with a stronger position and a united voice, and a defeat of Ukraine would make such things much less likely ■

MICHELA CARLANA
Affiliate at LEAP
Bocconi,
Assistant Professor
at Harvard
Kennedy School



Imminent collapse or relaunch of Eu

The Union has withstood crises when many predicted its demise. However, there is no denying this is a difficult moment. Among the issues to be addressed, in addition to migration, there is the form of EU government expressed by the Treaty of Lisbon

by Justin O. Frosini @

Since the global financial crisis in 2008, many European observers and even senior political figures have been predicting the EU's imminent collapse or disintegration. A succession of crises (the euro, migration, Brexit, Covid-19) gave the impression that such predictions were about to come true. However, others claim that European integration has always progressed through crisis and see a much brighter future for Europe. Nobody can, however, deny



JUSTIN O. FROSINI
Associate Professor
of Public Law,
Director of Bachelor in
Global Law,
Bocconi University

that this is a particularly trying moment in the history of the EU.

Russia's aggression on Ukraine has made life extremely difficult for the European Union and the victory of the pro-Putin Robert Fico (often referred as the "Red Bully") in the recent Slovakian elections could make things even more complicated, thus putting the pro-Ukraine, pro-NATO position of the Union under further strain.

Inflation has reared its ugly head and there is mounting criticism concerning ECB policy to tackle inflation. Just a few days ago Italian Finance Minister Giancarlo Giorgetti criticized Christine Lagarde's decision to keep interest rates high claiming that it had slowed down the Italian economy and that his government had face an additional €15 billion in interest payments. Giorgetti (and he is not alone in that) believes that a new stability pact needs to be drafted before the end of the year. It is very clear the sovereignist, Eurosceptic parties will use Europe as a scapegoat to explain the economic difficulties in many member states and use this as an excuse to tell their voters why so many electoral promises have not been kept. Indeed, in next year's European parliamentary elections, Eurosceptic parties across the EU could emulate Nigel Farage's 2014 electoral triumph. If that were the case what would the EU's future be?

The surreal political debate in the EU isn't helping the plight of Europe either. The idea that the mainstream European People's Party – the Christian-Democratic party of many of the Founding Fathers of Europe – should form a coalition with the Eurosceptic right is frankly bizarre and could easily contribute to the disintegration of the Union. Furthermore, the investigation that uncovered corruption in the European Parliament in December 2022 could end up back on the front pages of newspapers and that would do no good for the reputation of EU politics.

ERC and Bocconi / 4

Millions of people are pushed into extreme poverty due to limited access to essential public services in low-income countries. DIGIDEV (Digitalization of Public Service Delivery and Inclusive Development), the project led by Erika Deserranno, aims to advance our understanding of the drivers of success or failure of digitalization in the public sectors of developing countries, and the ways digital technologies can be harnessed to improve the efficiency and inclusion of public service delivery, thereby producing more robust and inclusive economic growth.

European integration?

Then of course there is the problem of migration, which some observers believe could end up being the monocausal explanation of a collapse of the EU. Indeed, as we all know, back in 2016 migration played an important role in the victory of Brexiteers. "Schengen and a United Europe died in Ventimiglia. The time for diplomacy is over. They are invading us but we must react forcefully before it is too late." These were the fateful words uttered by Flavio Di Muro, Mayor of Ventimiglia at the annual meeting of Salvini's Lega in Pontida where the special guest was Marine Le Pen. On the topic of migration, the last few weeks have also been characterized by an unprecedented clash between the Italian and the German government with Meloni accusing the European ally of "doing solidarity with other people's borders" given the fact that the Scholz administration continues to fund boats operated by NGOs in the Mediterranean Sea.

Finally, the EU's form of government expressed by the Lisbon Treaty needs reforming. The unpleasant Sofagate scandal in Turkey in 2021 seems to have been

forgotten, but the underlying problem of the allocation of powers between the President of the European Union, the President of the European Commission and the High Representative of the Union for Foreign Affairs and Security Policy remains a thorny issue and it is not the only one. The war in Ukraine initially reignited a positive debate about building a common European defence, but that has quickly died down. Currently, not only we don't have an answer to Henry Kissinger's famous question "Who do I call if I call Europe", but there are serious doubts as to whether anyone would actually bother to answer the phone, because everyone seems far too busy with the forthcoming election campaign for the European Parliament, which promises to be long and ugly. The next elections could be a make-or-break moment for the EU ■

ERIKA
DESERRANNO
Assistant Professor
of Economics,
Bocconi University



Europe (and Italy) must be in the

In order not to miss out on space exploration, the Old Continent must make its voice heard. In Italy, which has no shortage of skills, thanks to the national recovery and resilience plan, the space economy can have a bright future, but legislative tools are needed to favor cohesion and also competitiveness

by Simonetta Di Pippo @

Europe cannot afford to miss the opportunities that will be offered by human exploration of the solar system. This is argued in the report of the High-Level Advisory Group to the Directorate General of the European Space Agency (ESA) on the topic of Europe's role in space exploration. The EU, as underlined in the report, although it has made its voice heard in space sectors such as Earth Observation, risks missing the boat of space exploration. For a



SIMONETTA DI PIPPO
SDA Professor of Practice
and Director SEE Lab,
SDA Bocconi School of
Management

systematic exploration of the Moon, Mars and beyond, as well as to ensure a massive presence in low-orbit satellites, some key technologies are missing. Although dredging up the past is of limited usage, already in 2010, in my role as Director of Human Flight at ESA, I had pointed out Elon Musk's progress with reusable launchers and the lack of Europe's competence on issues such as re-entry and landing. In this regard, I had started phase A of a project called ARV - Advanced Re-entry Vehicle - seen as an accelerated evolution of the ATV, that Automated Transfer Vehicle, a supply vehicle for the International Space Station (ISS), which I had contributed to stabilizing, in order to achieve the first industrial-scale production in ESA history, launchers excepted. If ESA member states had taken that path, today the EU would have a better global positioning in astroanautics. It took ESA several years to take its first steps in the space economy industry. On the other hand, when we talked about commercialization of space activities in 2008-2010, the term space economy had not yet been officially coined. It was the OECD that formally defined it in 2012 as "The set of activities and use of space resources that create value and benefits for humanity during the exploration, understanding, management and use of space". The OECD continues by indicating that it includes all entities, public and private, engaged in developing, providing and using space-related products and services: research and development, construction and use of space infrastructures (ground stations, launch pads, satellites), applications deriving from space (navigation instruments, satellite telephones, meteorological services, etc.), as well as the scientific knowledge resulting from these activities. The space economy goes far beyond the space sector in the strict sense, because it also applies to the

