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BOCCONI UNIVERSITY, KNOWLEDGE THAT MATTERS

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OUTLOOK

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Student, professor, Rector, President: for sixty years he has been a protagonist of the life of Bocconi to which he will continue to dedicate himself by leading the Javotte Bocconi Institute. To thank him for his commitment to the University, Italy and Europe, on 7 December the entire Bocconi community gathered in a warm embrace attended by the President of the Republic, Sergio Mattarella, and the President of the European Commission, Ursula von der Leyen

Thank you





Photo Gallery



Video



Institute
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Mario



I tell young managers: “Follow the people, not the role”

by Emanuele Elli @

Margherita Della Valle, CFO and interim CEO of the Vodafone Group and Bocconi Alumna of the Year 2022, talks about herself: from her beginnings in what was then a startup betting on the future of telephony, Omnitel, to financial leadership of Vodafone in an executive role still predominantly male

Margherita Della Valle asked her niece, also a student in Via Sarfatti, to be present at the ceremony where she was awarded as Alumna of the Year, to underline a continuity of Bocconi women graduates that began with her mother and has now reached the third generation. The issue of female empowerment and women's access to STEM degrees and the professions associated with them is felt as her own by the Chief



MARGHERITA DELLA VALLE
A Bocconi DES graduate (1988), is currently Chief Financial Officer and Executive Director of Vodafone Group (interim CEO from January 1, 2023). She joined Omnitel when it was founded in 1994 and held various roles within the cellphone company to reach executive positions in Finance. "I owe a lot to my experience at Bocconi and in particular to DES which, at the time, was still a fledgling program", says the Bocconi Alumna of the Year 2022. "We were like a class, we had a very close relationship with the professors and also between us. And then there was an ideal combination of social and natural science which at that age is very important to open the mind in all directions. The most important aspect was precisely this: not having studied a trade but having built your professionalism". Elected Chairman of 100 Group, the association that brings together the CFOs from the top hundred companies listed in the FTSE index, Della Valle is also the founder of NXT GEN Women in Finance.

Financial Officer and Executive Director of the Vodafone Group (appointed interim CEO from January 1, 2023), not only because she herself is still an uncommon example as a female CFO, but because she has always devoted a part of her time and effort to working for a reduction of a gender gap which is still too large in some professional areas.

→ **What prompted you to enroll at Bocconi? Did you imagine you would pursue a professional path**

in a traditionally male discipline like finance?

The example of my mother, who studied here and recommended a program like DES, greatly influenced my choice of Bocconi. I didn't know what to expect initially, but I approached the University with a very open mind and with the idea of building a career that would let me achieve independence rapidly. I was also lucky, of course, because in 1993 I bet on a small startup, Omnitel, which had made its debut in an unknown business such as mobile telephony at the time and then ended up becoming a large company. I worked in various roles at Omnitel, from marketing to data analysis, the sole common denominator being the habit with numbers and quantification that has always accompanied my days as a business executive.

→ **Is it still possible today to develop your career by staying in the same company? Under what conditions?**

When I started at Omnitel, there were thirty employees and we had six months to launch a new cell phone service from scratch. One can only imagine all the different jobs I had to do during startup phase. With the growth of the company, of course, everything changed, but the curiosity to discover and explore all the facets of my job has stayed with me. For this reason, despite being offered other career opportunities, I always found more interesting the new challenges the company was offering me periodically, choosing to follow the right people rather than the right tasks. What I feel like saying to young people is just this: follow the people, not the roles.

→ **How has the role of CFO changed over the years and what is its primary function within a large group?**

The fact that I am CFO speaks volumes about how the role has changed. Not only because I'm a woman, but because I come from business management rather than, as is customary especially in Anglo-Saxon countries, from administration or auditing. Today the CFO is increasingly the person who sits on the board with the CEO and sees the whole business at 360 degrees. For a curious manager like me, this was an almost irresistible attraction. Over the years, the aspect that has evolved the most is the importance that data has taken. Even 25 years ago at Omnitel, I was doing what today would be called data analysis, creating the analytical infrastructure of the company for what was possible then. The quantitative attitude is therefore part of my DNA, but it had to grow enormously to keep up with what is happening today. The use of data has completely changed the functions of finance: in a company nothing can be managed instinctively anymore, all decisions, at all levels, are data driven and finance has precisely the task of maintaining this discipline. From the CFO down, everyone must know not so much how to read data but how to ask the right questions to financial and data analysts to bring all corporate functions to decisions based on the actual figures. Also, knowing commercial

THE ALUMNA OF THE YEAR



aspects is a valuable plus for anyone working in finance. For this reason, in my teams, I try to mix numbers specialists with less technical profiles.

→ ***In an interview you said that: "The financial function is also able to answer questions that have a social nature". What is the contribution of a CFO to a company's ESG strategy?***

ESG principles represent a great opportunity for the entire world of finance because they offer the possibility of aligning the economic interests of investors with those of stakeholders and society. In addition, they are an important element of attraction. Especially young people are very sensitive about environmental and social issues. At Vodafone we are at the forefront of the transformation of society and we really have the possibility to shape the purpose which is at the heart of the company. The development of mobile money services, for example, is having a major impact in Africa, opening the market for financial services to segments of the population that could not access the banking system. From the transfer of money between smartphones to the payment of wages, almost 50 percent of the GDP of African countries in which we operate goes through our platform, which has therefore spurred growth and opened up market access in these countries.

→ ***Of all executive roles, CFO still has the largest gender gap. Out of the top 100 companies in the FTSE index, only 15 have women in your position. What explanation do you give yourself for this fact and what type of initiatives have you implemented to bridge the gap?***

There is still a lot to do in companies from this point of view, but I think the most complex aspect to change is the so-called unconscious bias, which are the implicit forms of prejudice that are present throughout society. The leadership characteristics in the light of which women are evaluated, and on which many women compare themselves, are mostly drawn from male profiles. As long as this is the case, change will be slow and tiring. Even today, many companies that are intervening to favor women push them to adopt the behavior and skills of male models. Instead, we need to change the paradigm from the ground up, starting with the young. With the mentoring program that I established together with other thirty female CFOs of large European multinationals, we are selecting and training the next generation of Finance executives, making our time and experience available to young female graduates. It is a rewarding project that allows for a two-way exchange, because we too benefit from absorbing the novelty, enthusiasm and stimuli coming from the young people we mentor. Furthermore, it is a project that is already inspiring similar initiatives. During the awards ceremony at Bocconi I was approached by three young managers who want to replicate this form of mentoring in Asset Management, an area where the presence of women is even smaller, if that's possible. ■

Bocconi Podcasts

MUCH MORE

THAN WORDS

Bocconi podcasts enable listeners to go deeper and learn more about topics that really matter, in order to get inspired and gain new perspectives on relevant issues. Another way to fulfill our mission of spreading knowledge around the world.

Welcome to our podcasts.



What are the causes behind the most puzzling issues of our time? This series of talks shines a light on solutions for this chaotic world, in order to gain clarity thanks to the experience of guest experts interviewed by David W. Callahan.



Everybody tells a story. But nobody tells it as we do. This podcast series collects facts and reports from ViaSarfatti25, Bocconi University's magazine. Listen to what professors and researchers have to say about the big topics in the fields of business, management, data science and politics.



Bocconi University's Rector Gianmario Verona meets top executives in the frontline in facing the challenges of the digital century. Bite-sized talks with plenty of insights. Stay tuned!



THINK DIVERSE is a fresh and deep look at the issues surrounding diversity and inclusion. The host, Catherine De Vries, is Dean for Diversity and Inclusion at Bocconi. In every episode, she picks the brain of one of her Bocconi colleagues about their research about diversity and inclusion topics.

www.unibocconi.eu/podcast/

THE RECTORAL COMMITTEE



In the photo, from top left clockwise: Stefano Caselli, Myriam Mariani, the rector Francesco Billari, Paola



Training future-proof students

The University's role in research and society, the desire to complete the journey toward a great university of the social sciences, the aspiration to leave a positive mark on the world by generating new ideas and training young people ready for all challenges: new Rector Francesco Billari and his team of Deans tell their story

by Andrea Celauro, Tomaso Eridani,
Davide Ripamonti @
Photo by Paolo Tonato

Catherine De Vries, Pietro Sirena, Paolo Pinotti, Andrea Fosfuri, Elena Carletti, Trofeta, Antonella Caru, Carlo Salvato, Chiara Fumagalli.





FRANCESCO BILLARI RECTOR

There is a memory that comes back overwhelmingly in the mind of **Francesco Billari** when he is asked where his interest in demography, which he teaches at Bocconi University, originates from: his fifth-grade essay on the most widely spoken languages of the world, when he had put together the data for each single country, since “there were no ready-made statistics.” In doing so, he was combining those elements that would accompany him for life: a passion for data, geography and the study of the world through the study of people. He lacked a place to call home, where he could shape and develop all this. Bocconi has become that place. A home he sometimes had to leave for international projects, including the leadership of a research group in the Max Planck Institute for Demographic Research in Rostock or as Chair of the Department of Sociology at the University of Oxford. But it is an academic home (“that I wish to take care of”) that he always returns to and has been leading as Rector since November 1st.

→ **What do you see in the future of your University?**

The external environment is changing very rapidly, we must react both in terms of research and teaching. In research, we must be able to anticipate trends and do research that can change, even slightly, the trajectories of society. In teaching, we must be able to train future-proof students. Young people that are ready for the upcoming trends in the world of work. But also, students who want to make a positive impact in society.

→ **Which elements of innovation would you like to bring to Bocconi?**

The establishment of Bocconi as a great global university which studies the social sciences in the broadest sense. For this we will have to deal with cognitive science and behavioral science, exploring how people make their decisions across different areas and time periods.

→ **Teachers and role models to be inspired by are important. What were yours?**

For demography, Carlo Maccheroni and Giuseppe Micheli. When I returned to Bocconi after my first experience abroad, Michele Cifarelli, who called me precisely to oversee that branch of statistics that is more oriented towards describing the world. And Lorenzo Peccati, who transmitted his love for Bocconi to me and always advised me.

→ **And outside the University?**

My doctoral thesis supervisor, Fausta Ongaro, who taught me rigor and seriousness in research.

→ **Which role models would you like students to meet at Bocconi?**

Professors and leaders who, beyond their skills and roles in companies or institutions, have the goal of building a world in which the new generations can live and grow. People who put the values of inclusion at the center of every action. It doesn't matter if they work in finance or in non-governmental organizations: we must all contribute to reducing inequalities and making the world more socially and environmentally sustainable. We need women and men who can leave a positive footprint in the world and who can be an inspiration for young people.

→ **From role models to your model of University.**

I think that the role of a university like Bocconi is fundamentally

to train managers and corporate and institutional leaders who are capable of seizing innovation and transfer its benefits downstream to the rest of society. Let's take the example of the vaccine: it is good that you invented it, but if you don't have the ability to spread it to everyone, we have not solved the societal challenge. But this is only possible if teaching is closely linked to research. Bocconi has established itself as a research university, i.e. a university that generates ideas.

→ **So, what does research represent to you?**

It is one way to contribute to the formulation of policies that shape society. That does not mean that only applied research is needed. In fact, the key to Bocconi research lies in the balance between basic, theoretical, visionary research projected towards the future, and applied research, which has an immediate impact on the economy and on businesses.

→ **The demographic question is a hot topic in Italy today. Do you feel you the burden of responsibility as a demographer?**

Demographers have been very good at communicating so-called ‘slow demography’, which is the one that starts from the idea that society is characterized by megatrends that change very slowly. But there is also a fast kind of demography - demography is not exogenous, it is also a consequence of policy. Everything that happens in Italy in terms of families’ household behavior also depends on political decisions. If we want to change a population, repopulate an area or slow down depopulation, we need to think about people migrating to those places. I therefore feel the duty, as demographer, to study and portray the impact of fast demography.

→ **As a demographer you regularly use data in your research work. What is their real value today?**

Max Roser is an economist I had the privilege of knowing during the time I spent working at the University of Oxford. He is a startupper of ideas and data. In 2011, when he was 28, he founded OurWorldinData.org, an open-access online platform which “presents the data and research needed to make progress.” Several million people access the platform every month, which is used by journalists, officials and politicians. Today data are the basis of research and therefore of progress. We must learn to use them better and above all not be afraid of them.

→ **From Max Planck to Oxford: what have you learned from those experiences?**

In Rostock I proposed my candidacy for what then seemed a crazy position for Italian standards: to be a leader of a research group with its own separate budget. But in fact, it is the model that would later give shape to projects of the ERC, the European Research Council. We need to bet on good ideas and thus make researchers grow. In Oxford, as Department Head, I was responsible for both the academic and the administrative aspects. So it meant taking a cold shower of realism, since I had to manage the trade-off between academic excellence, which is taken for granted at Oxford, and budgetary constraints. Oxford cannot afford to pay the salaries of Harvard or Stanford, but it manages to offer a package that is attractive and consistently makes it to the top three positions in the world.

→ **The different roles you held at Bocconi were a sort of**



THE RECTORAL COMMITTEE

training ground to prepare you for the position you hold today.

In 2005 the project for a center for research on social dynamics was conceived and I was called to oversee its creation. The Dondena Research Center, launched in 2006, uses the statistical approach and applies it to important issues such as social mobility, demographic dynamics, gender, inclusion, and families - all issues that weren't so mainstream at the time. Above all, it embraced two concepts that are fundamental for Bocconi today: interdisciplinarity on foundational topics and disciplinary breadth. You can say that my role as an academic startupper contained the embryo of the experience I now have to face as Rector.

→ ***The experience and responsibility in understanding and managing an institution must also come from your previous experiences as Dean for Development in 2009 and Dean of the Faculty in 2016.***

In the first role, where I was called by Rector Guido Tabellini to relaunch fundraising (another element that is present in the strategic plan), I was able to concretely take care of Bocconi, learning to know all its facets and entering into a dialogue with everyone. The second role, as Dean of the Faculty in Gianmario Verona's rectorate, allowed me to contribute to the mission of attracting the best talent here, in a period when the University was focusing on broadening its disciplinary spectrum and on the international quality of the faculty.

→ ***All three of those roles force the University to look outside its own walls.***

A university has the task of cultivating basic thinking (including 'theoretical' research) and 'applied' thinking, with a strong focus on the second aspect, precisely in order not to incur the risk of becoming an ivory tower. On the other hand, society and institutions have the task of financing not only research that is immediately applicable but infrastructures for theoretical research, because only by generating new ideas can innovative solutions be found. Between universities and companies there must be real partnerships that hold both these dimensions together.

→ ***The impact of the ideas generated also passes through one's students..***

You need to increase the diversity of your community, be inclusive and therefore act as an engine of social mobility. In this, Bocconi is doing a lot with scholarships, financial aid and funding projects destined to young people who would hardly have the opportunity to choose a university of excellence. We shall do even more. Furthermore, the aspiration is to be able to do more also at the international level, welcoming refugees and people from troubled countries. Young women and young men who have a motivation to improve the world is contagious, both with respect to fellow students and other components of the Bocconi community.

So far the scholar. But who is Francesco Billari?

A very attentive person who listens to others. On the outside I can appear very calm, in reality I am moved by passion, in everything I do. In addition to research, there are two things that make my heart beat faster: FC Inter football team, and wine which I approach with the same intensity with which I approach a new research project: collecting data and studying. Today I am a certified sommelier and taster. ■

ELENA CARLETTI

Dean for Research

She graduated from Bocconi in 1993 (Master in Economics in 1994) and only returned in 2013 as a Full Professor at the Department of Finance. She did her PhD at the London School of Economics, then taught at Mannheim and Frankfurt, before returning to Italy, at the European University Institute in Florence. A passion for the world of banking, at the intersection between economics and finance, perhaps written in her destiny since, as she says, "I was born in La Spezia right in front of the local branch of the Bank of Italy. From the terrace of my building I watched theirs. And I saw my future as a part of that world".

Elena Carletti is the new Dean for Research, an increasingly central area in the challenges of the present and the future for the university headquartered in Via Sarfatti. But it is also one of the areas in which the University has made giant strides in recent years, becoming one of the centers of European excellence in research. An extremely sensitive but also stimulating task: "There are essentially two types of research", explains Elena Carletti, "one more methodological and the other more applied, which have equal importance and dignity. My job will be to valorize research, award prizes and incentives, take care of grant applications and the journals in which we publish our research". But not only that. Because research must increasingly enter the classrooms and pervade the outside world. "In particular with regard to applied research, we must increasingly involve the community of alumnae and alumni, who have shown considerable interest. And I also want to try to better understand the impact of our research". This also in light of the considerable complexity brought by the birth of whole new departments, like computing sciences: "The heterogeneity of research is important, the job of the Dean for Research will also be to understand how to evaluate these new areas". In addition to her scientific reputation, Elena Carletti was chosen because she does not live in the ivory tower where pure scientists are said to reside: "I don't live only for research", she explains, "I take part in institutional committees and company boards, and for me research has mostly been about coming into direct contact with the world. And I

am certainly very open to listening to and welcoming new ideas about how to enhance research both inside and outside our university. Over the years Bocconi has become a truly research-oriented institution, and I was given the task of making the University take another leap forward".