ERC and Bocconi / 5

Daniele Durante's project NEMESIS (sociogeNEsis of criMinal nEtworks: reconStruction, dIScovery and dISruption), combines Statistics and Social Sciences to address key challenges in understanding and combating modern criminal networks. It views current barriers in data incompleteness and complexity not as hindrances but as valuable resources to expand research and policies. By recognizing the presence of structure underlying missing data and of unexplored knowledge behind complex interactions among criminals, the project develops innovative modeling perspectives in criminal network analysis. This vision is expected to revolutionize current approaches to reconstructing, analyzing and disrupting criminal networks while creating opportunities to expand data resources, social theories and law-enforcement policies.

front row

increasingly pervasive and changing impacts (in terms of quality and quantity) of the products, services and conditions that derive from space. The space economy, according to the latest report published by the Space Foundation, is worth \$546 billion, which if compared to the value reported last year, equal to \$469 billion, shows a 17% year-to-year increase. If forecasts are met, we should hit the trillion-economy mark by 2040. Space is at the heart of sustainable development, the climate crisis and the green economy, digital transformation, artificial intelligence. And the space economy entails space traffic management, commercial space stations in low orbit, the development of lunar economy markets, and cloud computing and solar energy in space. In Italy we have the skills, the funding and the knowledge to develop the sector at the national level and serve the institutional and commercial markets, but also to better position ourselves on European and global markets. In Europe, in addition to ESA, we are witnessing an ever-increasing involvement

of EUSPA and the European Commission itself. The space economy, thanks also to the national recovery and resilience plan (PNRR), has a bright future in Italy. It would be desirable for us to act as a leading country in the EU by adopting a strategic and inclusive approach, also looking to the United Kingdom. And with an eye on the Mattei Plan, which could include significant spatial projects. We need to have a link of founding values and skills, and new legislative instruments that allow for greater cohesion and at the same time promote competitiveness. Because there is no true collaboration without autonomy. Autonomy and technological excellence enable a more balanced collaboration and promote the success of space enterprises, with diplomacy playing the key role it deserves ■

DANIELE DURANTE
Assistant professor
of Statistics,
Bocconi University





The Italian civil trial looks to Br

Among the innovations of the latest reform in civil procedure, there is the art. 363-bis which regulates the reference to the Court of Cassation in case of serious interpretative difficulties. A mechanism similar to the one existing in EU law which aims to ensure clarity and uniformity in legal interpretation throughout the territory of the Union

by Marcello Gaboardi @

In the first months of 2023, the reform of the Italian civil procedure came into force (Legislative Decree 10 October 2022, no. 149). It introduces a series of significant innovations to the Civil Procedure Code. Also on this occasion, the main objective was to reduce the unreasonable length of trials, for example favoring the use of a simplified procedure for the decision of less complex cases and making it more difficult to appeal sentences and to opening of further levels of judgement.

Among the most interesting innovations there is certainly the art. 363-bis, which regulates the preliminary ruling to the Court of



MARCELLO GABOARDI
Associate Professor
of Law,
Bocconi University

Cassation. The provision refers to the case in which the civil judge is called upon to resolve a question of law that presents "serious interpretative difficulties". This is far from a remote eventuality if we consider that the main activity of the judge in the trial is precisely the application of laws to the established facts. Since applying the law means interpreting its meaning in cases where the latter is obscure or uncertain, it is evident that there can be many reasons to question the meaning of a law and its applicability to a concrete case. According to the new provision, when doubts about the meaning of the law are particularly serious, the civil judge can refrain from examining the question independently and leave the solution to the Court of Cassation. In order to prevent abuse and guarantee efficiency of the procedure, the provision also prevents the judge from being able to petition the country's high court of appeals when: (i) it cannot be considered "new" because it has already been addressed by previous decisions of the Court and (ii) it does not appear likely to appear "in numerous court rulings".

What is the purpose of this provision? And why could it be very important for the good functioning of our jurisprudence? The introduction of preliminary ruling reflects a mechanism that was already known, not only in

ERC and Bocconi / 6

Debora Nozza is the leader of PERSONAE (Personalized and Subjective approaches to Natural Language Processing), a project that aims to make language technologies (within Natural Language Processing or NLP) accessible and useful for everyone. The project aims to improve research on NLP tasks that are highly subjective, such as offensive language detection and sentiment and emotion analysis, by developing a new field called Personal NLP, an entirely new area of research with the goal of building NLP models that consider individual perspectives. This new research area will explore subjectivity in text from the perspective of the individual as a recipient of information, making people active actors in the creation of language technologies instead of mere recipients. This will enable a more personalized and effective approach to the design of NLP models, resulting in better models overall.

ssels

the French law, but also in the EU legal system. For many years, in fact, art. 237 of the EU Treaty has allowed national judges to turn to the European Court of Justice to obtain the interpretation of a EU law that must be applied in a pending dispute. The mechanism pursues the aim of ensuring clarity and uniformity in the interpretation of the law throughout the EU, preventing that rulings of national judges produce contradictory interpretations of the same norms. Similarly, art. 363-bis the Italian Code of Civil Procedure aims to standardize the interpretation of Italian law in cases where its meaning is seriously uncertain and susceptible to different or incorrect applications by judges in lower courts.

But the new provision must also be read in relation to the function that the law assigns to the Court of Cassation.

The latter is not only the judge of last resort for civil and criminal cases, but is also a body to which the law assigns the function of

guaranteeing the exact observance and uniform interpretation of the law throughout the national territory. This function, described with the term *nomophilachy* (literally: custody of the law), requires the Court, the judge of legitimacy, to clarify the meaning of the law by resolving interpretative conflicts and offering clear and effective legal interpretations: today this function is also carried out by preventing potential interpretative disagreements through preliminary rulings ■

DEBORA NOZZA
Assistant Professor
of natural
language
processing,
Bocconi University





In the regulatory race, the EU is be

The EU Code of Practice on Disinformation presented last year raises the level of security of digital platforms and strengthens the position of users with a co-regulation model. But in the homeland of self-regulation, the US, such a model could fail to take root

by Oreste Pollicino @

On 16 June 2022 in Brussels, I handed the Vice President of the European Commission Vera Jourova the new European Code of Practice on Disinformation, signed by many actors operating in a plurality of sectors. From civil society, to large platforms, from factcheckers to companies operating in the advertising industry. My role was that of honest broker, facilitator and coordinator of the



ORESTE POLLICINO
Full Professor
of Constitutional Law,
Bocconi University

drafting process.

In any case, it is the first mechanism, at a global level, for co-regulation of the phenomenon of disinformation on the basis of a code of conduct that involves all the main parties involved.

More than a year later, and in light of next year's EU and US elections, there are two fundamental questions that must be answered.

Will the Code serve to mitigate online disinformation in Europe, especially in a very delicate electoral season? Secondly, can it be used as a model for fighting disinformation on the other side of the Atlantic, too?

As for the first question, there is some hope, looking at the paradigm shift that the Code calls for compared to the status quo. We move, as mentioned, from a context of mere self-regulation, in which the web giants write and apply the relevant rules, to a very different one of public-private co-regulation. This concretely means that in the event of failure by the signatories to fulfill their commitments, there will be sanctions from EU institutions. What is the added value of this process in terms of objectives achieved regarding the content of the code? At least three.

First, it raises the level of security - first and foremost on the part of the spaces which are increasingly digital agoras hosted by the web giants - against disinformation techniques, procedures and strategies. Second, it strengthens the position of users, through new tools that are able to both identify false information more easily and mitigate the risk of polluting debate. Third, ensure constant dialogue between platforms and independent factcheckers who are entitled to fair remuneration.

ERC and Bocconi / 7

Nicola Limodio's project FINDEV (Financial Institutions and Development) comprises three empirical sub-projects studying how financial institutions in low and middle-income countries can promote development. The first project investigates the frictions in financial regulation in Africa, exploring ethnic banking and the role of central bank independence. The second project studies the impact of multiculturalism and conflict on the internal organization of Ethiopian bank branches and lending markets. Lastly, the third project focuses on market incompleteness and non-performing loans in China, analyzing the introduction of Asset Management Companies and their effects. The ultimate goal is to enhance our understanding of these frictions and inform policies that promote development and effective financial regulation in these regions.

ating the US

As for the second question, that is, whether and how this European innovation can be useful for injecting doses of heteronomous regulation into the self-regulation prevailing in the United States (concerning the discipline against disinformation, but also artificial intelligence) going against the will of industry operators, the response must be less optimistic.

In the United States there is a rather paradoxical situation regarding the (non-) fight against online disinformation.

On the one hand, there is a certain terror - I would say well-founded, given what happened in the Trump vs Clinton presidential elections - regarding the disinformation professionals who polluted the debate and tried to influence the outcome of the vote. The fear is about the risk of external interference in the 2024 elections (in this regard, there is already a bill in the pipeline in Congress).

On the other hand, there is another terror that hovers and constitutes almost a

taboo against any attempt at regulation. That of undermining in any way the foundations of free speech at the basis of the Bill of Rights, which means that even a simple communication from the White House to the large platforms on their commitment to prevent false content from being published online, with respect to sensitive topics such as elections and public health, is considered (as it has recently happened in the Fifth Circuit Court of Appeals) in conflict with the First Amendment.

In conclusion, the US seems to me a very unripe ground for extending the co-regulation model at the basis of the new EU Code of Practice against Disinformation ■

NICOLA LIMODIO
Assistant Professor
of Finance,
Bocconi University

Like a pilot in the fog not revealing

In dealing with the rise of inflation, the ECB has diverged from optimal monetary policy theory, which recommends managing expectations by communicating future actions. By preferring to act from one board meeting to the next, the central bank has contributed to increasing uncertainty

by Tommaso Monacelli @

A key lesson of modern monetary policy theory is that managing expectations is central to optimal inflation control. Facing a supply shock (unless purely temporary), optimal monetary policy theory prescribes a commitment about future actions. Let's suppose a jump in the price of oil or the price of energy hits the economy. Then the policy authority should announce that it will undertake a restrictive monetary policy for a period that extends beyond the foreseen duration of the shock. Through this persistence the policy authority aims at dampening inflation expectations today, and therefore also current inflation.

Throughout the post-Covid inflation



TOMMASO MONACELLI
Full Professor
of Economics,
Bocconi University

fight, originally due to a surge in energy prices, the ECB has shown a unique way of managing inflation expectations. In a nutshell, very different from the commitment approach prescribed by theory. President Lagarde has always insisted that monetary policy decisions be taken “meeting by meeting”, i.e. one step at a time. In other words, the ECB has deliberately avoided making commitments about its future actions. It has therefore opted for a discretionary rather than a rule-based approach, contrary to what standard economic theory suggests about optimal monetary policy. The ECB has always justified this approach citing the great uncertainty weighing on the economy of the euro area: for example, uncertainty about a possible future slowdown in economic activity. But this uncertainty did not land from Mars, it has largely depended on what economic operators expect the ECB itself to do. In other words, the central bank has behaved like an air pilot who, in the fog, refuses to reveal his flight plan. Instead of helping decrease the level of uncertainty, the ECB has helped to fuel it. It has effectively given up on activating one of the levers that affect inflation, i.e. expectations. It acted based a sequence of ad hoc moves, and not on a pre-announced schedule of actions. This conduct has set a new template for the conduct of monetary policy in the face of persistent supply shocks. A template, however, which is still

ERC and Bocconi / 8

One of the building blocks of modern cryptography is program obfuscation. Simply put, algorithms should be difficult to reverse-engineer and, to this end, the code of cryptographic algorithms is made complex and hard to follow. Currently used obfuscation techniques, though, won't long resist the advent of quantum computing. Giulio Malavolta, with his *ObfusQation* (Code Obfuscation in a Quantum World) project wants, on the one hand, to develop new obfuscation techniques able to resist attacks brought about by quantum algorithms and, on the other, to develop tools able to obfuscate quantum algorithms.

the flight plan

in search of a cogent theory. The principle that the ECB has established is that a forward-guidance approach (committing itself to future actions today) is important only during periods of deflation and stagnation, and in particular when monetary policy is stuck at the lower bound of zero nominal interest rates. In that case what the economy needs in order to reflate is lower real interest rates, which can be achieved only via higher inflation expectations (and not via lower nominal interest rates since the latter cannot be negative).

Outside zero lower-bound periods, however, the ECB has stated that a strategy of commitment to future actions is not necessarily warranted.

Interestingly the ECB has taken this stand without the backup of explicit and established economic theory. A clearer and more effective alternative, which could have distanced the ECB from a purely discretionary approach, would have been to adopt an approach technically defined as Inflation Forecast Targeting (IFT).

IFT involves making a commitment today to continue raising interest rates in

the future until medium-term inflation forecasts are consistent with the two-percent target. Relaxing the nature of discretion in one's actions, and putting one's credibility on the line by making commitments for the future, is the most effective way to counter the persistence channels of inflation described above.