ANTONELLA CARÙ

Dean for Development and Alumni Relations

The only thing constant is change. For Antonella Carù, Full Professor at the Marketing Department and Dean for Development and Alumni Relations, her new position builds on the legacy of her mandates as Dean of the Graduate School and Dean of the Undergraduate School: "Already in my previous role I had a strong interaction with companies and alumni in particular", she says, "who now have become my main point of reference. The alumni community is a fundamental resource of Bocconi and I will strive to strengthen the alma mater's relationship with them, and at the same time, strengthen the value of the community also in the minds of younger students and recent graduates". Her mandate also includes fundraising "which is essential for our university to be increasingly inclusive and attractive for deserving students regardless of their economic and social backgrounds, and remain at the forefront of teaching and research".

Antonella Carù has been a Bocconian since her university days, "with the idea, at least at the beginning, of working in a company, something that soon faded away when I was offered a job by the University". She was Graduate School Dean for ten years, a long period of time over which she saw the University change and grow. A challenging and beautiful period, always characterized by strong team spirit, which emerged in particular during the hardest period of the pandemic, when we had to take momentous decisions, always trying to do our best in moments of great uncertainty and concern".

Returning to the theme of change, Professor Carù considers that Bocconi made a major qualitative leap with the disciplinary expansion towards political science and data science. "In recent years, we have launched five new graduate programs in areas that are beyond the usual scope of Bocconi," says Carù. "This means a great enrichment for us and to accept the challenge posed by the future. It also demonstrates that our University is capable of looking at the evolution of societal and employment trends and not be displaced by them. Indeed, that Bocconi is capable of anticipating socio-economic changes".

STEFANO CASELLI

Dean of SDA Bocconi School of Management

"I am very grateful to Bocconi because I arrived here as a young man in the right place at the right time, in an institution that had a great history but above all a huge potential for growth". Stefano Caselli, Full Professor at the Department of Finance and freshly-appointed Dean of SDA Bocconi School of Management, arrived at Bocconi in 1994 directly from Genoa, where he had graduated and where as a child had decided that being a university professor would be his job. Or maybe his mission. "I arrived as an assistant professor and at the same time I enrolled in the doctorate at Siena, because the PhD had not yet been launched at Bocconi. And, almost immediately, I was also involved in SDA. Very hard but exciting and creative years". Caselli, who held the role of Dean for International Affairs at Bocconi for 10 years, acknowledges he has two souls converging in a single direction, the institutional mind and the entrepreneurial mind: "I love the University very much and, to use a football metaphor, I can say that I'm married to the jersey. At the same time, however, I am constantly looking for new challenges, I need to always feel at the center of the fray". In his previous role, Professor Caselli traveled everywhere, collecting "so many frequent flyer points that I had to give them away because I could never manage to take advantage of them", he jokes. "One day, a few years from now, I'll start counting all the planes that I've taken". But above all he has brought the Bocconi name everywhere around the globe, helping to make it a truly international university.

"Internationalization is a very diverse set of things", he says, "It means the foreign students who come to Bocconi and those of Bocconi who go abroad, it means faculty and employees coming from all over the world. And also the big academic networks, such as CEMS and CIVICA. But above all it is about the research that is produced here and that has an impact everywhere. And also the Bocconi Summer School, an initiative that has brought great results". The greatest resource that universities have at their disposal remains human capital: "It is here that the talents of tomorrow are formed, it is very important to always push the frontier of knowledge forward. And finance, as I understand it, is the topic that links economics, management of financial institutions, market regulation and the social dimension".

A few weeks ago, as part of his new remit, Stefano Caselli was given the task of taking SDA Bocconi higher and higher: "We need to throw our hearts over the barrier even farther," he says, recalling the dictum of SDA founder Claudio Demattè. "SDA Bocconi has made huge strides. Now its campus will have to increasingly become a point of attraction for students and executives from all over the world. But, above all, we'll have to learn how to navigate uncharted waters to continue our growth".





THE RECTORAL COMMITTEE



CATHERINE DE VRIES

Dean for International Affairs

One of those sliding doors moments helped propel Catherine De Vries, the new Dean for International Affairs at Bocconi, into her academic career. "After my MA in Political Science at the University of Amsterdam I was undecided if to deepen my study of international politics or apply for some international institution like the EU. But during a stint at the Social Science Research Center in Berlin I met the right person at the right moment whom to work with and convinced me to further deepen my knowledge first. And in time my passion grew and have ended up happily staying in the academic field."

A native of the Netherlands, after her PhD in Political Science at the VU University of Amsterdam, she worked for almost ten years in the UK (Oxford University and University of Essex) and then at the Vrije Universiteit of Amsterdam. In 2020 she joined Bocconi's Department of Social and Political Sciences, teaching European Politics and Economics & Politics of the EU.

"I joined Bocconi because I knew of its vibrant research environment and its strong academic and international focus, which for me was all very important. And at Oxford I had got to know Francesco Billari who later was Dean for the Faculty when I then joined Bocconi," she says.

Apart from her teaching and research, De Vries has also already made an impact at Bocconi in her role for two years as the university's first Dean for Diversity & Inclusion, during the rectorate of Gianmario Verona. Two intense years in which she developed and consolidated the university's existing initiatives and promoted new ones such as the drafting of the first Inclusive Gender Equality Plan.

"It was a very challenging experience, especially being a new role, but also very fruitful and enriching. I learnt for example that its not just about promoting diversity and inclusion but also broader aspects like innovation and thought-diversity."

And she will be taking some of these aspects also into her new role as Dean for International Affairs. "The integration of international students and different cultures, diversifying our campus, was a pillar of my mandate and will also be of my new role. In my personal experience and academic work I have a very strong international focus and it will be great to bring this into my new role and help serve the University in this function - consolidating and further broadening Bocconi's international outreach."

ANDREA FOSFURI

Dean of the PhD School

"When a student we want to bring to Bocconi ends up choosing Harvard or the London School of Economics, we don't make too much of it. That's because sometimes also the opposite happens. What makes us proud in any case is that our reference target is now top-tier universities. We are for all intents and purposes a top-level university", says Andrea Fosfuri, Full Professor at the Department of Management and Technology, who has been confirmed in the role of Dean of the PhD School, a position he has held for three years now. "Without a doubt a sign of esteem and appreciation," he explains, "but continuity in this case is important, because it takes four to five years to fully evaluate the results of my job". In addition, with the new mandate, Fosfuri will also be called upon to deal with Bocconi for Innovation (B4i), the pre-acceleration, acceleration and development platform for startups of Bocconi University: "A very interesting role for me. I have always been involved in innovation and startups in particular. What I will try to do in this regard will be trying to integrate more and more B4i into the University's teaching programs".

Fosfuri, who graduated in Economics and Business from the University of Urbino and received a PhD in Economics from Pompeu Fabra in Barcelona, began his academic career at Universidad Carlos III in Madrid, before joining Bocconi in 2012. "Needless to say, as with many of my colleagues, an academic career was not at the top of my mind when I started college. It was an idea that grew along the way, in particular it was my colleague Alfonso Gambardella who convinced me to enroll in the PhD program". Upon his arrival at Bocconi in 2012, the University was already in the midst of rapid change: "When I arrived, the trajectory of the Department of Management and Technology was that of becoming one of the best in Europe", says Fosfuri, "and now it has become so and we are a model to follow for many. The same kind of reasoning can be extended to the University as a whole, which has made a truly incredible path to increase its openness to the world ". In his role, Fosfuri acts as an intermediary between what happens in the PhD and the Rectorate: "The School has five programs, each with its own director. We must create standards that are common to all, and best practices that need to be shared. And above all, improve the placement. This will be one of my main objectives".





CHIARA FUMAGALLI

Dean of the Undergraduate School

"It often happens that students arriving at Bocconi do not have a clear idea about the studies they are about to undertake and their own future. It happened to me too. I had chosen DES for its multidisciplinary nature, for the possibility of exploring different social sciences with a quantitative approach which I felt was congenial to me. But I didn't really know what it meant to study economics. I knew even less about what direction my life would take after graduation, not to mention an academic career, which I knew nothing about." Chiara Fumagalli, Full Professor at the Department of Economics, new Dean of the Bocconi Undergraduate School, thus remembers her first year at the university as a young student. A confusion common to many of the young people who start their studies at Via Sarfatti every year. "Bocconi and DES have opened my eyes to so many opportunities that I didn't know existed, showing paths that I didn't think I could take. I want to give all this back to today's students, but also make them understand that they must have an active role to fully grasp the possibilities that are offered to them." When the deanship was proposed to her, Chiara Fumagalli felt flattered, enthusiastic about being able to give her contribution, and curious about what awaits her: "Bocconi today is very different from the university I attended as a student, the international diversity of its current student body is self-evident. I will try to continue in this direction, seeking to make the University ever more diverse and inclusive". Professor Fumagalli comes to the present post after being Director of the Bachelor of Science in Economic and Social Sciences for a few years. It was a good training ground: "It surely helped me gain experience in carrying out managerial tasks. Now I will do my best to put into practice what I learned there in my new position, on a much larger scale and in a context of greater responsibility".

MYRIAM MARIANI

Dean for Academic Strategy and Institutional Affairs

"An important personal characteristic of mine? That during discussions, even heated ones, I am the one who calms everybody down, because I tend to see what the long-term goal is and what is the best way to get there by overcoming conflict. And besides, I'm direct, I don't have any mental superstructures". Myriam Mariani, Full Professor at the Department of Management and Technology, is the new Dean for Academic Strategy and Institutional Affairs, a role in which her diplomatic skills are likely to come in handy.

There are those who have a clear idea of what they will do when they grow up, and those who, on the other hand, need time to clarify their ideas. Either way, you can go far. Myriam Mariani belongs to the second category: "Academic career and research were neither something planned, nor a goal to be pursued at all costs. Indeed, since I had finished high school with honors, the choice to enroll in Economics and Business Administration at Urbino was mainly aimed at keeping many options open, waiting for the electric spark to arrive. It was also a way to get away from home, while remaining nearby". After earning his doctorate at the Polytechnic University of the Marches Region, it is in her two years of post-doc at Maastricht Economic Research Institute on Innovation and Technology (MERIT) that she discovers her passion for research on for technological innovation and the effects that technological changes produce in people. She thus began a career that led her to Bocconi in 2005. In her new position, she will have many responsibilities: "I will have to pursue three activities, essentially" she says. "The first will be to verify that the autonomy given for some years to the various departments, in matters of research decisions and use of funds, is consistent with the Strategic Plan of the University, obviously taking into account the specificities of each one of them. The second will be to represent the Rectorate in certain institutional activities with the Ministry, the Municipality, and the Region. The third one, which I care a lot about, will be the so-called 'third mission' of the University, and in particular relations with the community and the Third Sector through the Community and Social Engagement Committee." Very delicate tasks, but Myriam Mariani is confident: "In the end what matters is the common goal," she says, "we just have to 'understand how to understand each other'".



PAOLO PINOTTI Dean of the Faculty

At the beginning of his career he could never imagine that in the future he would be called to fill institutional roles. Now that he has spent a few years doing so, he considers it almost a duty of responsibility and, more generally, an experience that he recommends. Paolo Pinotti, Full Professor at the Department of Social and Political Sciences, has recently taken the post of Dean of the Faculty but has already filled managerial roles as director of the CLEAN research lab and coordinator of the Rodolfo Debenedetti Foundation. "I love doing research, but at a certain point it's also nice to vary, to look for other challenges. Bocconi has also been facing a great change, opening up to whole new disciplinary areas. And it is stimulating to talk with faculty members from such a wide array of different disciplines". Research and academic career were not on his mind as a child. For him, enrolling at Bocconi was more a way of keeping options open and postpone the decision on what to do "when you grow up". "The change came when I prepared my degree thesis with Guido Tabellini. The topic was privatizations and there I realized that research really interested me". His first job was at the Bank of Italy, then during a seminar at the University the encounter with Francesco Billari, who gave him the idea of returning to Bocconi, 10 years after graduation. "The issue of immigration is one that has always fascinated me", he says, "but not only that, the economic consequences of organized crime and corruption are also issues which I have explored. And I will continue to do so, even if my new position will absorb a lot of energy". Among his tasks, some are very sensitive: "The main responsibility concerns the hiring of new professors", he says, "and reconcile as much as possible their needs with those of our Departments. But I will also take care of academic career advancement, promoting growth paths consistent with the standards of teaching and research excellence to which we aspire as a university. Last but not least, I will collaborate with our Human Resources Department in the drafting of internal regulations that incorporate the ministerial reforms and apply them to the context of our university". The Bocconi where he now works in is very different from the one he knew as a student: "When I graduated, at the beginning of the 2000s, it was a purely Italian university in terms of degree programs, faculty, and students. When I returned ten years later, it had become one of the top universities in Europe. An epochal change".



PAOLA PROFETA Dean for Diversity, Inclusion and Sustainability

Bocconi was very different in 1995, when Paola Profeta obtained her economics degree. She then pursued her PhD at Pompeu Fabra in Barcelona and went to work on her dissertation at Columbia University in New York. She's just been appointed as the new Bocconi Dean for Diversity, Inclusion and Sustainability, adding to her academic duties as Full Professor at the Department of Social and Political Sciences. "When I did the DES program in economics and social science, the quality of the students was very high and there was no difference between male and female students. I felt we lacked a female role model in the faculty that could inspire us, though". A role model she certainly is today for the women who study at Bocconi. A lot of water has passed under the bridge and things have changed radically, even if a lot remains to be done, inside Bocconi and outside. And Paola Profeta, for years, has done a lot on the issue of gender inequality. "My area of research has always been public economics", she says, "I came to gender issues later, in particular starting from the female labor market and policies to improve the situation". And not only in the academic field, because Paola Profeta has carried on her battle for gender equality by sitting on various boards and collaborating with the ministry, international organizations, and private companies, always in a technical role. "Things have improved a lot in recent years, even within the University, thanks to the commitment of some of us and the support of the Bocconi board. But the external context has also changed significantly, since now diversity has become an important indicator also for companies", continues Paola Profeta. "At Bocconi, for example, we have introduced gender and diversity issues also in our courses, and we will go more and more in this direction. Another area in which I will be involved together with the Dean of the Faculty is that of careers for women professors". When she enrolled at Bocconi, the choice of DES was due to its strong quantitative component combined with an attention to social dynamics. Only towards the end of her university studies she came around the idea of an academic career. But there was that memory of her aspirations as a little girl: "As a child my dream was to teach, I saw myself in the role of school teacher. In the end, the dream came true, in fact I would say it turned out to be even better in reality".

CARLO SALVATO

Dean of the Graduate School

Innovation, Inclusion, Inspiration. These are the concepts, which curiously all start with the same vowel, around which the Bocconi of the future must grow according to the vision of Carlo Salvato, Full Professor at the Department of Management and Technology and Dean of the Graduate School as well as Deputy Rector. "Innovation because", he explains, "degree programs must be continually innovated, in close dialogue with the job market. Inclusion, on the other hand, is part of Bocconi's mission. We need to attract students from hitherto under-represented regions, Africa for example, and address categories of people, such as prison inmates, who are still little considered. We are already doing it, but it is a sensitive issue. Inspiration, finally, which is something I personally care a lot about", Salvato goes on, "understood as springing from the relations that are established between the individuals attending campus, in particular the teacher-student relationship. Technologies can help in this, because by carrying out more marginal functions which would take time away from the faculty, they leave more space for interaction between teachers and students, in a continuous exchange that favors personal growth". From the beginning of high school, Carlo Salvato had only one goal in mind: Bocconi. "I wanted to be a manager", he says, "I read *ilSole24Ore* but what was waiting for me at the university I really didn't know and only understood it afterwards. I was attracted by managerial values, by the role of companies as engines of economic and social transformation. When I understood this concept, I decided that I would undertake the mission to divulge it, in practice that I would do an academic career". Starting, which is unusual, from pursuing two PhDs at the same time, one at Bocconi, the other in Sweden at Jonkoping, "which has a privileged focus on family companies". In addition to a kind of multiculturalism that immediately catches the eye walking through the spaces of the campus, today's students have an extra characteristic that distinguishes them from those of his generation, says Dean Salvato: "Young people have a stronger attention to social dynamics and to the meaning of their actions. They increasingly believe in the positive impact they can make on society, as evidenced by the growing number of job opportunities in the world of social enterprises".



PIETRO SIRENA

Dean of the School of Law

Full Professor of Civil Law in the Department of Legal Studies, Pietro Sirena was confirmed in his position of Dean of the Bocconi School of Law, with an additional remit concerning the University's legal affairs.

Pietro Sirena, in his new mandate, revolutionizes undergraduate education in Italy, by opening a new bachelor program in law with a major international slant and all courses taught in English. This in order to have young legal professionals who enter the professional world to undertake an international career at the service of companies and institutions, but above all who know how to interpret the changing needs of civil society.

The Bocconi Bachelor in Global Law will start in academic year 2023-24, and Pietro Sirena explains its rationale: "It is a course born from the need to accelerate the presence of our graduates in the world of legal services and functions, preparing them to grow professionally in an international context characterized by innovation and social responsibility". However, landing in the market for undergraduate programs is not the only tool with which Sirena wants to increase the visibility of the School and the internationalization of its student body: "Another tool are two LLM programs in European Business Law and Internet Technology, which are doing very well. Then there is the subject of experiential learning, linked to behavioral skills and legal clinics, done in Italian (Bollate, San Siro, a start-up with Bocconi for Innovation) and in English (TradeLab). Then there is the legal clinic which gives our students the opportunity to help those who are forced to flee Ukraine and need information on legal obligations small and large that need to be fulfilled in our country. Finally, there are the MOOT court competitions, in which our students train themselves to work as a legal team and compete with their peers from the most prestigious law schools around the world". Obviously, adds Dean Sirena, "these activities are created by a closely-knit and authoritative team of colleagues from the Department of Legal Studies, who follow them on a daily basis and must get all the credit for their success". Pietro Sirena, who graduated from Sapienza University in Rome and did university studies also in Germany, has a great passion, the history of philosophy: "The great German and Austrian thinkers gave a formidable contribution to European culture and reading them in their language was for me also an opportunity to consider the study of law in a broader sense, in connection with the other social sciences and from an international perspective".