The fact, however, that the ECB has insisted on a purely discretionary approach could be the main explanation why inflation has continued to be so stubbornly high, despite energy prices having returned to historical normal values fast enough. In other words, the “meeting by meeting” approach pioneered by the ECB remains an empirical monetary policy conduct still in search of a theory. Time will judge whether it proves successful ■

GIULIO MALAVOLTA
Assistant Professor
of Computer
Science,
Bocconi University





How to make the polluter pay

Economic incentives and disincentives are at the heart of the EU's environmental strategy, with measures ranging from the Green Deal to the revision of the Emission Trading System, and the Carbon Border Adjustment Mechanism

by Edoardo Croci @

The Treaty on the Functioning of the European Union, which entered into force on 1 December 2009, at art. 191 places the "polluter pays" principle at the basis of European environmental policy, together with the principles of precaution, preventive action and correction of environmental damage at the source.

The principle, introduced in 1972 by the OECD, attributes responsibility for damage to the environment to polluters and achieves the internalization of environmental externalities, which are thus reflected in the price of products. Economic instruments



EDOARDO CROCI
Professor of Practice and
Director of the
Sustainable Urban
Regeneration Lab,
Bocconi University

are particularly suitable for this purpose, correcting market failures through the introduction of incentives and disincentives of a predominantly fiscal nature, which can be designed in such a way as to achieve high degrees of effectiveness and efficiency. In this context, the European Union and the national states have developed a complex, and not always coherent, framework for the use of economic instruments for the environment in different domains. With the launch of the European Emission Trading Scheme (ETS) in 2005, the latter has become the main tool for implementing the increasingly ambitious EU objectives of decarbonization of the economy, although it has required a number of adjustments to pay remedy to the initial overallocation of emission rights and the effects of the Covid 19 crisis.

The Green Deal, which constitutes the overall and integrated vision of environmental and climate policy adopted by the current European Commission, confirms and strengthens the role of economic instruments. The Communication on Business Taxation of the 21st century, COM (2021) 251 final, recognizes the importance of the tax system to support the green transition and achieve the objectives of the Green Deal, taking also into account the social impacts for the purposes of a just transition. The evaluation of the potential regressive effects of environmental taxation, together with the reuse of fiscal revenues to pay for environmental subsidies, thus constitutes a key element of the European approach.

In turn, the Integrated National Energy and Climate Plans (PNIEC, the Italian acronym) recently presented by national states, with a view to their final approval in June 2024, provide for economic incentives and disincentives to make a decisive contribution.

The Fit for 55 policy package, presented by the European Commission in July 2021, integrates a set of measures across

ERC and Bocconi / 9

Scott Williamson has been granted funding for DEVAL (Democratic Values and Authoritarian Legitimacy), a project that will examine popular attitudes toward democracy in a moment of global democratic decline. It will proceed by advancing knowledge of how people understand and support democracy, and how authoritarian political leaders manipulate this popular support for democratic values to increase their political legitimacy. By designing new methods to identify how people understand democracy and how people trade democracy off against other political, social, and economic outcomes, DEVAL will develop groundbreaking advances in measuring support for democracy. DEVAL will also advance theoretical and empirical knowledge of the strategies authoritarian leaders use to strengthen their legitimacy by leveraging democratic values.

various sectors with the aim of achieving the objective of reducing climate-changing emissions by 55% by 2030 and achieving climate neutrality by 2050. In the wide range of policy instruments employed, a primary role is entrusted to fiscal and economic tools.

Furthermore, the reform of the ETS should come into force for a faster reduction of the emissions cap, from the current 2.2% per year to 4.3% in the 2024-2027 period and to 4.4% in the 2028-2030 period, and with an overall reduction in emissions by 2030 compared to 2005 ranging from -43% to -62%. In addition to the emissions by the electricity and heat production sectors already being regulated, as well as energy-intensive industries and aviation (limited for now only to internal EU flights), the scheme is forecasted to be gradually extended to maritime transport starting from 2022, and a new separate emissions trading scheme for the emissions caused by buildings and road transport is envisaged: it will be applied upstream to fuel distributors, with reporting obligations starting from 2025, to become operational starting from 2026. In the new system all emission rights would be assigned on an auction basis. Finally, in parallel with the elimination of free emission rights hitherto attributed to energy-intensive sectors, there is the introduction of a Carbon Border Adjustment Mechanism to avoid carbon leakage, i.e. the transfer of emission-causing productions to

non-EU countries. The mechanism will be gradually introduced from 2023 with reporting obligations, and from 2026 with the effective regulation of importers of highly energy-intensive products. The amount of the tax is variable, based on the carbon price of the importing country, so as to equalize the burden of carbon prices to which are subjected goods produced in Europe, in order to create a level playing field and comply with the standards of the World Trade Organization.

A portion of the revenue generated by these instruments will go to the Climate Social Fund to be reinvested in the transition to favor those, both businesses and families, bearing the heaviest cost. The aim is to increase the competitiveness of the European economy and improve the environment at the same time ■

SCOTT
WILLIAMSON
Assistant
Professor
of Political
Science,
Bocconi
University





Four missions with a single objective

Adaptation to climate change, protection of the seas, 100 climate-neutral cities, soil deal: the EU deals with global warming also through a novel approach based on research and innovation

by Benedetta Lucchitta @

Since the beginning of 2023, phenomena related to climate change have intensified across Europe: heat waves, droughts, extreme weather events and flooding. The estimated damages for 2022 amount to €12 billion (EEA, 2022) and are destined to increase. In Italy alone, extreme weather events that occurred between January and

May 2023 increased by 134% compared to the same period in 2022

(Legambiente, 2023). To promote the low-carbon transition and climate adaptation, the EU attributes a fundamental role to research and innovation.



BENEDETTA LUCCHITTA
Fellow SUR Lab, Bocconi
University

With this in mind, in September 2021, the European Commission introduced an innovative work and management approach for the most critical industries and approved five Missions that the EU is committed to pursuing by 2030: i) Adaptation to climate change; ii) Fighting cancer; iii) Restoring our oceans and waters; iv) 100 climate-neutral and Smart Cities; v) A Soil Deal for Europe. Four of them concern environmental aspects and the topic of climate change is paramount. These Missions summarize and support the priorities defined by various EU programs within the framework of the Green Deal, and are aligned with the Sustainable Development Goals defined by the United Nations 2030 Agenda. The Missions are included in the Horizon Europe Research and Innovation program (Pillar 2 “Global Challenges and European Industrial Competitiveness”) which makes approximately €5 billion available for the 2021-2027 period.

We also expect the mobilization of other sources of investment linked to other European programs and the involvement of private stakeholders. For example, for Mission 1 (Adaptation to climate change) it is estimated that investments could reach €10 billion (EC, 2022). For the implementation of the Missions, ad hoc plans have been defined and approved and a governance structure has been established for their management and to facilitate collaboration between the different directorate of the Commission and the other levels of government.

Monitoring of results and impacts will occur periodically. The first evaluation concluded was in July this year (COM(2023) 457 final).

The objectives of the climate missions are very ambitious. Mission 1 aims to help at least 150 European regions become climate resilient by 2030

Luxembourg Chapter Bocconi Alumni Community

About 200 alumni, including residents and Bocconians just ‘passing through’ are involved in the Luxembourg Chapter’s activities. This BAC chapter was founded in 2006, and has been led since 2022 by Managing Director of AMC Renta4, Guido Chimienti. The chapter’s members mainly come from four areas in particular. “They hail from the European Investment Bank (EIB), the big 4 auditing and consulting firms (Deloitte, PWC, KPMG, E&Y), Ferrero and – in recent years – Amazon,” explains Chimienti. In 2021 the chapter won the award for hosting the highest number of events during the year. What type of events? “Dinner speeches, networking meetings, company visits and at least one career event per year,” shares the alumnus. “We also all try to fundraise.”

active

and Mission 4 aims to make 100 cities climate-neutral and smart by 2030, as to ensure they act as testing hubs to put all European cities in a position to achieve climate neutrality by 2050, capitalizing on the work carried out by various international climate initiatives such as the Covenant of Mayors. As conceived, the Missions aim to create a connection between the EU's strategic objectives, and the instruments, resources and actors needed to achieve them. It is a governance approach that the Commission is implementing for the first time to eliminate or minimize the barriers identified in previous programs, such as overlaps between different initiatives, the failure to use all the resources available, and the poor horizontal and vertical interaction between the various levels of governance for the definition and implementation of innovative policies. The approach therefore aims to systematize the objectives and resources to face the different socio-economic challenges and bridge the gap between research, policy innovation

and policymaking, improving communication and collaboration between various stakeholders, including citizens. These aspects are particularly relevant for the definition and application of policies concerning climate mitigation and adaptation. In fact, climate impacts and margins for mitigation and adaptation differ considerably from one region to another, it is therefore necessary to define place-based measures that are coherent at the various levels of national, regional and local governance, also in order to ensure the resilience of socio-economic systems and ensure a just transition ■

GUIDO CHIMENTI
Managing Director
of AMC Renta4,
Bocconi Alumnus



Control comes at a cost

The analysis of the effects of the Statutory Audit Directive, introduced to improve the quality of the auditing of financial statements released by European companies, highlights how auditing is more expensive for companies in EU countries that invest in their own control bodies and protect their independence

by Annita Florou @

Over the past two decades, the audit profession has undergone a significant regulatory transformation, switching from self-regulation to independent government oversight. In the European Union (EU), this shift was initiated in 2006 with the introduction of the Statutory Audit Directive (2006/43/EC), subsequently amended in 2014. The Directive requires Member States to establish Public Oversight Bodies (POBs) responsible for approving and registering audit firms, setting auditing standards, conducting inspections of auditors, and enforcing disciplinary systems for professional misconduct or non-compliance with regulations.



ANNITA FLOROU
Full Professor
of Accounting,
Bocconi University

The Directive targets primarily auditors of Public Interest Entities (PIE), such as listed companies and financial institutions.

Under the new regime, auditors of PIEs are subject to a full inspection every six or three years, depending on the listing status of their clients. A POB inspection consists of: (a) an assessment of the audit firm's internal quality control systems, and (b) compliance testing of procedures and a review of audit engagement files, which are selected primarily using a risk-based analysis. Upon completion, inspection findings are discussed with the inspected audit firm before the inspection report is finalized. The POB publicly discloses only major deficiencies related to the firm's quality control systems and only does so if the audit firm fails to respond to the report's recommendations within a 12-month period. The POB has the right to perform an investigation (i.e. a second review) if significant issues arise during the inspection or if third parties register complaints. The POB also can take disciplinary action against inspected auditors or audit firms, with measures varying from reprimand to monetary penalties and withdrawal of license.

The introduction of public oversight and POB inspections was intended to improve the quality of auditing of EU companies, and ultimately the credibility of their reported financial

">// In this phase of applying National Recovery and Resilience Plans to individual countries, one can sense the breadth of the supranational institution that is the European Commission, which always looks to the long term. The Commission's calendar works by five-year terms - at the moment we are already working on the mandate of the next Commission - thus remaining relatively protected from the variability of national political calendars. So you begin working knowing that you will have time to finish. The most fascinating part of this activity, however, is seeing how it actually leads to greater integration of both European economies and institutions. NextGenEU, in particular, is an innovative tool whose importance is not assessed by one single measure, but by the new means it offers the EU to be in solidarity with states and citizens. //

information. But, as with most types of regulation, the Statutory Audit Directive was also expected to have non-trivial costs. Examining some of these costs is potentially useful in understanding the net benefits of the new audit regulation. In this regard, Florou and Yuan (2023) report a 4.4% rise in audit fees paid by EU companies, following the Directive's implementation. More importantly, the authors show that this audit fee increase is charged mainly to companies in countries with well-staffed POBs (+12.9%), conducting inspections for longer durations (+5.7%) or at the premises of both the auditor and the regulator (+ 13.1%). In these countries, audit inspections are potentially more rigorous and time-consuming. Additionally, the increase in audit fees is incurred primarily by companies in countries with an inspector cooling-off period (+19.5%) or a mixed-funded POB system with no predominant funding stakeholder (+7%). In these countries, audit inspections are potentially more independent and free from undue influences. Overall, the study shows that auditing is more costly for EU companies, after the new Audit Directive; but only in countries that invest in their audit regulators and protect their independence.