KNOWLEDGE THAT MATTERS.

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Outlook

2023

by Francesco Giavazzi
Amstein Aassve
Carlo Altomonte
Valentina Bosetti
Donato Masciandaro
Michele Polo
Paola Profeta
Graziella Romeo
Eleanor Spaventa

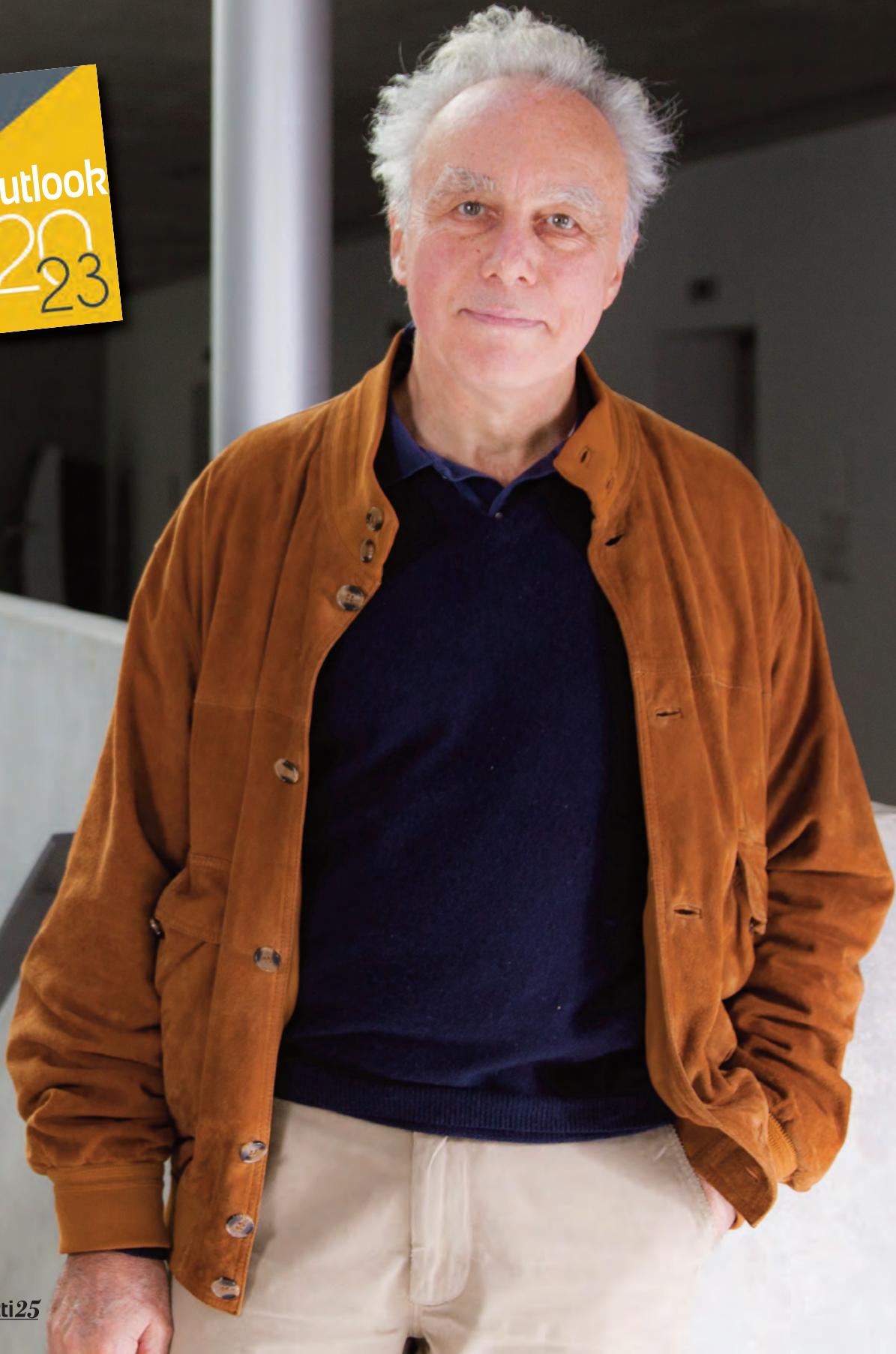
and interview with Irene Tinagli
by Riccardo Sorrentino

Photo by Paolo Tonato



Outlook 2023

by Francesco Giavazzi
Andrea Cattaneo
Carlo Alfonso
Valerio Massimo
Giuliano Mencandrea
Michela Poggi
Giulio Poggi
Giovanni Sartori
Emanuele Saverio
and interview with Enrico Tassan
by Riccardo Sartori



The Trilemma that charts our future

For 2023, one needs to look at the EU and its member states through the prism of Rodrik's Trilemma (you can't have free elections, national rules, and international integration at the same time). The ongoing negotiations on the reform of EU fiscal rules are the real challenge that awaits Italy and other countries: will it bring reduction of national debt-to-GDP ratios and reconfigure the relationship with the European Commission?

by Francesco Giavazzi @

Tim Harford, in his Undercover Economist column on the Financial Times dated 28 October 2022, picks up an observation by US psychologist Daniel Gilbert. In his book *Stumbling on Happiness* (Knopf, 2006), Gilbert wrote that: “Most of us make at least three important decisions in our lives: where to live, what to do, and with whom to do it. We choose our towns and our neighborhoods, we choose our jobs and our hobbies, we choose our spouses and our friends. Making these decisions is such a natural part of adulthood that it is easy to forget that we are among the first human beings to make them. For most of recorded history, people lived where they were born, did what their parents had done, and associated with those who were doing the same. Millers milled, Smiths smithed, and little Smiths and little Millers married whom and when they were told. Social structures (such as religions and castes) and physical structures (such as mountains and oceans) were the great dictators that determined how, where, and with whom people would spend their lives, which left most folks with little to decide for themselves. But the agricultural, industrial, and technological revolutions changed all that, and the resulting explosion of personal freedom created a bewildering array of options, alternatives, choices, and decisions that our ancestors never faced. For the first time, our happiness is in our hands and is forged through a multitude of choices.”

FRANCESCO GIAVAZZI
Senior Professor
of Macroeconomics,
Bocconi University

However, Gilbert notes that these choices are not boundless. This in turn brings to mind a sentence by Armistead Maupin in the novel *Tales of the city* (Harper & Row, 1978): “You can have a hot job, a hot apartment and a hot lover - but you can't have all three at the same time.” The concept holds true for individual choices as much as for political choices.

This is a rule (first formulated by Nobel laureate Robert Mundell) which for some decades now economists have been applying to the trilemma of “fixed exchange rates, monetary policy independence, and free capital movements,” also known as the “impossible trinity”. Dani Rodrik, in my opinion one of the most far-sighted economists of the last four decades, has applied the principle of the impossible trinity to economic policy, by reminding us that there can be national rules, you can integrate internationally or you can have economic policy be determined by popular consent in free elections, but you cannot have all three at the same time. Rodrik's trilemma helps us reflect on the challenges that await us in the coming years. Let's look at the European Union and its member states starting from Italy, now that a new government majority has taken office, and apply Rodrik's principle of the impossible trinity. In Italy - but this applies to all 27 members - the new government has reached power thanks to free elections: this condition is immutable. Following Rodrik, the choice is therefore

between the two other options: either international integration or economic policy decided at the national level. The two are mutually incompatible.

The Right, at least the largest party of the Italian Right, and this also applies to other parties of the European Right, interprets Europe as a Confederation, not a Union of States. But common debt instruments, such as those that have made possible the Next Generation EU program, imply a political union between countries, because a confederation is too flexible a political structure to be compatible with the issuance of common debt.

Therefore, the national rules of Rodrik's trilemma stay in place. It would therefore seem that if we want to repeat the experience of National Recovery and Resilience Plan (PNRR, the Italian acronym) with the issuance of mutualized debt, we need to renounce to the autonomy of national economic policy. Since monetary policy has been irreversibly abandoned by joining the euro, the only instrument on which countries can have discretionary powers is fiscal policy.

Therefore, at the center of next year's political debate there will be the negotiation over the reform of European fiscal rules. At the beginning of November, the European Commission issued a Communication on the redesign of EU budgetary rules. The proposal is ambitious and represents a marked change with respect to the past. As Massimo Bordignon wrote on *lavocet.info*: "The Commission is now trying to change its approach by proposing a less mechanical system, more growth friendly and linked to the different national needs. The rules are therefore differentiated on the basis of the public finance situation in the various countries, essentially proposing an exchange between more incisive rules for high-debt countries, i.e. those that pose more risk to themselves and others (the Club Med, i.e. the six countries of Southern Europe with a debt-to-GDP ratio over 90%), and a more gradual implementation which is in line with the aspirations of individual countries."

It is a proposal that seeks to transform the relationship between the Commission and member states, moving beyond the times when members were always trying to haggle for additional budgetary space, while the Commission played the role of staunch guardian of fiscal rules. The rules in force until the pandemic, and then temporarily suspended, favored this situation, being the product of an accumulation of legislation and multiple parameters of reference, not justified by rational economic principles. The Commission's proposal shifts the oversight of national accounts towards an explicit economic objective, the reduction of the debt-to-GDP ratio in the medium term to foster a regime in which individual countries take responsibility more directly for their own financial stability (and in repayment plans, not only budgetary interventions but also reforms are envisaged).



PODCAST

*Looking ahead to 2023, The Economist wrote "today's world is much more unstable and unpredictability is the new normal". This uncertainty impacts strongly the ability to make decisions on the future, especially for younger generations and their choices. In the new Story Scanner podcast, Francesco Billari, Rector of Bocconi University, discusses together with Matteo Pazzi, of Radio Bocconi, Bojan Zeric, of *Tra i Leoni*, and Matilde Jorio, of Bocconi TV, the major issues that younger generations will face in 2023.*



The Commission's proposal, continues Bordignon, "is certainly more reasonable than the system of current rules and builds on similar ones which in the meantime have

been put forward by individual researchers and international bodies such as the International Monetary Fund and the European Fiscal Board. The link between the proposal and the experience of the PNRR is also evident. As in that case, countries are required to propose their own intervention plan within a framework indicated by European bodies; thus, national needs are taken into account. The idea is that in this way the debt correction process, rather than being perceived as imposed by Brussels, is seen as a national commitment, which in theory should involve, for the four- or seven-year duration of the plan, both the government ruling at a given time and the opposition. There is therefore also an implicit bet on the ability of high-debt countries to anchor themselves to economic policies consistent with the objective, regardless of the government in office."

But there is an obvious limitation in the proposal with respect to the parallelism with the PNRR; in the case of national recovery plans, EU resources on the one hand guaranteed compliance with the Pact by member countries and on the other legitimized the strict control of the Commission on the behavior of governments. In the case of debt repayment plans, the (slightly reduced) financial sanctions remain essentially at current levels (never applied in reality), with the additional reputational aspect deriving from the explicit commitment made by the country towards the European Council. It remains to be seen whether this will be sufficient to convince the countries most reluctant about reform that this is in fact feasible, or it results in an indefinite postponement of the adjustment process by high-debt states. It is no coincidence that both the IMF and EFB proposals, unlike those of the Commission, imagine an expansion of common EU resources onto which a more rigid sanctioning system is grafted. An increased EU budget would be given the task of financing common European policies and supporting the management of the economic cycle, with resources that would, however, be lost if a country does not respect the proposed plan. Just like what happens in the case of the PNRR. But this option, Bordignon notes, is not foreseen in the Commission's project.

We will see whether this openness on the part of the Commission to national "ownership" of budgetary policy - something consistent with Rodrik's Trilemma - will succeed in reducing the debt-to-GDP ratio in countries where it is too high. It is certainly the most important economic reform of 2023. ■



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ARNSTEIN AASSVE DEMOGRAPHY

Demography is the glacial science they say. And rightly so, trends in mortality, fertility and migration do not fluctuate much from year to year. But the last two years have been eventful for demography: the COVID pandemic brought a spike in mortality, especially for the older parts of the age distribution, leaving in its wake heartbreaking stories of trauma and despair as people watched, often from a distance, grandparents and loved ones perish to the virus. In many countries, life expectancy actually fell due to the pandemic. Though we are now facing a surge in COVID cases, it is fair to say that our societies are in a different situation compared to two years ago (that assumes of course, that no new sinister mutation of the virus appears in the near future). So what will the next year bring demographically speaking?

Other than a spike in mortality, the pandemic brought about a significant decline in fertility. As we know from many studies (including our own), the presence of existential threat raises people's uncertainty perception, whereby people, quite naturally, react by holding off any long-term investments – to which child bearing clearly belongs. For countries such as Italy, where the fertility rate has already been critically low for decades, this may seem like particularly bad news. Still, our own studies show that any fertility decline caused by unexpected external shocks is usually short-lived – and this is also the case with the COVID pandemic. Looking at the next 12 months, the bigger shock is now inflation and the erosion of households' real incomes. The worrisome part here is that there is no sign of a quick resolution to the Russia-Ukraine conflict and the ensuing energy crisis. In fact, most experts expect that the conflict will last for quite some time, maybe years. The ongoing energy crisis will be felt particularly hard in the first part of 2023. In the

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short run, this is bad news for Europe – also demographically speaking. Inflationary pressures, increased interest rates for homeowners, and a contraction of the European economy, will certainly put considerable financial strain on households across Europe – including Italy. Because let's face it, children are expensive. In short, every indication is that European fertility rates are unlikely to pick up in the coming year, meaning that there is no respite for the challenges associated with our aging societies, where low fertility is the principal driver.

2023 will also be a year when migration hits the headlines. For Italy the question is whether we will see a policy change with the new government of Georgia Meloni (who has pledged to stop illegal immigration). Illegal immigrants may find Italy less hospitable in the coming year, but it is also true that the new government is constrained in terms of what it can actually implement to stop illegal immigration. Despite recent efforts to hold back immigrants entering Italy by crossing the Mediterranean Sea, the Italian government is restricted by its own legislation and international conventions. What is sure is that migratory pressures from the global South will not abate anytime soon. The other aspect of migration concerns the Russia-Ukraine conflict. At the moment, it is believed that more than 4 million Ukrainians fled their country, the majority of them crossing the borders into the EU. Despite Ukraine making progress on the battle field, there is a sense that this conflict will go on for quite some time and Ukrainian refugees will not be able to return very soon. In fact, as Russian troops are targeting key infrastructure, thereby compromising energy, water and food supply, the more likely scenario is that more Ukrainians feel forced to flee, and this may happen already in the beginning of 2023 when the winter sets in. ■





CARLO ALTO MONTE EUROPE

February 24, 2022, the day of the Russian invasion of Ukraine, marks a historical discontinuity for Europe similar to the fall of the Berlin Wall in November 1989.

After the fall of the wall, an export-led growth model emerged in Europe, supported by an efficient continental value chain, with Germany at the top as the main source of origin for exports. Market access was guaranteed by ongoing globalization and WTO rules. Key inputs for production were secured outside the EU by cheap energy from Russia, and inside the EU by fixed exchange rates that prevented unfair competition and competitive devaluations. The security of the markets was guaranteed, also at a low cost, by US military protection and NATO.

On February 24, 2022, the preconditions for this growth model were suddenly undermined. The invasion of Ukraine has dissolved the scenario of geopolitical stability created in the Old Continent after the fall of the Wall. The political imperative to avoid being blackmailed on gas has forced Europe to give up importing energy from Russia, in favor of alternatives that are equally available, but certainly much more expensive. Finally, the evident persistence of tensions between the United States and China question the secure access to global markets which has been at the heart of the European growth model over the past twenty years.

We need to acknowledge that this export-led model is over, and that the new global (dis)order requires a new game plan for Europe, based on its ability to invest more in its domestic market, which remains among the richest in the world, and on technologies related to the energy transition and digital transformation, including the combination of the two in supply chains, such as electric vehicles. The National Recovery and Resilience Plans of all European countries are already heading in this direction, and must represent a valid starting point around which to coordinate all future policy choices, starting with coherence in fiscal and energy policy.

On the geopolitical front, the need to replace the previous development model with one where strategic autonomy of the EU takes center stage is evident. Thus Europe needs to add to the issue of economic competitiveness guaranteed by investment in the two major transitions above, also the issue of security of

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energy supplies and a defense capability capable of projection in allied countries that are geographically close, in a coordinated but functionally autonomous manner from the USA.

To guide this new model, it is necessary to start from the three major founders of the EU, France, Germany and Italy, as a nucleus of federated countries that share fundamental interests. The institutional instrument in this phase could be constituted by closure of the triangle of bilateral agreements between the three founders: France and Germany are historically linked by the Élysée Treaty, Italy and France are now linked by the Quirinal Treaty, but there is still no agreement covering a broad spectrum of issues between Italy and Germany that is consistent with the provisions of the other two accords.