Ultimately, the study highlights the intricacies of the audit regulatory landscape. While the implementation of public oversight in the EU aims to elevate audit quality, it also introduces additional costs manifest themselves in increased audit fees, attributable in part to the heightened audit effort required. However, the findings caution against assuming that the mere introduction of POBs and their inspections guarantees more rigorous auditing. Rather, this depends on the effectiveness of the new oversight mechanisms, which in turn depends on the system's resources and independence. Indeed, the conditions under which public oversight occurs matter because they determine the extent to which oversight and inspection inputs shape the pricing and quality of auditing ■

GABRIELE GIUDICE
European
Commission
Deputy Director –
Directorate General
for Economic and
Financial Affairs -
Economies of the
Member States I
Head of Unit Spain
and Croatia,
Bocconi alumnus



High speed rail unites europe

The most incisive effect of EU policies on rail transport is above all the standardization of technologies and market regulation, in addition to the creation of a trans-European railway network. And Spain is a leader in business models, having evolved the Italian model of competition

by Oliviero Baccelli @

The development of efficient High-Speed Rail (HSR) services is a priority of EU policy, both to promote economic and social cohesion through integration between the main metropolitan cities of the Continent, and reduce air traffic in order to reduce the level of emissions of greenhouse gases and local pollutants. In fact, for distances of up to 600-800 kilometers, HSR offers an alternative to flying with environmental externalities that are



OLIVIERO BACCELLI
Academic Fellow
Department of Social and Political Sciences,
Director of MEMIT -
Master in Economia Management dei Trasporti, delle Infrastrutture e della Supply Chain,
Bocconi University

equal to approximately one tenth of air travel, as well as better levels of comfort and organizational simplicity for passengers, thanks also to the location of railway stations in central urban areas. The EU target is to double the number of passengers between 2015 and 2030 by encouraging the use of common standards for signaling and safety systems, the management of infrastructure capacity and the digitalization of marketing systems, as well as promoting the liberalization of the sector.

At present, the HSR network in Europe is 11,990 kilometers long, with 3,062 km under construction, 5,913 km in an advanced state of planning and 3,316 km planned in the longer term. The EU also supports this development with community co-financing intended for Trans-European Networks (TEN-T), with a focus on cross-border sections, which can receive funds equal to 50% of the overall cost, and integration with airports, to promote aspects of both integration between railway services and long-haul flights and the replacement of short-haul flights.

In reality, the most incisive aspects of European policies are not only linked to infrastructure policies, but rather to the aspects of standardization of technologies, regulation of access to the market, and critical infrastructure, promoting innovative forms of competition and collaboration between operators.

After the pandemic crisis, which forced a downsizing of services, particularly international ones, the business models of European operators have developed rapidly since the second semester of 2021. The epicenter of business innovation is the Spanish market, where 4 different railway companies operate offering diversified HSR services. The results of this evolution, made

">// The economic crises overcome in the last 15 years have consolidated the EU not only economically, financially and monetarily, but also politically. We see this today with the war in Ukraine, regarding which the choice to expand the Union in 2003-2004 proved to be a very wise decision. In fact, at a time when everything was going well, it was decided not to close the borders but – on the contrary – to open our arms to other countries beyond the former iron curtain, bringing peace and stability. Europe is a treaty among countries that do not always think the same way, yet share common democratic principles, and I believe that this is the most important basis for building a peaceful future. //

possible by the entry of French and Italian operators in the Spanish market, are particularly positive in terms of increase in the number of passengers recorded between Q1 2022 and Q1 2023, differentiated depending on the intensity of the competition. Based on data from the Spanish Competition Authority, which monitors market data in great detail to make eventual regulatory corrections in this phase of major changes promoted by the evolution of the EU regulatory framework, between Madrid and Barcelona there was growth in passenger travel of 56.9%, between Madrid and Valencia of 119%, between Madrid and Malaga/Granada of 29.9%, and between Madrid and Alicante of 19.9%.

The Spanish market sees itself as an evolution of the Italian model where two high-speed railway companies have been operating in direct competition for ten years, offering a benchmark on a global scale, having been the first railway market to have such a high degree of liberalization. Among the elements that can be replicated on a European scale that have emerged in the last two years in Spain there is also transport flexibility, such as the "Beach Trains", seasonal services to the main tourist locations, and the new attention to international long-distance trains, such as the Marseille-Madrid

and Lyon-Barcelona routes. Furthermore, collaboration between shareholders with different backgrounds are also partially new. For example, the Iryo joint venture, promoted by the Italian FS Group for the Spanish market, has a regional airline and an investment fund specialized in the transport sector owning shares alongside the railway company. The involvement of long-term private investors is made possible by the possibility of replicating formulas that use increasingly innovative trains on multiple European markets, thanks to the use of traction and control technologies that once constituted barrier elements to market entry because they were non-homogeneous between the networks of individual countries but have now become increasingly standardized thanks to EU regulations ■

ROBERTO SCHIAVI
Director General,
Directorate General
Corporate Services,
ECB
Bocconi Alumnus





Taking Putin to court?

Europe's moral and practical response against the Russian invasion of Ukraine has seen a flourishing of initiatives on international criminal justice. However, not everything that has been proposed is legally justifiable, such as the prosecution of a sitting head of state without the consent of that state

by Roger O'Keefe @

“We will leave no stone unturned to hold Putin and his henchmen accountable.” The stirring words of Ursula von der Leyen, President of the European Commission, in July 2023 speak to Europe’s leadership of criminal-justice responses to Russia’s brutal attack on Ukraine. For eighteen months the European Union (EU), the Council of Europe and individual European states have been at the forefront of efforts to bring to justice those



ROGER O'KEEFE
Full Professor
of International Law,
Bocconi University

responsible, especially at the highest levels, for what are credibly alleged to be international crimes committed in the context of the conflict – war crimes and crimes against humanity on a massive scale, perhaps even the crime of genocide, and the crime of aggression constituted by the unlawful invasion itself.

European states were instrumental in the March 2022 referral of the situation in Ukraine to the International Criminal Court (ICC), which one year later issued a warrant for the arrest of Vladimir Putin for alleged war crimes. Seven of these states have also combined with Ukraine and the ICC to deploy, with the assistance of the European Union Agency for Criminal Justice Cooperation (Eurojust), a joint investigations team to facilitate both international and national investigations into international crimes in Ukraine. In further support of all such efforts, Eurojust now hosts too the Core International Crimes Evidence Database and the International Centre for the Prosecution of the Crime of Aggression against Ukraine. Additionally, the EU has joined with the UK and the US to form the Atrocity Crimes Advisory Group, which lends technical expertise to improve the capabilities of the War Crimes Unit of the Office of the Prosecutor General of Ukraine. A separate focus has been a civil-society proposal, backed politically by the Parliamentary Assembly of the Council of Europe but still under discussion, to establish a special international criminal tribunal or internationally-assisted tribunal within the Ukrainian criminal justice system to prosecute the Russian and Belorussian leadership for the crime of aggression, which falls outside the jurisdiction of the ICC in this instance.

The moral and practical leadership shown by Europe in these ways is a fitting response to the

In 2022, the Court of Justice of the European Union celebrated its first 70 years, launching the theme ‘Bringing justice closer to the citizen’ and organizing an Open Day. Celebrating this anniversary was just one of the Court’s activities to reiterate its orientation towards greater transparency, which already relies for example on the European Judicial Network, a platform for exchange between the Court and other courts that are part of the same Network. A focus on transparency is also reflected in the publication of monthly case law bulletins, which include compilations of the summaries of decisions by the Court of Justice and General Court that deserve particular attention.

revulsion and anger felt across the continent at the horrors visited on the Ukrainian people by ordinary Russian soldiers, their military commanders and those in charge of their country and its Belorussian satrapy. At the same time, it presents challenges both legal and political. Legally, the prosecution of the sitting head of a foreign state before a national or international court without the express or implied consent of that state is difficult to justify in the light of the immunity from prosecution by other states from which that head of state benefits under international law. The same goes for the prosecution of any serving or former foreign state functionary, including ordinary soldier, in respect of acts performed on behalf of the state. That said, some European states claim that the latter is not the case in respect of alleged international crimes, while the ICC has held, albeit unconvincingly, that even the former is not so for an international criminal court. The fact remains, however, that Russia cannot be legally compelled to surrender suspects to either a foreign or international criminal court. While this does not prevent prosecution in absentia before a Ukrainian or other national court, it bars the trial of Putin and others before the ICC.

Politically, the establishment an international tribunal

specifically to try Putin and others for the crime of aggression would smack of selectivity, even hypocrisy, given the US-led invasion of Iraq in 2003, NATO's military campaign against the Federal Republic of Yugoslavia in 1999 and other manifest yet unpunished violations of the UN Charter.

The wisest course of action for the EU and European states for now would be simply to continue to support and cooperate in the collection, preservation and sharing of evidence, including with the ICC, of international crimes in the context of the war in Ukraine and to continue to help to build capacity to prosecute such crimes at the national level, especially in Ukraine. The future is unknowable, but it is prudent to be ready for favourable twists of fate ■

ALESSANDRA
TIRRITO
Lawyer
at the Court of
Justice
of the European
Union
Bocconi Alumna



Targeting issues

The Digital Markets Act and the Digital Services Act define the European strategy on online advertising, acting on issues of transparency, the targeting of minors and the protection of sensitive personal data

by Francesco Decarolis @

The heart of the digital economy beats to the rhythm of online advertising. Overall, €86 billion were spent on online advertising in Europe in 2022. The corresponding value for the US is even larger: nearly €200 billion. After a slowdown due to the pandemic, the online advertising market has started to grow again and has now firmly replaced advertising on traditional media (TV, radio and print media). This enormous volume of spending is in turn the source of economic success for almost all Big Tech giants.



FRANCESCO DECAROLIS
Full Professor
of Economics,
Bocconi University

Suffices it to say that almost all European advertising on search engines takes place on Google, and that this type of digital advertising alone accounts for 44% of all online advertising. Another 25% is spent on social media where Meta, with its Facebook and Instagram platforms, plays a central role. The third main channel, which is worth roughly an additional 25%, is display advertising, where publishers and website owners sell screen space to display advertising messages.

The reason for the success of online advertising is simple and lies in its effectiveness due to targeting. When we do an online search, the advertising we receive on the search engine is targeted to the content of our search.

There are limits, however, to what can be targeted. For example, starting in the summer of 2021, Google has banned the targeting of minors. Similarly, in many countries, including Italy, there are laws that limit advertising in various fields ranging from politics to gambling and medicines. And these types of restrictions are set to increase significantly in the coming months with the advent of the new rules on digital markets established by the European Union.

In particular, the rules are contained in two new EU regulations: the Digital Markets Act and the Digital Services Act. These new rules define a European strategy for online advertising that moves along two main axes. The first, as mentioned, is to impose restrictions on targeting restrictions, all forms of targeting of minors are prohibited, as are those based on sensitive personal data, i.e. data that may reveal racial or ethnic origin, political opinion, sexual orientation, health status and so on. The second

For my internship at the EIB, I am part of the Impact Management Unit, where I am contributing by drafting a report on the measurement techniques for European

Investment Bank projects. I help compare the Bank's analysis methods with the techniques of other similar institutions, while also focusing on the ex-post performance differences between European and non-EU projects. I am concretely involved in day-to-day operations and I have had a hands-on role from the start.

This has allowed me to begin to understand the complexity of the Bank's structure from the inside.

direction is transparency in the interactions between digital platforms and their different users. For consumers, transparency means being able to know why they were targeted by a certain ad. For publishers and website owners, transparency consists in having access to detailed information on how the advertising space was allocated on the intermediating platform. Finally, for advertisers and their agencies, it is about being able to see exactly how the budgets allocated to the various advertising campaigns are spent.

This strategic vision is based on clear issues: the protection of privacy, especially for the most sensitive categories, and the promotion of competition between platforms, making it easier to measure the effectiveness of the various advertising channels and tools.

There are many open questions. For example, how achievable are transparency objectives when artificial intelligence algorithms now often determine the allocation of advertising? The complexity of algorithms makes their choices inexplicable to date. But the more complex question is how desirable it is to move towards a less advertising-based digital world. Advertising collection has allowed tech companies to

provide services without requiring payments from users, but often exploiting their data. An alternative is a digital world revolving around subscription-based business models. The EU strategy has not gone so far as to ban targeting, but the restrictions are an incentive to think about business models more disconnected from online advertising. The strength of this stimulus will help determine the evolution of digital markets in the coming years ■



ELISA ARMAROLI
Bocconi University
student, internship
at the European
Investment Bank

It's not true that Italian law applies

Even the administration of criminal justice, which is traditionally considered a national preserve, is influenced by European law. Two penal law cases demonstrate this

by Tommaso Trinchera @

Not everyone knows that EU law also has a significant impact on the criminal justice system. Let me give you two examples. Hassen El Dridi is an Algerian citizen who entered Italy illegally without a residence permit. The prefect of Turin issued an expulsion decree against him and, subsequently, the police commissioner of Udine issued a removal order. During police checks carried out some time later, Mr El Dridi



TOMMASO TRINCHERA
Assistant Professor
of Criminal Law,
Bocconi University

was found still in Italy and therefore reported for the crime listed in the Consolidated Law on Immigration which punishes a foreigner who does not comply with the expulsion order with a prison sentence. After being sentenced to a one-year prison sentence in the first instance, Mr. El Dridi was acquitted by the Court of Appeal which - after having consulted the Court of Justice of the European Union for a preliminary ruling - deemed to disapply the Italian incriminating provision because it is in conflict with the European Directive on repatriations (Directive 2008/115/EC).