Building on this political agreement, the Commission could make proposals for a new institutional governance consistent with the reform agenda proposed by the Conference on the Future of Europe. Some of these proposals do not imply a change to the Treaties; others instead do, but could be pursued through the tool of enhanced cooperation, particularly in areas related to common foreign policy and defense policy.

Greater strategic autonomy also implies an ability to project European interests over an area necessarily wider than that of the 27 member countries, which includes 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 large Confederation of countries geographically linked to Europe which could participate in an economically integrated area.

Without these further steps, both internal and external, there is the concrete risk that in the new geopolitical context marred by the conflict, the European model will not find a new *raison d'être*. The EU of 27 states appears both too small, because it is geographically limited, and too big, because it is politically heterogeneous, compared to its ability to satisfy the new demand for public goods in terms of energy, military and economic security that comes from European citizens (EU and non-EU).

And when an institution is no longer able to respond efficiently to citizens, sooner or later it is consigned to history books. ■

LEGGI L'ARTICOLO IN ITALIANO 







VALENTINA BOSETTI CLIMATE CHANGE



Like every year, in January the average global temperature recorded for 2022 will be announced. This is obviously a purely formal moment of climate assessment, given that almost every month experienced in 2022 was among the top 5 warmest ever recorded, given the widespread droughts from Europe to Asia to East Africa, and extreme rainfall and various heat waves experienced by various areas of the globe. By now the link is established between extreme weather events and climate change - i.e. the frequency with which they occur cannot be scientifically and statistically explained other than by climate change.

As usual, many, especially young people, will ask themselves: are we going to finally do something about it or are we letting another year go by without putting an end to our greenhouse gas emissions?

Well, 2023 should be the year in which Italy's Integrated National Energy and Climate Plan (PNIEC, the Italian acronym) should finally be updated to incorporate the most stringent targets for carbon emissions and share of renewables in energy generation in line with the EU's Fit for 55 policy. The PNIEC is essential because a key element of the energy transition is planning. Building infrastructure on a national scale and over a very long period of time needs integrated planning between sectors and major national players.

But whatever happens to Italy, however important, will have modest consequences on European and global emissions. For this reason, it is perhaps more important to look at the EU, which constitutes the largest international market for greenhouse gas emissions certificates (covering more than 40% of European CO₂ emissions and 10,000 installations) which has made it possible to achieve the desired reduction in carbon emissions, while at the same time giving the flexibility for businesses to do it efficiently. Emission permits, which in the early stages were given for free to all regulated companies, are now being auctioned in 60% of cases. The idea is to gradually auction off the remaining 40% as well. At the same time, to avoid the risk of carbon leakage (i.e. the risk that there is a "transfer" of production and related emissions towards regions with less stringent industrial regulations and climate policies), the Carbon Border Adjustment Mechanism (CBAM) is expected to come into force. The CBAM is a tool,

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compatible with the WTO, which requires EU importers of raw materials or goods produced outside Europe and belonging to industries that are subject to emissions markets in Europe, to deposit a certificate for each emission made in producing such goods, the value of which depends on the value of emission permits traded on the European market. Obviously, if emissions have already been taxed in the country of origin, this will be taken into account. We start from five sectors: cement, steel, electricity, aluminum, fertilizers, even if other industries have already been proposed by the European Commission (for example plastics).

The accounting phase should begin in 2023 (CBAM certificates should not actually be paid) to allow companies that trade with Europe in the sectors that will be regulated to learn how to report emissions (otherwise average industry values will be considered).

Delays are expected due to the geopolitical situation and the energy crisis, although it is unlikely that there will be any setbacks on the policy instrument. Also because the auction of 100% of emission permits would make it possible to collect funds for a Europe concerned with equitable ecological transition, which is promoting a social climate fund to finance support for the most vulnerable developing countries.

Finally, given that European emissions are only a small fraction of global emissions, discussions at international negotiating tables will be even more relevant. 2023 is the year of the global "stocktake" - a comprehensive assessment of how countries are reducing their emissions compared to their national plans and how this positions them towards the ultimate goal: keeping the planet from heating more than one and a half degrees. Given that it has become clear that we need to do more and do it faster for the transition, it's plausible the discussion will move toward policy instruments linked to international trade. CBAM is just one example of this potential, even if the approach is likely to lead to the idea of Climate Alliances: countries that implement similar climate policies benefit from facilitated conditions on trade access.

Again, the impact that international geopolitical conflict may have on these negotiations is not yet clear, but timescales will probably have to be stretched further. Meanwhile, 2023 will be another year of climate records ■



DONATO MASCIANDARO MONETARY POLICY

All those wondering about the future of monetary policy in Europe and the United States have only one question in mind: what will be the tune of interest rates? In reality, the essential question is another. Since the effectiveness of monetary policy depends on its transparency, to quote Shakespeare, who will prevail: the larks, who love light, or the nightingales, who prefer opacity? Why will the issue of transparency always be crucial in the months to come? We assume that the common goal of central bankers is to protect monetary stability, minimizing recessionary risks. In this case, all central bankers should play larks.

The reason is that the effectiveness of monetary policy depends on its ability to influence the expectations of households, firms and markets. This ability is in turn linked to the announcements coming from the central bank. The announcement is good if it causes the Ulysses effect: the operators believe in the central bank, and do what it wishes for. Actual example: In July 2012, Draghi utters a sentence, short and generic, and provokes a virtuous reaction: everyone believes that the euro is irreversible.

The importance of having announcements with Ulysses effects is an axiom that always applies, but it will particularly hold true in 2023, when the dominant trait will be uncertainty. Expectations need a monetary policy that provides security, not that contributes to increased instability. Therefore, there must be maximum transparency in the so-called reaction function of monetary policy. Central banks must announce binding rate policies, based on their macroeconomic forecasts, but always revisable, in the light of new relevant macroeconomic data. Let's take the example of Frankfurt. We can imagine a lark ECB announcing a path of at least six months on interest rates and

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liquidity, and at the same time defining which macroeconomic data will be considered in case a change of course is appropriate.

Conversely, we can have a nightingale ECB, which is not bound to any path, and hides behind the formula of making decisions depending on the data, without even specifying which ones, following the so-called "holistic" approach, i.e. a pompous way of saying hot air. In this case, the announcement policy becomes bad, and the Delphi effect prevails: the central bank offers information that causes operators to react differently from the desired outcome, because the proposed monetary policy is not convincing. It happened to the ECB last September. Christine Lagarde seemed to be groping in the dark as she communicated the choices of the ECB: a widely discounted decision to raise current rates, seasoned with empty words about the future. More than giving a credible message, the goal seemed to be to get by and buy time. No wonder the response of the markets has been negative. As the Fed is no better off. In October Powell uttered a sentence of the same length and generality as Draghi's "whatever it takes", but the result was the opposite: no one seems to believe that the Fed will be able to contain inflation without creating recessionary risks. Draghi is to the Ulysses effect what Powell is to the Delphi effect.

Both the ECB and the FED are playing nightingales instead of larks. Perhaps by saying that the job of central banker is an art, given the intrinsic limits of mathematical models. This is sad, because we seem to have gone back a century and a half, when economics was still in its infancy, and central bankers were government-controlled bureaucrats. Today they are independent authorities, at the service of citizens, with the obligation of transparency. Let's hope they remember this ■

LEGGI L'ARTICOLO IN ITALIANO 





MICHELE POLO ENERGY

The exorbitant increase in gas and electricity prices over the last year has brought a specialist topic at the center of political debate, as households and firms are affected in all EU countries

The increase in the price of gas began in the summer of 2021, driven by growth in Asian demand, first economic region to recover from the recession caused by the pandemic. In those months of autumn 2021, a second component was not identified with due alarm, linked to a restriction in exports from Russia to Europe. The contagion effect from the price of gas to that of electricity was already felt in the bills of Italians at that stage and led to the first measures by the Draghi government to contain the impact on the most exposed households and industries. These early signs then intensified with the Russian invasion of Ukraine, European sanctions, and the escalation of geopolitical tensions worldwide. On European markets, the price of gas has increased tenfold compared to the spring of 2021, peaking over €300 per MWh last September. In fact, gas has become the main weapon of the counter-sanctions orchestrated by Putin, with a progressive shrinking of supply, manipulation of the TTF spot market where the daily price of gas is formed, and the threat of a complete interruption in gas deliveries.

If this is recent history that we have all experienced, it is worth asking what are the underlying elements that have guided it and what prospects we can imagine for the future. The starting point lies in Europe's strong dependence on Russian imports, 150 billion cubic meters per year, with over 50 going to Germany and about 30 to Italy. The construction of international transport infrastructures and the signing of multi-year contracts with reciprocal obligations between seller and buyer have represented since the Cold War a channel of relations and interdependence between Europe and Russia, which



has always guaranteed stability and security of supplies even in the phases of highest tension between the Western and the Soviet bloc.

The rude awakening with the invasion of Ukraine made us understand how a hitherto unimaginable fact, the choice of a global rupture of relations between Russia and Western countries, transformed a solution that strengthened the economic ties between these two spheres into a lever, at least in the short term, for blackmailing Europe and weaken its ability to react to Russia's aggression against Ukraine.

The increase in the price of gas has followed two parallel paths. On the one hand, already in the second half of 2021 there was excess demand in the European market, with economies rebounding from Covid with significant growth rates, together with a progressive contraction of supplies from Russia. This factor, much more than purported speculation, explains the strong and progressive increases recorded on the spot markets where gas contracts are traded, such as the Dutch TTF. These markets, born out of liberalization to facilitate the management and balancing of the portfolios of the many operators that have arisen in the last fifteen years, however, deal with a minor share of the total supply of gas, largely still entrusted to multi-year contracts for gas supplied via pipeline. Precisely because spot markets are relatively less liquid, they are easily subject to manipulation of those who, for example by restricting offers or foreshadowing disruption in supply, can drive the price up. The growing tendency to tie long-term contracts to the price of spot markets has led to price peaks in the TTF to be also transferred to the prices of pipeline contracts.

European governments, with the Italian one among the most determined, immediately felt the need for an incisive and coordinated intervention. However, policymakers had to take into account there are many constraints that cannot be circumvented in the short term. The idea of a price cap applied to gas purchases from Russia appeared to many countries to be the most difficult to implement, due to the situation of de facto belligerence between buyer, the European Union, and seller, Russia, which makes the signing of an agreement to cap the price implausible. Temporary measures containing short-term spikes on spot markets have been recently approved but are more limited in scope. Given the impossibility of directly containing the price of Russian imported gas, the path followed was those of a partial replacement of supplies by increasing imports from other gas-producing countries. With all the asymmetries that this solution entails, with countries such as

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Italy, relatively diversified (importing gas from Algeria, Libya, Azerbaijan, and having LNG terminals) and countries heavily dependent on Russian gas, such as Germany. A second solution is to create a wedge between the high cost of raw materials and the costs that end users, families and businesses, have to bear, by using public subsidies in various forms. Also in this case, there have been strong asymmetries, with countries with public budgets that are capable of financing robust support and countries where budgetary constraints prevent to do so. Asymmetries which, when the energy costs of companies are subsidized, turn into potential distortions of the internal market and into state aid. Lastly, demand rationing schemes have been envisaged for households and businesses, a completely new topic that is likely to have non-trivial implementation problems.

Finally, the transmission of the high price of gas to electricity bills, a source of a further generalized inflationary push, has been addressed with different measures among European countries, through taxation of extra-profits from renewables to finance subsidies to end users (Italy) or subsidies for the purchase of the fossil fuel going to gas-fired power plants (Spain and Portugal).

So what can we expect in the coming months? Prices on the Dutch TTF market have shown a tendency obey economic fundamentals rather than the will of phantom speculators, and the price of gas has dropped, today to around €100 per MWh, in response to a contraction in demand, driven by gas stocks that have been replenished, mild weather and a slowdown in final demand. It will therefore be necessary to look at the underlying dynamics of gas supply and demand for the foreseeable future.

The progressive replacement of Russian gas imports with supplies from other producers, provided that Gazprom does not halt abruptly the flow of gas, will in any case involve the transition from a historically stable and low-cost source such as Russia to supplies from countries suddenly inundated by demand, and ways of provisioning, such as transport via gas tankers, which is structurally more expensive. This means it is reasonable to assume that gas and electricity prices will remain at higher levels than in recent years for not a short time. The persistently high cost of energy will promote a rationalization of consumption and a reduction in demand in the medium term. Similarly, the high cost of producing energy from fossil sources will create the conditions for an acceleration in the energy transition towards renewables. ■



PAOLA PROFETA GENDER EQUALITY

The advancement of women in society and the economy represents the greatest transformation of the last century: in most European countries, women have surpassed men as percentage of college graduated, female employment rates have increased, women have come established presences in areas traditionally occupied only by men. However, to this date there is still no country in the world that has achieved gender parity. According to the World Economic Forum, it will take a staggering 132 years before full parity is reached across the globe. The most advanced countries (Iceland, Finland, Norway, Sweden) have closed 80% of the gap. Considering four dimensions – economy, education, health and politics, the World Economic Forum estimates that 95.8% of the gap in health and 94.4% of the gap in education has been bridged, but only 60.3% of the gap in economic opportunity and participation, and an abysmal 22% of the gap in politics and representation. In this global ranking, which covers 146 countries, Italy ranks 63rd and, if we restrict attention to the economic component alone, the country drops to the 110th position.

The participation of women in economic life emerges as the most critical dimension for our country. The critical fact that characterizes Italy is its particularly low female employment rate. For at least a decade it has remained stable at participation rates below 50%, which falls to 33% (meaning only one woman out of three is in employment) in the South of the country. With this employment rate, Italy ranks in the lowest rungs in the EU, followed only by Greece and Malta. The pandemic has aggravated an already critical situation and exacerbated pre-existing gaps, jeopardizing the progress hitherto achieved. There has been talk of a “She-cession” to indicate the pandemic recession hitting women disproportionately. Unlike previous crises, such as the financial crisis of 2007-2011, which affected sectors dominated by male employment (industry, finance, manufacturing), the pandemic has

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negatively affected the service sector where many women are employed. European countries have reacted to the pandemic with substantial policy interventions. The recovery is evident in the indicators, but the pre-existing delay still needs to be addressed.

What can we expect from 2023? In 2020, just before the start of the pandemic, Europe approved the Gender Equality Strategy 2020-2025, which requires member countries to establish and maintain minimum standards for equality between men and women in all fields of life. The difficulties of the pandemic have slowed down the implementation process. The new year will be decisive for getting the strategy back on track. Similarly, national recovery plans identify gender equality as a strategic objective. In Italy, gender equality is a transversal and central objective of the National Recovery and Resilience Plan (PNRR, in Italian). As such, it must be implemented in all the reforms launched for the recovery. The recent national strategy for gender equality 2021-2026 approved in Italy reviews the fundamental objectives for the coming years: work, income, education, time, and power. The objectives are to increase the female employment rate (especially in the South), reduce gender wage differentials, promote the presence of women in STEM disciplines (Science, Technology, Engineering, Mathematics), promote a better balance between work and personal life, monitor and promote gender balance in top positions, also through new tools such as the gender certification that is becoming a requirement for companies. These are joined by measures of family policy launched with Italy's Family Act, and the development of an inclusive welfare system with the strengthening of nursery schools and daycare centers. The year 2022 is closing with a historic passage in terms of corporate leadership, namely the approval of the EU directive on gender quotas for the boards of listed companies, after a very long process that began ten years ago. For once, Italy has been an

example and a forerunner, having already in its statutes a law on gender quotas in boards of administration of listed companies and state-owned companies (Law 120/2011, known as Golfo-Mosca Act), which has proved effective in increasing the presence of women in corporate decision-making bodies (from 7% to the current 40%), also producing positive effects on personnel selection and market performance (see [Ferrari, Ferraro, Profeta, Pronzato, 2022](#)).

It is difficult to predict how national and European strategies on gender equality will be implemented over the next year, given the unstable economic context and the presence of major political changes characterizing Italy. Given the accumulated lag and the importance gender parity has for economic growth and sustainable development, it is to be hoped that equality between genders remains the top of the policy agenda of Europe's governments. ■







GRAZIELLA ROMEO HUMAN RIGHTS

In 2023, the International Criminal Court will pursue its investigation into the situation in Ukraine, following referral from 49 States and upon Ukraine's acceptance of ICC jurisdiction over the crimes that occurred in its territory. In the same year, Sudan, a state with a history of perpetrating atrocities and currently accused of using excessive and lethal force against peaceful protesters, will be joining the Human Rights Council, the UN body in charge of monitoring and promoting the respect of human rights.

The two events expose the contradictions of human rights protection at the international and national levels: on the one hand, courts have some chances of vindicating violations; on the other, the political will to take rights seriously is ambiguously stated. Most importantly, these events highlight that, when it comes to human rights, effective application requires more than individuals enjoying access to justice administrated by independent courts. Effective application also entails the political will of prioritizing the protection of human rights over other concerns, however legitimate they be. Protecting human rights implies that the political community acknowledges that individual fulfilment and welfare can be achieved in a context of "mutual recognition", whereby individuals find a safe place to express their personalities and their needs in the public sphere. This is another way of saying that human rights are political in that they magnify how protecting human needs and expectations is not (only) an individual endeavour and experience. It is a public commitment with a deep political significance. One may argue that this mutual recognition has a higher chance to happen at the national level, where political communities are welded together by what has been named 'thick morality,' a shared set of values safeguarding the experience of living together. In contrast, at the international level, that set of values is significantly smaller to the point that, at most, one can

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argue that a 'thin morality' exists within the international community today.

The circumstances of these days seem to confirm this desolate reading of the possibilities of human rights protection. The indignation for the Russian aggression on Ukraine, with its sad corollary of death and destruction, had little chances to be transformed into anything like a legal response to spot massive violations of human rights. Human corridors have been ignored; civilians targeted and individuals sexually assaulted and violated. Systemic violations happen even outside war contexts. In Iran, women have been murdered because they refused to abide by rules designed to make them as invisible as possible in public life. Within the European Union, member states have systematically ignored fundamental rights concerns regarding the independence of the judiciary or the freedom of the press. What role can human rights play in such circumstances?

However, in spite of appearances, the idea of human rights is still compelling, at least if one bears in mind its political dimension. For sure, the international and EU legal frameworks have been unable to prevent violations of human rights from happening in Ukraine, Iran, and Hungary. Nevertheless, international responses, ranging from legal and political measures to public debate, have highlighted the fact that human rights concerns can affect political choices. In that sense, Ukraine, Iran and the rule of law crisis at the heart of the EU are urging political communities to confront themselves with their thin and thick sense of morality, to identify what cannot be accommodated and what, in contrast, can be left to national choices. Ultimately, the future of human rights is tied to a joint effort to recover the political meaning of human life. The latter is not (only) a private affair but something that any responsible political community must publicly recognize as deserving protection from violence and injustice. ■



ELEANOR SPAVENTA SOVEREIGNISMS

The political landscape of the European Union is in constant flux, as populist and sovereignist parties have grown considerably in many countries, both as a governing and as opposition forces. The question that arises immediately is what is the potential impact of these movements on the dynamics of European integration. From this point of view, it is important to note how the most recent crises have changed both the rhetoric used by some of these forces and the dynamics within the European Union. Until Brexit, crises had been managed by the EU in a disunited way: just think of the imposition of austerity on the most vulnerable countries during the financial crisis; or to disagreements in dealing with the migration crisis of 2015. Brexit, a real existential crisis of the Union, however marked a watershed: while the United Kingdom sought the “divide and conquer”, the Union succeeded to be united and conduct negotiations a granite-strong block, which even under stress did not show any cracks. The pandemic crisis then created an ideological short circuit in the sovereign movements of the most affected countries: Europe, previously so vilified, now was expected to come to the help. The solution found, the European Recovery Fund, is antithetical to any sovereign impulse, since the economic support this time is also given in the form of non-repayable funds, which in other words are loans that do not have to be repaid by the beneficiary state. Put simply, this means mutualization of debt, so that funds given to Italy potentially affect the budgets of other countries. And such mutualization is incompatible with the notion of Europe as simply an association of states. And while the reaction to the crisis resulting from the invasion of Ukraine is much more varied, demonstrating that there is in reality no unity of purpose in EU foreign policy, one perceives, at least on the part of the more economically exposed states, the search for a European solution to the energy crisis.

The temptation is therefore to think that sovereignist movements are making a virtue of necessity and transforming themselves into “light” sovereignists: more a change in rhetoric than anything else. But this is only partially true: in the first place because the acceptance of debt mutualization and the acceleration of European

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integration deriving from it are not so welcome by national populist movements in the so-called frugal states: if the recent crises may have partially defused sovereignist impulses in some states, they have acted as a detonator in others. We must then also reflect on the way in which these changes are being made at the EU level: the role of the European Council and of intergovernmental mediation has gained the upper hand in the management of these crises. On the one hand, this is both natural and necessary: the recovery fund constitutes an enormous step forward in the process of European integration and it is therefore understandable that it was the European Council that took a leading role. And it should also be remembered that from a legal point of view it was decided to base the recovery on three distinct tools that allow for the involvement of all levels of governance, including national parliaments, so as to stem the accusations of excess competence (see the case pending before the German Constitutional Court) and lack of democratic accountability. And yet, this dominance of the European Council, and of the Commission, now a political body in technocratic guise, constitutes a step backwards in the process of “supranational” integration - it is the national governments that are at the helm, reducing both the influence and the power of the European Parliament, since the latter institution is effectively excluded from the management of the recovery fund. As far as Italy is concerned, it is yet to be seen how the foreign policy of the new government will develop, and what the strength of sovereignist instincts will be within it. On the one hand, in fact, one would expect a rather conflictual relationship with Europe. On the other hand, President Meloni's international ambitions, and the need for European support, mean that this conflict will be subdued except perhaps on immigration, where there will be an even greater assertion of national sovereignty. It is difficult to predict how sovereignism will play out in times of crisis, but surely there will be a drive to ensure that international decisions, especially in Europe, go back in the hands of national governments, to the detriment of a more integrated and federalist vision of the European Union. ■

LEGGI L'ARTICOLO IN ITALIANO 







Steering the economy out of the crisis

Economic slowdown and a jump in inflation caused by the increase in energy prices: after two years of Covid, the European Union is weathering a perfect storm. Irene Tinagli, the Bocconi alumna and President of the European Parliament's Committee on Economic and Monetary Affairs, discusses the possible solutions that the EU and national governments can put in place

by Riccardo Sorrentino @

Economist and management and organization expert. She was elected a member of the Italian Parliament and then of the European Parliament, where she currently holds the position of President of the Committee on Economic and Monetary affairs. She is currently deputy secretary of the Italian Democratic Party. However, Irene Tinagli is first and foremost a Bocconian. She graduated from Bocconi University with honors, before earning her PhD at Carnegie Mellon. Her story is a successful example of a merge between knowledge and politics. We discussed with her the difficult landscape of European economic policy in this historical phase.

→ **To talk about the current situation, one can only start with inflation and the burden it imposes on families and businesses. Can the EU do something to help the ECB?**

On the subject of inflation, the spotlight is obviously on the European Central Bank, but the ECB can only use the tools at its disposal. The ECB's traditional policy instrument of raising rates alone is not enough. 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 raising 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.

IRENE TINAGLI
From Empoli to Milan, and from Milan to Pittsburgh, at Carnegie Mellon, and then Gothenburg and Madrid, and of course Strasbourg, the seat of the European Parliament. Bocconi has opened many doors for Irene Tinagli. "Bocconi was an extraordinary experience. I came from the Tuscan province and for the first time I landed in a big city: it was a step towards the outside world. It was an extraordinary experience not only in terms of education, but because it was also a very diverse environment. It was a great training ground for me, with great international openness, so a way to get to know the world". Moreover, Bocconi "in the space of a few years established itself on the international scene with great authoritativeness, strong determination and high quality. Bocconi has succeeded in the dual undertaking of expanding the educational offer and improving quality standards, not a trivial thing to do".

The hike in energy prices is "infecting" many sectors and driving up inflation, even indirectly. For the ECB, this contagion of inflation is an element of risk on which it must intervene, with interest rates because it has no other tools; but we could (I would say we should!) introduce a structural reform of the energy market. This is what we are trying to do by asking for an uncoupling of energy coming from renewables from the price of gas, so that total energy prices do not only reflect trends in gas markets; or when we ask for interventions on the functioning of the Amsterdam spot market. We have also asked for a cap on the price of imported gas, although, of course, only temporarily.

Economic and fiscal policies can also be useful: member countries are putting in place measures to help households and businesses pay their bills but even these encounter limits: the budgetary margins of individual countries. Even at the EU level, it is not simple: the Recovery and Resilience Facility is still active, there €750 billion of common debt that still need to be spent, and it is not politically easy to raise further common debt. And, in any case, it would not be easy to use it to disburse subsidies. The European Union has already modified the state aid framework to allow governments to give aid to businesses and households on energy bills, but adding EU funds to these efforts is a politically complicated step in my opinion.

→ **What can individual states do instead, with existing resources?**

It is important to try to intervene through temporary income support transfers to cope with growing expenses rather than intervene on prices or on collective wage bargaining because these are all mechanisms that could generate inflationary pressures. We need to take great care, because it is a





very delicate moment and we must be able to coordinate policy at all levels. Objectively, it is not easy because after two years of Covid the debts of governments have all shot up even by 20-30 percentage points. But we have to find a solution.

→ **However, Italy has a large stock of public debt that greatly limits the scope for intervention.**

Italy has this difficulty. Now there is a somewhat paradoxical aspect: high inflation slightly increases nominal GDP and slightly reduces the share of debt; and VAT revenues on energy products have also increased. These are elements that in the last year have allowed us to buffer the situation a little but it is obvious that Italy is one of the countries in greatest difficulty today, because it has a particularly energy-intensive production structure and has an energy mix where renewables are not yet sufficiently present. We also imported gas largely from Russia.

And with the prospect of zero if not negative growth for 2023, and a very high debt in any case, it is clear that in the coming months we will have more limited margins than other countries to intervene in support of the economy with subsidies, transfers and so on. We did it during the pandemic, we did it in the last year with almost €66 billion allocated by the Draghi government to cushion the increase in energy prices, but now we have reached a point where it is necessary to make more structural interventions on the energy market and also try to push towards European solutions.

→ **Is a reform of the Stability Pact possible in this situation?**

Already last year the Commission said that it would present a proposal in 2023, and it is necessary, because although it is true that the safeguard clause has been activated, it is also true that we cannot get to the end of 2023 without having a new setting or we risk going back to the old rules. The Eurogroup and Ecofin have picked up the issue again. The question is: what can be the equilibrium point, the bargaining solution that all countries agree on? It's not easy because there are so many different perspectives. Needs are known to all: to guarantee a minimum of macroeconomic convergence and stability across the EU, but also not to penalize investment and growth as the old rules did in the past. The new ones must not be pro-cyclical.

→ **How? It doesn't seem like a simple task.**

This is the crux of the matter: what are the systems we can put in place to support investment and give countries a bit of flexibility, without letting public spending spiral out of control. There are those who speak of the golden rule: separating public investments from the calculation of the deficit. I think it's difficult because this rule is open to a thousand different interpretations and a thousand different requests.

→ **Everything becomes investment..**

Limits can also be introduced, but then there is the country that invokes the golden rule for defense spending, another for innovations, another for green areas, another for social issues. There is also a measurement problem: what exactly needs to be kept separate? One can think of a European fund that supports EU-wide investments, somewhat along the lines of the Next Generation model, with staggered disbursements linked to the achievement of intermediate results; it's an idea that could work to dispel doubts about moral hazard, opportunism, and so on. However, the problem of how to finance this fund arises. The EU budget is currently not equipped to deal with this type of funds and investments.

→ **Can we envision a revision of the Treaties?**

I don't think there is room for rewriting the EU Treaties, not for changing 3% or 60% of the text. What will be inevitable in my opinion is to revise the regulation whereby each year every country must reduce excess debt by 1/20. In my opinion this needs to be changed. This is also the conviction of the Commission in its recent Communication on the orientation for a reform of the EU economic governance framework, and it seems to me there might be a broader agreement on the issue. In my opinion this needs to be changed, and it seems to me that there is a broader agreement on the issue. Among other things, intervention in regulations is simpler than a revision of the Treaties.

→ **The new geopolitical situation seems to call for a return of industrial policy. Do you also see this trend?**

In recent years, the European Union had already begun to move with resources for special projects that support innovative technologies, for example the production of batteries and now, with the Chips Act, incentives to manufacturers of microchips in Europe. Actual industrial policy remains in purview of member states, but with initiatives of this kind the European Union provides indications (and tools) on technologies or productions that are considered strategic, to favor reshoring in Europe, to undertake investment in innovation and research which is always a bit difficult to increase. I think it is a first way to strengthen strategic independence in some industries. It is clear that if we want to have European champions, we also need to revise a bit how we interpret the issue of market competition and state aid, and also that of building a truly single market. We have a common market for the transport of goods which is precious but we still have 27 different national legislations on taxation, finance, capital raising, and also the banking union needs to be completed to further encourage cross-border operations within the Union. So it is clear that we must make great progress on these fronts. ■

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A dangerous

Monopsony power can negatively affect workers' wages as well as inflating inequalities in wage levels across firms and employees. For this reason, the widespread presence of non-compete clauses that reduce the occupational mobility of workers should come under the scrutiny of the Italian antitrust authority

by Tito Boeri @

In a competitive labor market, individual companies have no market power over their employees, since they cannot independently set wages. If they paid workers less than other firms, workers would change employer. In other words, firms that seek to impose lower wages end up running out of workforce. A growing number of empirical studies have instead documented that many companies, even medium and small firms, have significant market power over their employees and are able to set wages at levels below than the value of the contribution that workers give to production, i.e. lower than labor productivity measured in monetary terms. These same firms that succeed in setting wages, thus imposing a markdown on labor productivity, also end up hiring fewer workers than they would have done in a competitive environment. The possible sources of this market power, called monopsony power, are manifold and range from concentration of hiring in a few firms to collusion of employers in not bidding for workers already employed by other firms, from the use of various limits to the mobility of workers, to employment search costs and frictions present in the labor market.



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In a recent work with Andrea Garnero and Lorenzo Luisetto, I have analyzed the presence of non-compete clauses in employment contracts in Italy. A non-competition agreement is a contract, or a clause in a labor contract, in which an employee agrees not to compete with the employer after the employment contract has ended. In most countries, non-compete clauses are allowed (under certain conditions) and justified by the need to protect trade secrets and specific investments in the employee's human capital by the employer (such as certain types of training and investments in specific knowledge). However, non-compete clauses can also be used simply to reduce the mobility of workers, thereby limiting their opportunities outside the firm and bargaining power inside the firm. In Italy, non-compete clauses are regulated by the Civil Code, but the law provides only minimal requirements, without providing a detailed framework. Over the years, the jurisprudence has clarified some aspects but, beyond the respect of basic formal requirements, Italian courts maintain a significant margin of discretion in the assessment of each individual case. Despite their

clause

importance in regulating many aspects of employment relationship, collective labor agreements surprisingly play no role in regulating the use of non-compete clauses in Italy.

To understand the relevance of non-compete clauses in the Italian labor market, we carried out a survey on a sample of 2,000 employees representative of workers in the private sector. Our survey shows that around 16% of private sector employees in Italy are bound by a non-compete clause, which corresponds to around 2 million workers. More than one in five workers has agreed to a non-competitive agreement at least once in their careers. These deals aren't limited to highly skilled professionals or managers, or employees with access to confidential information, but are much more widespread than that. Non-compete agreements are also relatively frequent among workers employed in manual and unskilled occupations with low levels of education and wages, even if they have no access to any type of confidential information. Non-compete clauses are not the only legal tool for regulating the labor market after the contract ends: in Italy, 39% of private sector employees are

covered by a non-disclosure agreement; 12% by an agreement that gives the employer ownership of any invention created during the employment relationship; 11% by a customer non-solicitation clause; 10% by a reimbursement clause for benefits and bonuses; 8% by a non-solicitation clause with respect to colleagues; and 7% by a reimbursement clause for training costs.

The likelihood of being bound by a non-compete agreement is negatively correlated with the concentration of the local labor market, particularly for medium-skilled workers. This suggests that non-compete agreements, insofar they are tools for limiting competition in the labor market, are less important when local labor market is highly concentrated, because a small number of companies dominate hiring.

Analyzing the content of the non-compete clauses, more than half do not seem to comply with the minimum requirements set by law, i.e. they don't specify indemnity and duration, sectoral and geographical limits. This means that a good part of the clauses are probably void, therefore not enforceable by a judge and/or that workers are unaware of their content (even those who are sure



they have signed one and claim to have read it carefully before signing it). At the same time however, since there is no correlation between the perception of the risk of being taken to court and being found guilty by a judge and the likelihood of the clause being enforced, non-compete clauses may have deterrent effects on labor mobility even when they are not applicable.

The majority of workers currently bound by non-compete clauses became aware of the clause before starting work, when signing the contract (40%) or even earlier when the worker is offered the job (28%). However, 15% of the clauses were introduced after the contract was signed, but in exchange for a promotion, salary increase or increased responsibility, while 5.6% were introduced after the contract was signed without no change in the job duties performed. Among workers bound by a non-compete agreement, 44% read it very carefully before signing it, while 28% read it only quickly. Only 21% of employees with a non-compete agreement attempted to negotiate. Most employees did not try to negotiate it because they thought it reasonable or assumed the clause was non-negotiable.

Prior to this investigation, the only evidence available in Italy on the use and characteristics of non-compete clauses was based on jurisprudence. Given the limited number of trials, essentially involving highly skilled employees, this suggested that the phenomenon was relatively limited and of little interest. However, as is known in the literature on the economic analysis of law, the outcomes of the trials are not representative of the population of cases and provide partial information since only a selected sub-sample of them arrives in court. The evidence emerging from the survey suggests that, due to a mix of abuse by employers and a lack of awareness on the part of workers, in a non-trivial

number of cases non-compete clauses generate distortions in the labor market, further limiting the mobility of workers, which is already low in Italy compared to international standards. It would therefore be possible to promote a more balanced use of non-compete clauses, improving transparency and fairness of the negotiation process without placing an undue burden on employers or preventing them from protecting their legitimate business interests.