Now consider P.O., owner of a copy shop, who illegally made photocopies of texts covered by copyright for the purpose of selling them to customers. The administrative authority that ascertained the infringement inflicted Mr. P.O. a financial penalty amounting to almost €6,000. Since the Italian law on copyright (Law 633 of 1941) provides that the same conduct constitutes the elements of a crime punishable with a prison sentence as well as a fine, Mr. P.O. is subjected to criminal proceedings. However, the Constitutional Court - addressed by the judge who was deciding the case - considered the rule that allows criminal proceedings to be held against a person accused of a copyright infringement to be constitutionally illegitimate, if for the same fact he or she has already been subjected to administrative proceedings of a punitive nature. According to the Court, in fact, the duplication of sanctions for the same violation conflicts with the right of *ne bis in idem* provided for by European law and, in particular, by art. 4 of

Frankfurt Chapter Bocconi Alumni Community

A community of 450 alumni and catchment area ranging from the European Central Bank (ECB), to sectors that might seem less associated with a city like Frankfurt – namely pharmaceuticals, chemicals and automotive. Francesco Cometa, Principal Banking Supervisor at the ECB and BAC Frankfurt Chapter Leader, describes the group he leads and with which he focuses on networking, career advice and mentorship events. "Frankfurt has a strong international outlook. In addition to the ECB, there are also the European Insurance and Occupational Pensions Authority (EIOPA) and numerous international banks. Turnover is fast and the city is often among the top destinations in one's career."

Protocol no. 7 of the European Convention on Human Rights (ECHR). So what do the stories Mr. El Dridi and Mr. P.O. have in common? Both cases demonstrate, in a tangible way, how disruptive the impact of European law can be on the Italian legal system, even in a department - that of the administration of criminal justice - which is traditionally thought to be anchored to the national context. European law that affects the national legal system is emanated both by so-called "little Europe" (i.e. the European Community, now the European Union), and that of so-called "big Europe" (the Council of Europe, and the European Court of Human Rights in particular). The effects that European law can have on national criminal law can be seen in two ways: on the one hand, European law can require the removal from the national legal system of those criminal provisions that are in conflict with it ("reductive" effect); on the other hand, although it does not contemplate rules that directly address crimes, European law can impose on the national legislator the obligation to legally contemplate new forms of crime, when this is

necessary to better protect the interests of the European Union or to guarantee effective protection of a right recognized by the ECHR ("extensive" effect) ■



FRANCESCO
COMETA
Principal Banking
Supervisor at the
ECB, Bocconi
Alumnus

Integrating Europe through public

Integration through law has been the basis of European integration since the beginning. Now there is the new integration 'through money' represented by Next Generation EU, which although only a temporary plan could lead to stronger cohesion

by Maria Antonia Panascì @

Among the founding paradigms of the European Union, that of the so-called "integration through law" has more than all captured the essence of the European project. The centrality of law as an object and at the same time agent of the integration process explains the self-representation of the EU as a "new kind of legal order" even before its self-identification as a new political subject. Even in language, after all, the EU was first and foremost a



MARIA ANTONIA PANASCI
Research Fellow at
Department of Law,
Bocconi University

legal experience: many developments in the evolutionary process of the EU have often been presented as a technical necessity rather than as a political choice. At least initially, issues relating to structural disparities between states and inequities within states did not determine the sense of identity of the Union. In other words, the EU was not conceived with an explicit distributive mandate; or rather, it was the market that was supposed to distribute wealth and induce a progressive convergence in the economic and social structures of the member states. With the exception of cohesion policy, the Union's intervention in the economy was traditionally expressed in terms of regulation rather than spending.

Perhaps the most eloquent example of how the regulatory technique has prevailed in all areas of the integration process, including those that are ill-suited to the supposed ideological neutrality of the instrument, is the Economic and Monetary Union (EMU). The well-known asymmetric nature of the EMU, in which the monetary union is not accompanied by a fiscal union, reflects the hypertrophic production of numerical rules and parameters, on the one hand, and the absence of a central intervention mechanism (fully redistributive and supranational, rather than intergovernmental like the ESM) with macroeconomic stabilization effects, on the other.

Considering the framework outlined, Next Generation EU (NGEU), the European investment plan financed by the issuance of common debt, although temporary, stands as a "critical juncture" capable of generating transformative effects on the European economic

My internship within the Department of Statistics at the European Central Bank (ECB) is, among other things, very stimulating thanks to getting the chance to work with colleagues and managers within a horizontal hierarchy. The Department of Statistics receives and processes data from National Central Banks and private providers. The aim is to redistribute these data to the National Central Banks, or to other ECB departments, after they have been reorganized and hierarchized into new databases, enriched with more information. In particular, in the regular contacts and training sessions with the National Central Banks, the effective role of the ECB acts as a glue among the various EU member countries.

spending

constitution because it has complemented the traditional paradigm of "integration through law" with a new model of integration through public spending ("integration through money"). The indebtedness of the Union for purposes of equalization, pursued through the legal instruments of cohesion policy, marks a twist in the organization of the Union's competences which could persist after at the end of NGEU. Social cohesion could therefore become the driving force for a veritable EU economic policy, somehow paying remedy to the genetic incompleteness of the EMU.

Even more significant is the influence that NGEU could exert on European social citizenship, detaching the conceptualization of the latter from the discourse on free circulation within which it has been primarily framed and disassociating it from exclusionary and libertarian traits of which it has often been accused. The spending financed by NGEU could inaugurate a more

incisive cohesion policy for the benefit of citizens left on the margins of the European project. Furthermore, contributions to the EU budget, which will indirectly fall on the citizens of the Member States required to repay the debt contracted for NGEU, could give a more robust regulatory foundation to the bland duty of solidarity between European peoples listed in the Treaties.

The innovative scope of NGEU perhaps lies precisely in the new that is yet to be born ■

ALEX LUCCHINI
Bocconi University
student, intern at
the Department of
Statistics, ECB



“

The opportunity you have given me and your altruism are important incentives for me to do my best. I can only reciprocate your generosity with my best efforts, ensuring that your help is not only not wasted, but represents significant added value.

Piercarlo PETROSINO

ALUMNI SENIOR SCHOLARSHIP FUND
GRADUATE

JOIN TODAY'S ALUMNI TO SUPPORT
TOMORROW'S STUDENTS. A PACT
BETWEEN GENERATIONS THAT WILL
ALLOW THEM TO HAVE THE SAME
OPPORTUNITY THAT YOU HAD:
STUDYING AT BOCCONI.

[GIVE NOW](#)

FIND OUT MORE AT
GIVING.UNIBOCCONI.IT

Guardare al domani partendo dai dati dell'oggi, consapevoli di dove eravamo ieri. Così dovremmo prendere le decisioni più importanti per costruire un futuro sostenibile per la nostra società.