The widespread presence of clauses that reduce the occupational mobility of workers should also come to the attention of the Italian antitrust authority. It is often argued that antitrust should deal only with competition in markets for goods, but there are strong interrelationships between monopoly and monopsony, i.e. market power in the product market and market power in the labor market. These interactions generally operate by further lowering wages compared to what would happen in a firm that has monopoly power only in the labor market, because lack of competition in the product market reduces the quantity produced and, therefore, the number of workers hired, exerting a further negative effect on wages. At the same time, under conditions of monopsony, monopoly firms can further restrict supply and, for a given level of demand, this leads to an increase in the price of final goods. Moreover, the interactions between market power in the two spheres can inflate inequalities in wage levels across firms and workers, posing problems not only of fairness, but also of efficiency due to the reduced mobility of workers. Finally, the two market powers can feed each other, for example by favoring collusive behavior such as agreements between companies not to snatch workers from each other (no-poaching agreements), leading to greater market concentration in both areas. For this reason, the US antitrust authority has issued guidelines on the matter and has begun to monitor concentrations between companies more carefully than were market competitors before the operation. For this reason, certain antitrust authorities also in the EU (for example the Portuguese Competition Authority) have recently dealt with clauses that limit the mobility of workers. However, the European Commission's guidelines on collective agreements between self-employed workers clarify (albeit indirectly) that no-poaching and wage-fixing agreements are illegitimate. It is time for the problem to be addressed in Italy as well and for collective labor agreements to delve into the issue instead of continuing to ignore it ■



THE PAPER

The use of non-compete agreements in the Italian labour market by Tito Boeri, Andrea Garnero and Lorenzo G. Luissetto

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Being lured into purchase

The value of discounts collected via a promotional code is growing but the suspicion is that they are exploiting consumers' behavioral biases. An empirical study explains why and how

by Matthias Rodemeier @

Claimable rebates are the most ubiquitous promotion tools in online shopping. Consumers are offered a promotion, say 10% on everything, but the price reduction is only applied if the consumer enters a promotion code during the checkout process. Industry experts estimate that the total value of digital rebates that have been redeemed was \$47 billion in the United States in 2017. This number is projected to increase to \$91 billion in 2022.

Despite the large potential benefits to households, consumer protection agencies suspect that rebates are used to exploit behavioural biases. The hypothesis is that rebates attract consumers even though many eventually forget to claim the discount. In the same spirit, the behavioural economist and Nobel laureate



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Richard Thaler once referred to these promotions as "buy baits." Marketers and proponents of rebates, on the other hand, claim that consumers know very well whether they will redeem the rebate when they decide whether to make a purchase. Those who don't redeem simply do not care about the promotion. At the heart of this discussion is a fundamental question in behavioural economics: If consumers face behavioural biases, such as forgetting to redeem a rebate, do they anticipate these biases?

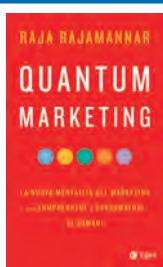
To answer this question, I run a field experiment with over half a million consumers in a large online shop that frequently offers rebates to consumers. In one experimental condition, consumers are offered a standard rebate that requires active redemption. In another condition, consumers receive a simple price discount that is automatically applied to the purchase value for everyone. The idea behind the experiment is simple: If consumers anticipate that they might fail to redeem, the rebate should increase sales less than the automatically applied price discount.

I find that only around half of all consumers that are offered a rebate manage to redeem it. Thus, simply requiring consumers to redeem the rebate themselves prevents many from receiving the promotion. However, many consumers anticipate this issue: The increase in sales caused by a rebate is only two-thirds of the increase in sales caused by an automatically applied discount. This is evidence that a substantial share of



THE BOOK

The relentless transformation of technology over the past decades has forced marketing to continuously change its skin, evolving through four different phases. The fifth phase, or Fifth Paradigm, will not be an evolution but a revolution and almost all aspects of marketing today, in fact, have to be rethought from top to bottom, explains Raja Rajamannar, Chief Marketing & Communications Officer of Mastercard, in *Quantum Marketing* (Egea, 2022, 224 pp., €29.50, in Italian).



consumers is aware of their biases that prevent them from redeeming the rebate and, as a result, decide not to purchase in the first place.

Through additional experimental variations, the study shows that the increase in sales caused by rebates is still excessively large. The underlying mechanism is that consumers correctly anticipate their likelihood of forgetting rebate redemption but they vastly underestimate the hassle required to redeem it. In particular, I find that the firm can increase the hassle of redeeming the rebate, which reduces redemption rates, without sacrificing sales.

By comparing profits across promotions, the study finds that rebates are 150% more profitable than simple price reductions that apply to all consumers. These results

may explain the ubiquity of rebate promotions in online shopping.

The results also directly inform consumer protection policies in the US and countries across the globe. Policymakers have substantially regulated the features of rebates due to the suspicion that consumers confuse rebates with simple price reductions. Despite the ubiquity of rebate laws, there is little evidence supporting this claim. This study provides the empirical foundation for these widely used regulatory policies and substantiates the underlying motivation. An additional insight from the results is that it may not be sufficient to require firms to remind consumers to redeem the rebate. The reason is that consumers already have a good idea about whether they will remember redemption. Instead, they underestimate the effort required to redeem. More invasive regulations that restrict the use of rebates or impose the burden of redemption on the side of the firm may be called for ■



THE PAPER

Buy baits and consumer sophistication: field evidence from large-scale rebate promotions by Matthias Rodemeier



**My name
is Bond,
Green Bond**

Investors are increasingly attracted to this new class of bonds whose supply, while rapidly increasing, is still low relative to demand. A study highlights the yield spread between traditional bonds and green bonds, concluding that the possibility of collecting resources at a discount does a double service to the entire system

by Maurizio Dallocchio and Emanuele Teti @

The first green bond was issued in 2007 by the European Investment Bank and since then their market has grown dramatically, carving out its own space among debt instruments. Suffices it to say that total green bond issues reached \$900 billion in 2021, a buoyant growth considering that in 2018 the market was worth little more than \$300 billion. There are numerous reasons for the success of the green bonds. First of all, they signal the attention of a business institution towards sustainability, the environment and the quality of life of future generations. Consequently, their issuance has a positive impact on the assessment of the ESG profile, improving the company's risk profile and its cost of capital. And their cost is lower than traditional financing tools. In support of these considerations, a recent study by the European Central Bank shows that the cost of capital is lower for green bond issuers (and the related enterprise value higher) than non-issuers of green debt, other things being equal. Overall performance indicators such as ROE or the ratio between price and book value of shareholders' equity (P/BV) are also positively impacted. Furthermore, one cannot fail to acknowledge the fact that investors from all over the world are attracted by green securities and their issuers, but their supply is still very limited compared to potential demand. Hence the real risk of running into issuances resulting from "greenwashing", or securities artfully referred to as green bonds. But is there a real difference, in terms of the risk-return ratio, between green bonds and traditional bonds? Two differences are evident. The first consists in the fact that investors in green bonds have a marked sensitivity towards issues relating to the environment and sustainability, both due to the specific orientation of ownership and management, and due to the increasingly tangible pressures in this direction coming from stakeholders in the broadest sense of the expression. This means that they are not only interested in returns



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as such, but in the dual performance of the green security subscribed: the environmental element and the economic one, which may be lower with respect to a traditional financial product, due to the return offered on the first front. The second difference is based on the theory of asset pricing and links the possibly lower yields of green bonds to some of their characteristics which delay the attainment of truly satisfactory profits over time by virtue of the type of investment selected. Furthermore, green bonds are subject to continuous monitoring, both with respect to the environmental objectives they aim to achieve, and in relation to the actual destination of the financial proceeds after issuance, elements which could further limit the probability of default.

Concretely, is there actually a yield spread between traditional and green bonds? Our research has highlighted differences, depending on the market considered. In the primary market we demonstrate that the issuance of green bonds entails, other things being equal, a yield 35-40 basis points lower than standard bonds. Furthermore, although the yield spread at time of issuance is confirmed for each type of green bond, the discount is more robust for corporate issuers, with an average of minus 40 basis points compared to financial issuers, for which the discount was estimated to be lower than or equal to 22 basis points.

On the secondary market, however, we found that at the end of 2020 the yield on green bonds was around 12 basis points below their traditional counterparts. The "premium" in favor of green bonds (called Green Bond Premium or Greenium) widened in early 2021 to minus 28 basis points, and then reached minus 35 basis points at the end of the first semester of 2021. Our results would seem to demonstrate that the discount on yields between the two types of bonds is growing. This could be explained by a growing demand/supply imbalance leading to a higher appreciation of green bonds compared to traditional bonds.

Ultimately, the possibility of collecting resources at a discount renders the system a twofold service: on the one hand, it facilitates issuers who can finance green projects at a lower cost; on the other, it attracts the attention of investors who can actively support the transition towards a more sustainable economy ■



THE PAPER

The green bonds: empirical evidence and implications for sustainability by Emanuele Teti, Icaro Baraglia, Maurizio Dallocchio, Giovanna Mariani



VALERIA SANDEI CEO of Almawave

WHAT IMPACT AND WHAT FUTURE CAN FORMS OF FINANCING SUCH AS GREEN BONDS HAVE FOR COMPANIES?

Despite their being a relative novelty, green bonds have quickly become the financial instrument of choice for many companies and institutions. And if we think about the EU climate and energy targets for 2030, it is plausible, if not certain, that their use could increase exponentially in the near future.

On the other hand, attention to sustainability is no longer considered a passing fad but rather the precondition for doing business, inventing new products and planning investment. Also at my company, Almawave, we have developed a strong sensibility on the issue for some time



and this can be seen from the commitment put in place by our people every day and from the tangible results achieved and collected in our annual sustainability report. In fact, our impact has not only internal relevance for corporate operations, but

also on the whole ecosystem since digitization and machine learning have a decisive impact on the path towards the Agenda 2030 objectives.

And since we were listed in 2021, sustainability has been discussed in every meeting with the financial community. From this point of view, it should be emphasized that finance acts as a stimulus and an accelerator towards greater implementation of ESG issues in companies.

As specialists in Artificial Intelligence, particularly in the comprehension of written and spoken human language, we are privileged to work with both the public and private sectors and, beyond green bonds, it is now evident how the financial management of a company or entity can no longer disregard the impact of its own activities in terms of sustainability. Not only that, but ESG ratings now concretely affect access to credit, relationships with stakeholders and the ability to attract the best talent. AI can become an essential lever for interpreting "alternative data" and building new models for assessing creditworthiness that take ESG issues into account.



THE COURSE

The course **Credit Rating and Sustainability** aims to illustrate how the two types of ratings are complementary tools useful for analysing and assessing a company's soundness in a comprehensive manner.

CARLOTTA DE FRANCESCHI Managing Director HPS Investment Partners

GREEN BONDS ARE BECOMING A MORE AND MORE COMMON FINANCIAL INSTRUMENT. WHERE ARE WE IN TERMS OF THIS INSTRUMENT'S GROWTH STAGE?

As a premise, the opinions that I discuss are my own and are not the views of HPS Investment Partners - the various European Institutions are coming together to make it easier for sustainable economic activities to attract private investments through green bonds. The premise, as Mario Draghi pointed out during the UN meeting prior to COP26, is that government resources won't be enough to support the energy transition and therefore policy makers are focused on enabling private investments in the space. The European Commission, for example, created a solid regulatory architecture that defines a taxonomy of green activities, based on six objectives (two of which, regarding climate, have already been defined in detail, with the activities that would qualify as such). The EC also issued a directive that requires funds to disclose their activities as green, not green and light green, in their portfolios. Furthermore, the EC has also proposed to modify Solvency II to facilitate insurances' investments towards sustainable ones. Finally, last October, the ECB has launched a purchase program for green bonds at a lower haircut compared to other banking assets.

WHAT FUTURE DO YOU FORESEE FOR GREEN BONDS BETWEEN GEOPOLITICAL TURMOIL AND INFLATION?

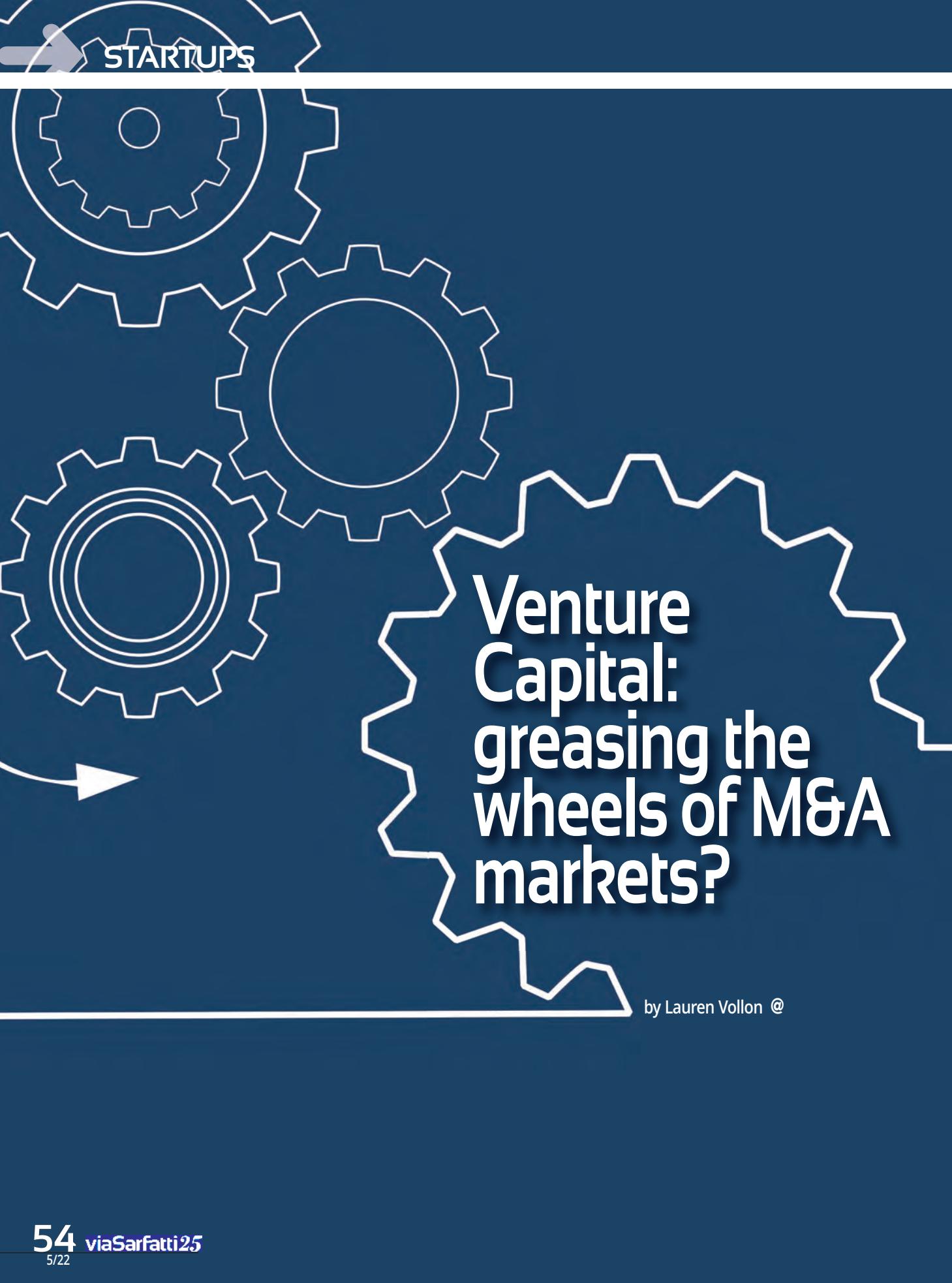
European policy making is focused on facilitating green bond investments by strengthening their standardisation (including a common definition of "green activity", prescribing an external audit of the activities etc) and promoting further transparency in the system through disclosure. The global attention to the environment, that Europe set at the center of its political agenda with the Green Deal, isn't a new phenomenon. For sure the Ukrainian conflict is making the political debate over both diversifying energy sources and the energy transition in Europe pressing. In this respect, there is room for EU policies on greenbonds to further evolve. For example, the EC proposal over Solvency II is under discussion at the European Parliament and the ECB could potentially expand its "green purchase program" to include "green covered bonds" or "green abs". The true elephant in the room is "greenwashing" where the attention of the Regulators across the globe is extremely high.



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Venture Capital: greasing the wheels of M&A markets?

by Lauren Volland @

Venture capital firms (VCs), sophisticated investors in early-stage startups, are important players in the startup industry. The majority of startups exit through a Merger and Acquisition (M&A) deal (CB Insights, 2022). However, empirical evidence on private M&A contracting is limited due to data constraints. My job market paper, titled *Venture Capital and Private M&A Contracting*, aims to fill the void and investigates the role of VCs in the M&A market.

I focus on a commonly-used contractual mechanism in M&A contracts: earnouts. An earnout is “an arrangement where part of the merger consideration is made contingent on a future event (e.g., drug approval or first product sale) or (financial) performance measure (e.g., revenues, net income, or EBITDA).” Earnouts generally address information problems between a seller and buyer in the private M&A market.

In the paper I show that buyers and startups use earnouts less frequently in the M&A contract, when VC participates in the



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Next, I explore two sources of economic friction that are specific to VCs in the M&A process. First, earnout contracts require the VC to monitor the startup’s operations after the M&A transaction and verify the earnout consideration. I show that VCs are less likely to use earnouts when monitoring costs are high, as measured by the physical distance between the VC and the startup. Second, VC funds have a closed-end structure and, on average, liquidate themselves in about 10 to 12 years. VC fund investors expect a return on their investment at the end of the fund’s lifetime, at which time the VC fund manager has to turn its investments into cash. Comparing early and late M&A deals in the same VC fund, I find that early M&A deals in the lifecycle of the VC fund have a higher likelihood of having an earnout than later deals. These results indicate that VCs have idiosyncratic preferences over the use of earnouts that might or might not align with the preferences of other investors.

In conclusion, my study provides new insights for startups to consider when choosing a VC

A research paper investigates the relationship between startups and venture capitalists, showing that earnouts are lower when venture capital firms are involved

transaction. This finding suggests that VCs play a similar role as earnouts in alleviating information asymmetry between buyer and seller about the value of the business entity. VCs are able to play this role because they play a repeated game in the M&A market. I document that existing relationships between buyers and VCs (through previous M&A transactions) further reduce the need for the use of earnout clauses in the M&A contract indicating that buyer-VC relationships are important drivers of the private startup M&A market.



THE PAPER

Venture capital and private M&A contracting
by Lauren Volland

investor (or VC fund) and how this choice can potentially affect M&A contractual outcomes. On average, the use of earnouts is lower for VC-backed startups compared to other startups and previous relationships between VCs and buyers further decrease the use of earnouts, which is consistent with VCs alleviating information asymmetry problems in the M&A market. VCs also protect their own idiosyncratic interests, such as balancing the opportunity cost emanating from monitoring costs and closing out investments at the end of the VC fund’s life, when deciding the optimal M&A contract ■



THE COURSE

Extraordinary finance is a course that provides an overview of the M&A process: from valuation methods for summarising the company's price/value, to the corporate and market variables that influence it.

More rules, less information

A study of the reporting of risk by oil companies listed on 20 financial markets shows that voluntary disclosure of non-financial risks decreases with a high level of mandatory disclosure because companies no longer perceive it as beneficial. Regulators and market authorities are warned

by Claudia Imperatore @

In the last decades, regulators increasingly required firms to disclose non-financial information to satisfy the information needs of a wider set of stakeholders. However, there is no consensus on whether mandating more disclosure is the optimal strategy to improve a firm's information environment. On the one hand, scholars suggest that disclosure regulation is not needed as firms have incentives to disclose information to reduce the cost of capital and ease access to external funds. On the one hand, others argue that disclosure regulation is necessary as firms are reluctant to provide information because of the costs of collecting and processing the information as well as the fear to reveal sensitive data to competitors. Moreover, absent regulation, managers may disclose low-quality information that maximizes their interests rather than outsiders' information needs. In a study co-authored with Claudia Arena and Saverio Bozzolan, we shed new light on the issue by analyzing risk reporting by listed oil companies in 20 financial markets during the period 2009-2014. Oil companies are highly exposed to both financial and strategic risk. According to IFRS 7, firms have to disclose information on financial risks (i.e., credit risk, market risk, and liquidity risk), while they are not required to provide information on non-financial risks (i.e., environmental, reputational, and operational risk). We exploit this feature to create two disclosure indexes: one for the mandatory disclosure of financial risks, and one for the voluntary disclosure of non-financial risks. We document that voluntary risk disclosure increases with the level of mandatory risk disclosure until a certain point after which the relation reverses and firms



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reduce voluntary disclosure.

Our evidence has two relevant insights. First, it shows that forcing firms to disclose one type of information has indirect implications on the firms' choice to voluntarily disclose related information. Hence, corporate disclosure choices are part of a broader information strategy so disclosure decisions should not be analyzed on a standalone basis. Moreover, we document that the relation between different disclosure choices can be quite complex. Higher mandatory disclosure increases the credibility of information thus incentivizing firms to disclose more information voluntarily. However, this complementary relation holds until a certain level of mandatory disclosure, after which firms perceive voluntary disclosure as less beneficial. Indeed, information asymmetries have already been mitigated by the high level of mandatory disclosure so providing additional information is more of a cost for the firm. As a result, for a high level of mandatory disclosure, firms are less likely to voluntarily disclose information. We also find that this dynamic is more likely to occur for firms more exposed to risks suggesting that the relationship between mandatory and voluntary disclosure hinges upon the perceived costs and benefits which in turn vary depending on firm characteristics. Thus, mandating firms to disclose more information can have the unintended consequence of decreasing firms' incentives to release additional information. These insights are relevant to lawmakers, and market authorities as they suggest that, at the moment of designing new disclosure rules, they should consider pre-existing pressures on firms to disclose. The interrelationships among disclosure choices imply that the effectiveness of the disclosure rules should not be assessed by only considering the impact on one disclosure type. A broader perspective that considers other disclosure contents and tools is also necessary, especially nowadays that firms are subject to a demand for information coming from a heterogeneous array of stakeholders ■

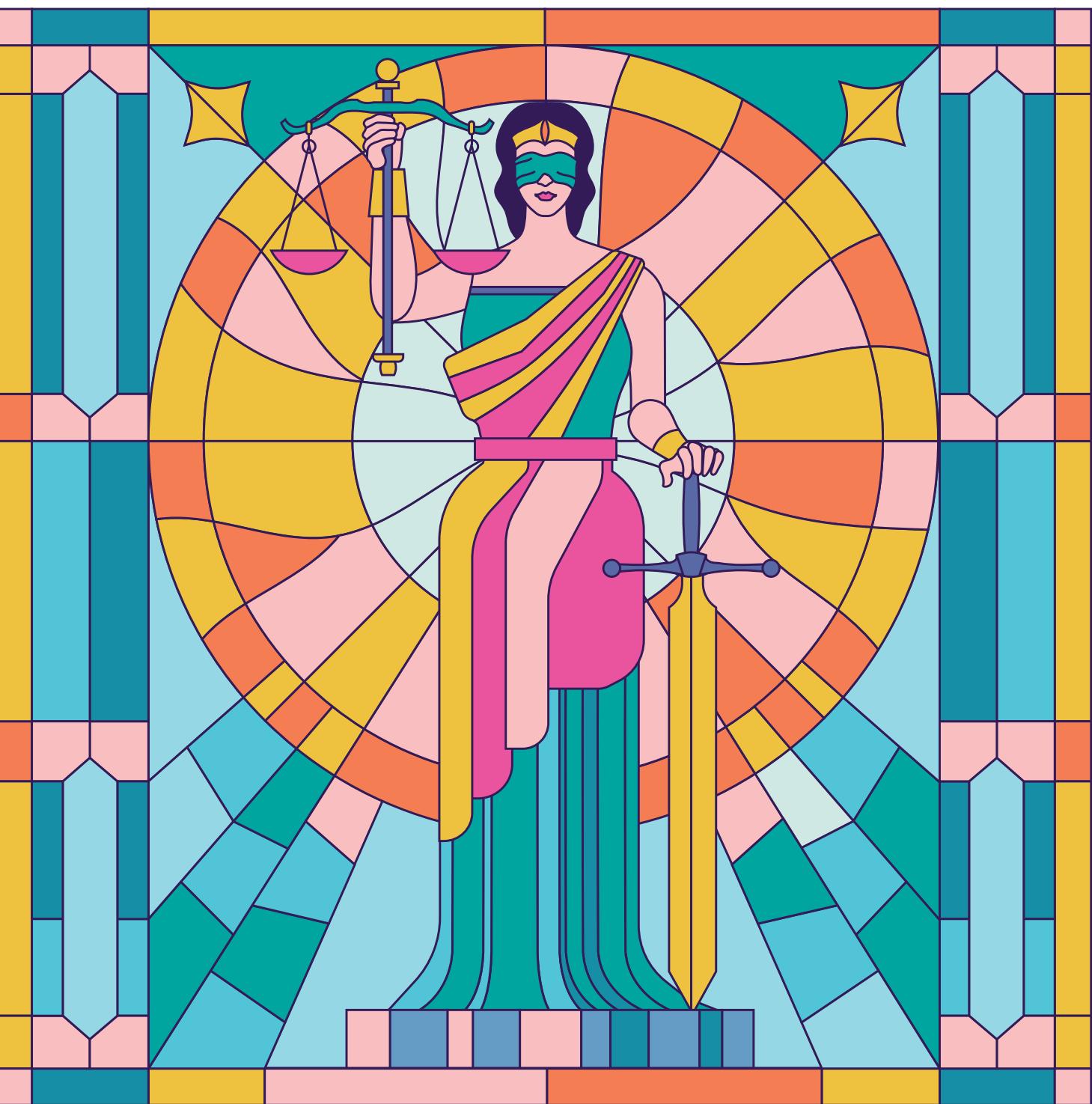


THE PAPER

The Trade-off between mandatory and voluntary disclosure: evidence from oil companies' risk reporting
by Claudia Arena, Saverio Bozzolan, and Claudia Imperatore



This legal fiction is so cohe



rent that it's almost real

Foundational, juridical, justification, cognitive, and constitutive legal fiction: the five types of assumptions about law that are knowingly false but widely accepted in order to obtain good legal consequences

by Giovanni Tuzet @

When do we say of a fiction that it is credible? Coleridge claimed that “poetic faith” involves the “suspension of disbelief”. If he was right, a literary fiction must be credible. But of course, literary credibility doesn’t mean truth. I think it means coherence. Fictional content must “make sense”. If the plot is inconsistent, or a character is portrayed inconsistently, something has gone wrong. It is coherence that makes a story credible. That also applies to legal fictions, which are a classic subject of jurisprudence. I take them to be statements that are knowingly false but accepted in order to yield a good legal consequence.

Some legal and political fictions are useful to provide a foundation for a whole system. Think of the State of Nature, or of the General Will of the citizens. These are fictional entities. It is knowingly false that the State of Nature existed as such, but it is accepted as an assumption leading to some desirable consequences. What consequences? The establishment of the sovereign (Hobbes), of civil and political liberties (Locke), of democracy and equality (Rousseau). These kinds of fiction serve as premises of an argument to provide a foundation for a legal or political system. I call them foundational fictions.

Other legal fictions are used to justify a legal consequence that couldn’t be reached otherwise. I call them justificatory fictions. They are constituted by knowingly false assumptions accepted to justify a conclusion. One interesting example is the Lex Cornelia in ancient Rome: if a Roman soldier was captured and eventually died in captivity, his case had to be treated as if he had died when taken prisoner. Why that? A legal rule, valid at the time, deprived of testamentary capacity the Romans who had died in the hands of the enemy, but that consequence was felt to be unjust in the case of a soldier who had made his will and died in captivity. So, because changing that rule was too difficult, Roman jurists used the Lex Cornelia fiction, postulating the soldier had died the moment he had



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fallen prisoner, in order to preserve the will’s validity. Other fictions in the legal domain, though not traditional ones, are what I call cognitive fictions. Consider the artificial reconstruction of the facts of a trial, for instance by way of a computer simulation. These fictions are not false statements accepted to produce a legal result. For they incorporate hypotheses on the relevant facts, and, when the hypotheses are correct, they are true. Hence these devices are fictions in a different sense: a “phenomenological” one, since their point is to give an artificial representation of the facts.

Finally, there are fictions consisting of entities that do not exist in the physical world but only in the legal one. For instance, corporations. Private corporations do not exist per se: they belong to the legal world and, more in general, to the world of institutional reality (like money, taxes, financial crises, political boundaries, governments, etc.). How do they come into legal existence? By virtue of legal norms and acts constituting them. I call these constitutive fictions.

Now, is coherence a standard of fiction credibility? Consider foundational fictions: they need to support their conclusions with acceptable (though fictional) premises. For instance, a certain kind of story has to be told about the State of Nature, the way it was, the way we behaved in it, and so on. To be persuasive such stories cannot fail to be coherent.

Justificatory fictions follow the same logic. The story told in the Lex Cornelia fiction was false but coherent with the relevant facts and attitudes. Imagine pretending that the soldier had not died in captivity because, just before dying, a stork took him away and brought him to Rome. Such a story would be false, as the Lex Cornelia one, but surely less credible. Why so? Because less coherent with the relevant facts and background, namely human effort and war, not fairies and storks.

As to cognitive fictions, since they are made of technological representations they should be coherent in order to be credible. Constitutive fictions, instead, are not language entities capable of being coherent. Coherence doesn’t apply to a corporation as such. However, these fictions are nothing without the statements creating them, and coherence applies to these statements. So, coherence provides a general account of fictional credibility ■



THE PAPER

Suspension of disbelief: a coherentist theory of fiction
by Giovanni Tuzet



The impact of Big T

Reduction of information asymmetries, modularity, co-creation of product/service are the factors that measure the potential market impact of digital platforms and need to be considered by companies and policymakers dealing with them

by Gianluca Salviotti @

Thumbing through the list of most capitalized companies on global markets, in the top five positions we find the 4 tech giants of Apple, Microsoft, Alphabet (Google), Amazon. Beyond the digital nature of their businesses, these companies have another aspect in common. All base at least part of their business model on the concept of the digital multisided platform. This means a business built on a digital platform that generates value by facilitating the interactions between two or more customer groups affiliated to the platform itself. Think for example of the Amazon marketplace, which facilitates the exchange of value between sellers and buyers. The former take advantage of the platform and its user traffic as an online showcase, the latter travel the electronic streets of this large market finding in a single place an offer that combines shopping mall, Portobello Road, and high-tech retailer. The entity that controls the platform has the role of orchestrator and arbiter of this digital market, on which it imposes the basic rules. Multisided platforms have changed the way companies serve customers. What changes is not only the product offer, but the entire market context and the rules that regulate it. In fact, platforms are nothing more than digital market infrastructures that try to solve some of the tensions present in the traditional process of exchange and generation of value. What is not always clear, for traditional companies but also policy makers, is how digital



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platforms can represent an opportunity, for the evolution or expansion of their business model, and the overall economic benefits generated for the context in which they operate.

A recent empirical study of several direct experiences has allowed us to identify three classes of factors that measure the potential impact of a platform on a market.

The first class of factors is linked to information which, traditionally, can represent a major obstacle to market efficiency. In this sense, a platform can have a positive impact both in terms of reducing information asymmetries and lowering information complexity and fragmentation inherent in market transactions.

The second class of factors concerns modularity. In markets where products or services are highly modular, i.e. they lend themselves to being broken into sub-components, multisided platforms provide supply by disaggregating and then re-aggregating them. This enables the creation of new value propositions: it is the case of the Android and iOS operating environments, which have reinvented the mobile phone by disaggregating its functions into several sub-components open to app developers. Finally, multisided platforms can bring considerable benefits to the creation of value where consumers show very heterogeneous preferences or a strong propensity for product/service co-creation. Let's take the world of entertainment as a reference, where platforms allow you to select the individual programs in which a user is interested, thus meeting the preferences of consumers who are very different by age group and tastes.

In addition to these factors, it should not be forgotten that the platforms operate in a regulatory context with which they have sparred on more than one occasion. Even if this is not a direct indicator of the impact of multisided platforms in an industry, the legislative framework helps define their feasibility, limiting or not the ability of the subjects involved to act.



THE BOOK

Today's marketing is a new type of marketing: because it uses radically different interaction environments than in the past and because it redesigns the relationships between companies, customers and all stakeholders. *Storie, relazioni e business*, by Andreina Mandelli, Alessandro Arbore and Chiara Piancatelli (Egea, 2022, 224 pp., €28, in Italian) offers an overview of the role that social media play in companies' marketing activities.



FinTech in three moves



But when a platform enters a market, what is the impact on companies present in the sector? In some cases the impact is so limited to the replacement of the class of assets aimed at capturing the value generated on that market, such as ticket sales or marketing activities; think of Booking.com or eDreams in the travel industry. In others, the substitution also affects core assets,

i.e. the very heart of the company offer that creates value. For example, this is the case of some FinTech platforms or, to return to the hospitality industry, the case of Airbnb.

The consideration of the three classes of factors mentioned therefore becomes useful for understanding the potential impact of a platform, or participation in a platform, on a company, but also helps build government policies for facilitating or regulating these entities ■



THE PAPER

Assessing incumbents' risk of digital platform disruption
by Carmelo Cennamo, Diaferia Lorenzo, Aakanksha Gaur,
Gianluca Salvietti



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by Fabio Todesco
and Andrea Costa @

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Giacomo Zanella, Decision Sciences



GIACOMO ZANELLA
Assistant Professor
of Statistics,
Bocconi University

Scaling-up data science: turning an art into science

In the “good ol’ days” - if they have ever existed - we used to have models aimed at explaining phenomena via a limited number of parameters and we could test them using a small amount of data. When we collected new data, we only had to feed them into the model and compute the outcome. Nowadays, statistical and machine learning models can have millions of parameters and we can collect billions of heterogeneous datapoints coming from different sources, and no computer in the world is able to process such quantities in a reasonable amount of time. That’s what computational algorithms are for: they are processes that come to around the same results of the original model, but in a simpler and faster way. There are some issues, though. We don’t always exactly understand why a computational algorithm works and, if it does, we can’t be sure it will work as well with different or considerably larger datasets.



“This lack of understanding results in the routine use of inefficient and largely suboptimal algorithms, and makes the design of efficient algorithms for practically used models something of an art,” said **Giacomo Zanella**, Assistant Professor at Bocconi Department of Decision Sciences. Zanella obtained a €1.5mln ERC Starting Grant from the European Research Council (ERC) to better understand computational algorithms for large-scale probabilistic models, thus making their design not an art, but a science. The project (PrSc-HDBayLe - Provable scalability for high-dimensional Bayesian Learning) aims to single out the most promising algorithms using rigorous and innovative mathematical techniques, and to produce guidelines to improve them and develop new ones. The algorithms Zanella studies have three properties: they are commonly used (“I want to develop knowledge relevant to practitioners,” he said), provably scalable and reliable. In a scalable algorithm, the computer time needed to produce a result increases only in a linear way. Such algorithms promise to stay manageable even if the number of parameters and data points continues to increase.



VIDEO



Modern Data Scientists extract meaningful information from large datasets

Sungkyun Moon, Marketing



SUNGKYUN MOON
Assistant Professor
of Marketing,
Bocconi University

Revealing advertising expenditures can be an advantage

Revealing information about themselves is something that many companies are rather nervous about, since anything made public is also given away to competitors. Yet, as a paper by **Sungkyun Moon**, of Bocconi’s Department of Marketing, with **Kapil R. Tuli** (Singapore Management University) and **Anirban Mukherjee** (INSEAD) for the Journal of Marketing explains, there is an advantage in disclosing advertising expenditure data. The paper argues that advertising expenditure is a strong indicator of a company’s future performance, but since 1995 there is no legal





Alessandro Minichilli, Management



The capital of large Italian companies, 30% controlled by women, ensures better governance

Women's share in Italian family-owned industrial groups with turnover over 100 million is 27.1 percent, which while still far from parity shows a marked increase over time having risen by about a third in the last 15 years. The figure is lower in listed family businesses, where the cumulative female presence in capital goes no further than 20.4 percent.

These are some of the results of research coordinated by **Alessandro Minichilli**, director of the Corporate Governance Lab at SDA Bocconi School of Management, and conducted in collaboration with Lazard and Linklaters. The researchers were able to collect information on 1094 unlisted Italian family businesses with revenues over €100m and 221 listed ones – both on the Euronext and Euronext Growth markets (a sample exceeding 95 percent of the relevant total) – over the period from 2005 to 2020.

Based on the historical data reconstructed in this way, the study also estimated a projection of female ownership over the next 10 and 20 years. Assuming that gender inequality is an outdated factor in business culture, and estimating the number of ownership successions that are likely to occur in these time windows, one can imagine a substantial narrowing of the gender gap in ownership that could



ALESSANDRO MINICHILLI
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result in women owning an average of 37.1 percent of the capital of the companies considered in 2030, and 44.5 percent in 2040. However, female-dominated firms have some special features. First, there is a strong trickle-down effect between female ownership and the choice of women as CEOs: they range from 10 percent of female CEOs in fully male-owned firms to 41 percent in firms where female ownership exceeds 50 percent. Women-controlled firms also have on average better governance than those with only male ownership and are more frequently run by CEOs from outside the controlling families.

requirement for US-listed companies to publish this particular piece of information, so many companies keep it secret. One notorious such example is Apple Inc. which stopped mentioning their advertising expenditure in 2016. But an extensive analysis conducted by the authors of 2,285 listed firms over 25 years shows that disclosure of advertising spending lowers idiosyncratic risk (that is, risk due to firm-specific factors as perceived by investors) by about 7%. Importantly, this disclosure effect is partially driven by lowering analyst uncertainty (that is, the divergence about future financial performance of the firm amongst financial analysts). There may be a potential concern that the disclosure reveals proprietary information and may have an adverse effect on firm valuation. The authors examine this argument and, for the pooled sample, they find that disclosure of advertising spending does not have a significant negative effect on firm value. In fact, they find nuanced effects of disclosure of advertising as disclosure of advertising spending helps enhance firm value in certain sectors such as Manufacturing, Business



VIDEO



Services, Hi-Tech, and Healthcare. In general, analysts (and, consequently, investors) value information which helps lowering the degree of uncertainty about any given company. Advertising spending is no exception, as it reflects how much a company is investing in its own brand equity.



Florian Nagler, Finance



FLORIAN NAGLER
Assistant Professor
of Corporate finance,
Bocconi University



Deferred compensation may be a form of insider trading

Most of the literature on financial markets deals with centralized, extremely liquid markets, such as stock exchanges, but 90% of financial assets across the world, including most of the fixed-income instruments issued by sovereigns, municipals, and corporates, trade in decentralized, Over-the-Counter (OTC) markets. In OTC markets, there is no centralized marketplace, investors need to search for counterparties that are willing to trade, and liquidity is very limited. **Florian Nagler**, Assistant Professor at Bocconi, obtained a €1.4mln ERC Starting Grant from the European Research Council (ERC) to better understand the workings of OTC markets. In particular, he wants to explain the existence of non-traded assets (NTAs). In the US corporate bond market, for instance,

60% of assets do not trade on a daily basis, 25% of assets do not trade on a monthly basis, and 10% of assets never trade. "Illiquidity could be due to market frictions, that is, hurdles that prevent OTC markets from working properly, or due to agency frictions, that is, the will of the actors," Dr Nagler said. "In the first case, regulators should remove such frictions, presumably centralizing OTC markets in order to increase price transparency and cut search costs. If agency is the point, though, this kind of regulation could even turn out to be detrimental." The NTAOTC (Non-Traded Assets in Over-the-Counter Markets) project will, first, investigate the role of market frictions, namely search frictions and financial intermediaries, for NTAs. Dr Nagler is currently working on extracting trades in US corporate bonds since 1990. In such a long period, various shocks affecting search frictions have occurred (e.g. the introduction of new, transparency-enhancing technologies or the default of Lehman Brothers, which deprived OTC markets of a major dealer), allowing Dr Nagler to analyze whether NTAs increase with search frictions or not. Since some theories suggest that intermediaries' health affects assets prices and risk premia, Dr Nagler will test whether it also affects OTC markets' liquidity.



VIDEO



Nicoletta Balbo, Social and Political Sciences



NICOLETTA BALBO
Assistant Professor
of Sociology,
Bocconi University

How families are affected by a disabled child

Across the European Union, approximately 4% of individuals under age 16 have a disability, and over 15 million school-age children are known to have special educational needs.

Nicoletta Balbo, Assistant Professor at Bocconi's, obtained a €1.5mln ERC Starting Grant from the European Research Council (ERC) to study the effects of child disability on family members, such as parents, siblings, and grandparents. While the recent approach to disability seeks to understand how disabling conditions are influenced by the individual's social environment, Balbo's project FRAILIFE (Child Disability and Family Life) adopts the symmetrical approach and looks at the reverse relationship: how the individual's social environment (



Marco Ottaviani, Economics

Better ways to fund research

Scientific research is a very expensive, though fundamental activity. Nevertheless, we seldom pause to think whether how we can improve the way science is organized. **Marco Ottaviani**, professor of Economics at Bocconi, has won an ERC Advanced Grant worth €1.4m for a project, called Information Economics for Science, that aims to provide a more efficient framework for research, rethinking its rules but safeguarding researchers' freedom. Scholars know all too well that our knowledge is still very limited. Uncertainty is the rule, not the exception. This makes it necessary to study the norms, both written and informal, that govern research, as current incentives might reward studies with little impact, thus diverting resources away from potentially lasting academic work. And if the market rewards innovations according to their estimated commercial value, non-profit organizations support



MARCO OTTAVIANI
Full Professor
of Economics,
Bocconi University

research ex ante by applying various selection mechanisms and funding schemes. Both approaches are far from efficient. And, crucially, for all the growing volume of scientific papers, the economics of research is still little understood.

This is exactly the gap that Marco Ottaviani wants to bridge, with a wide-spanning project that aims first at understanding what really keeps research going and then at designing a framework that makes it more efficient. All of this, needless to say, without limiting academic freedom.

As Marco Ottaviani himself explains, "the research proposed here aims at developing new economic tools for comparing information structures, designing mechanisms for evaluating projects and aggregating information, and analyzing the incentives for production of new knowledge. In addition to its intrinsic interest, science can become a fertile ground for pushing the research frontier in information economics."



VIDEO



the family first of all) is affected by his or her disabling conditions. Preliminary evidence suggests that being confronted with the disability of a child may substantially affect the wellbeing of family members, shaping their social, demographic, and economic trajectories. Using high-quality register data and surveys in Finland, the Netherlands, Norway, Germany, Italy,

and the UK, as well as social media conversations across the world, FRAILIFE will study the impact of child disability on family members, focusing on: their life course trajectories, including fertility, union formation and dissolution, migration, employment; physical, mental, and emotional health outcomes; social participation and civil engagement. For the first time, a research program on children disability will rely on a population approach, thanks to rich data that allow Nicoletta Balbo to observe one of the hardest to reach populations. "We will be able to compare families with and without a disabled child and to uncover heterogeneous effects by severity and type of disability, family socio-economic status, or family structure," she said. The large window of observation (more than 20 and 50 years for Finland and Norway, respectively) will also allow to observe both short-term and long-term effects of child disability on family members' life. Finally, exploiting Europe as a "laboratory" in which institutional and cultural contexts vary, a comparative perspective will allow Dr. Balbo to uncover the moderating effects of culture and institutions.



VIDEO





If purpose g

George Serafeim, Charles M. Williams Professor of Business Administration at Harvard Business School, explains how and why, when companies look at their impact on the world as well as their earnings, they do better than competitors in the long run

by Camillo Papini @

Does hand in hand with profit

There is a much greater chance of achieving bold goals than modest goals if a company combines purpose and profit. This could be the umpteenth enthusiastic thesis about the company's choice not to achieve only profit but also, at the same time, a wider objective, more social or greener. The real problem is to understand what purpose to be pursued and how. So, this is why George Serafeim, Charles M. Williams Professor of Business Administration at Harvard Business School, where he co-leads the "Impact-Weighted Accounts Project and the Climate and Sustainability Impact AI Lab, wrote the book *Purpose + Profit: How Business Can Lift Up the World*, a publication supported by more than 50 scientific articles and field studies from the last past ten years and a lot of business examples. Cases of success and failure, ranging from Unilever to NRG Energy, from Solvay to Novartis, without forgetting Nike's case about human rights. Firstly, Serafeim argues scientifically that combining purpose and profit can be extremely rewarding, then he describes the concrete steps a company can follow to become purpose-oriented, the main models it can be inspired by and how to measure every improvement. It doesn't matter if an organization wants to provide cheaper food to poorer people or prefers ensuring better transportation bringing people closer, "realizing the own purpose is not easy and there are no guarantees to success", warns the first associate professor to obtain a funded professorship, one of the youngest to lead an executive education program and to become a full professor at Harvard Business School. "But a company can significantly grow if it becomes clear what purpose can innovate her and its market. Purpose-driven organizations and organizations that improve their performance on strategically relevant ESG issues outperform their competitors in the long-term". Serafeim, who currently teaches both the course Risks, Opportunities and Investments in an Era of Climate Change (he designed for the elective curriculum of the MBA program) and the course Financial Reporting and Control in the required MBA curriculum, doesn't fail to suggest his model Impact-Weighted Accounts, that translates everything a company does into monetary terms and allows to calculate the earnings after taking into account the company's overall impact on the environment, customers, employees. "Compared to the past, we have much more data and metrics to analyze corporate ESG efforts. However, if non-financial metrics are also included in the financial statements, these last ones will identify truly profitable companies", Serafeim adds. "Impact-Weighted Accounts can be the system useful to begin to establish a common analysis

GEORGE SERAFEIM
Charles M. Williams
Professor of Business
Administration at Harvard
Business School

methodology. The starting point is to have relevant and trustworthy information that originates comparable indications to assess whether one company is more or less innovative than another".

→ **How can a company choose the right purpose, one that gives it a competitive advantage? Watching Made in Italy's case, sectors like fashion have enough investors and funds to support it in an ESG transition. Nonetheless, they haven't moved towards sustainability. What trigger do they need?**

Every company is created with a strong sense of purpose, what a company wants to achieve. But, as it grows and becomes more complex, the sight of purpose is less and less clear. Heritage can be useful to find again the importance of my core product or service and to update it in the future. The world is full of problems to be solved but a company could discover its purpose in the main field where the company can improve itself. Speaking about fashion, this is a sector that, firstly, could take stock to activate the transformation, identifying and defining the most relevant challenges. Often, the further step is to create a common consensus around these objectives, inside the company and outside in its sector, to determine a common value chain for the industry. To go beyond, a national plan must be built with short-term goals, so as not to demotivate people. When nothing happens for years, people cannot understand how this strategy can produce concrete results. Once the path has been planned and the first goals have been achieved, then it is time to demonstrate, to communicate that this project is also scalable.

→ **Sometimes, the aim is to reduce CO2 emissions and the trigger is the opportunity to save the planet...**

Yes, this is true but the question is if getting operating efficiency is the chance to go forward or not. Fewer companies move forward in a growth and innovation perspective. If they do, that becomes the time to ask themselves what's their broader purpose. It's interesting to note that, when faced with a similar starting situation, two companies may choose two different purposes. In the case of clothing, for instance, both companies want to reduce their impact but one may decide to produce by polluting less and less and the other one can extend the life cycle of a product, thus creating a second-hand market. Anyway, limiting themselves to cost-cutting is a huge missed opportunity, because it does not allow them to reach the other archetypes mentioned in the book, which are the other 5 paths that most companies follow to evolve. Each archetype has its degree of success and its risk of failure, with different levels of potential disruption.



THE AUTHOR

In general, some are designed more for start-ups, some for more established companies and others are good for both categories.

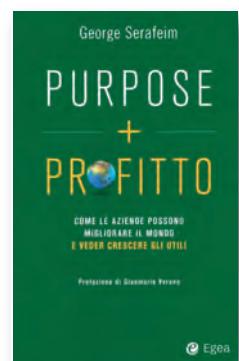
→ ...and could a company's purpose only be to sell more?

Just selling more is not a great motivation. If anything, better to ask yourself what you want to sell and why. It could be the opportunity to sell more and solve at the same time a problem in that market, for example, by making up for a lack of health care infrastructure. The risk is you end up just pushing your products without making the need you want to satisfy clear. Only by understanding both points company managers can find new business solutions, which push the selling into a



THE BOOK

Written for managers pursuing social and environmental objectives and for those who want to understand concretely how to activate socio-economic improvement beyond corporate slogans and market trends, George Serafeim's *Purpose + Profit: How Business Can Lift Up the World* (*Purpose + Profitto: come le imprese possono migliorare il mondo e veder crescere gli utili*, Egea, 2022, 216 pages, €29) includes more than 50 scientific articles and field studies over the last ten years and a lot of case histories about how to pursue ESG objectives while increasing the business. The Harvard Business School professor measures and compares various company initiatives and their impact on turnover and in terms of wider social and environmental effects.



Egea

virtuous circle along with the purpose.

→ How do you comment on the news of Twitter's acquisition and the displeased reactions by investors and users?

In the beginning, the purpose of Twitter was to give people a voice and thus unite them. Since misinformation, fake news and divisions prevailed, the social network hasn't been performing on ESG goals and also not performing well financially. Now, after the acquisition, Elon Musk has given his clear vision for the social network. He proved in the past that he knows how to build innovative and performing companies such as SpaceX and Tesla. Will he be successful this time as well? I don't know but I know that the challenge is to create a more accountable social network, eliminating fake accounts for instance. If Musk succeeds, Twitter will grow.

→ What could be the opportunity for investors in what is still an underdeveloped sustainability market?

For now, 90% of the main companies accounts their global impact and the percentage was only 20% ten years ago. In addition, as I said before, organizations led by a purpose or focused on improving their performance of industry-critical ESG goals outperform their

competitors over the long-term. In detail, investors can be very attracted by ESG undetected potential, looking for companies that express themselves but they are still unknown or, in a better scenario, those that didn't maximise their potential. The opportunity is to be in on it before the enterprise value soars. In the end, and in confirmation of accounting relevance, the framework of investing is again measuring and comparative analysis. ■



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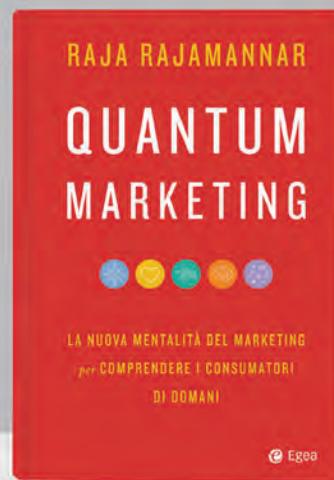
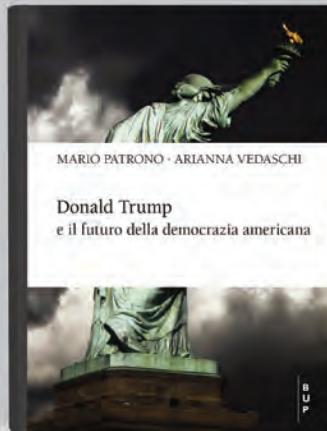
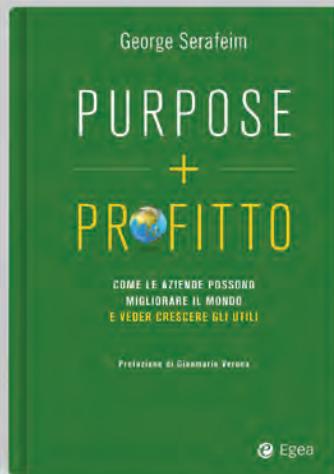
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