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## Bocconi and the Challenge of Inequality



**T**hroughout human history, inequalities have never been static across time and space. Shifting and multidimensional, they have profoundly influenced the lives of individuals, families, and communities, on a global scale. Understanding these transformations is crucial to addressing the social challenges of the future.

Academic research is the essential starting point, as it provides theories, hypotheses, guiding frameworks, data, analytical tools, and perspectives to shape public debate and policymaking. At Bocconi, we look at inequalities through multiple lenses: those of history, demography, economics, and politics. We do this to understand how and why they arise and evolve, and to identify tools and actions that can help policymakers prevent and mitigate them. We also place great emphasis on creating shared knowledge and awareness about inequality and its consequences. The better informed the public is, the more effectively inequalities can be tackled. The development and dissemination of knowledge - the university's first and third missions - must go hand in hand.

An example of this approach is the exhibition *Milan. Paradoxes and Opportunities*. The geography of inequality emerges particularly forcefully in urban contexts, where most of the world's population lives. Globalized metropolises are hyper-diverse, with intersecting and multifaceted dimensions of inequality. Milan is no exception - an emblematic example of the challenges and opportunities, as well as the fractures,

that characterize urban societies and economies. This is why the research and work of Bocconi's Social Inclusion Lab, which underpins the exhibition and is part of the 24th International Exhibition, under the title *'Inequalities'*, organized by La Triennale (from May 13 to November 9), offers a visual narrative of the unequal city - maps that display indicators measuring disparities in access to opportunities.

Inequalities also have intergenerational effects: people's places of birth and the socioeconomic conditions of the family of origin profoundly influence the destiny of individuals and successive generations. In Italy, social mobility is currently among the lowest in Europe, undermining young people's ability to build independent futures. Bocconi is actively addressing this issue by supporting talented students from economically and socially disadvantaged backgrounds, investing €55 million through the Bocconi4Access to Education program.

As an academic institution, Bocconi is committed to producing knowledge that serves society, offering rigorous analytical tools and fostering debate on concrete solutions. It is committed to spreading knowledge by engaging citizens and policymakers alike. And it is committed to reactivating the social elevator. For us, maps of inequality must not remain mere representations - they must guide us toward a fairer world and a more sustainable future for the generations to come.

**Francesco Billari, Rector**

# MILANO O IL VISIBILE

*At the 24th Triennale di Milano, open until November 9, the exhibition Paradoxes and Opportunities brings to light the contradictions of the city through maps, data, and artistic narratives. The project is enriched by the scientific insights of Bocconi's Social Inclusion Lab*

# Inside Milan

# OLTRE E



**Photo gallery**



**Video**



**Read more**

*Alessandra Casarico  
and Chiara Serra, respectively  
Scientific Director and Research  
Fellow at the Social Inclusion  
Lab of Bocconi University*

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**Bocconi**ALUMNI

# The Geography of Loneliness

*Singles, the elderly, widowed people: family structures and social demographics are changing, and with them the way we live, move around and consume, as the economy absorbs the silent impact of new individual and collective needs*



# A Nation of Singles

*Living alone is a frequent choice among young people and a growing trend among the elderly. The rise of singlehood in an aging Europe is a deep change that redefines priorities in welfare and housing*

by Letizia Mencarini @

In “Vado a vivere da solo” (“Going to Live Alone”) an Italian comedy film directed by Dino Risi in 1982, the protagonist Giacomo (played by Jerry Calà) is a 26-year-old university student behind with his exams. The only child of overprotective Milanese parents, he is given the money to go and live as a single in a run-down Milanese loft and begin his adventures as a spoiled and hedonistic bachelor. Over 40 years later, living alone is now considered the norm in increasingly fragmented, non-linear life paths, with an increase not only in young adults living alone, due to university studies and work mobility, as well as continuous postponement of the decision to move in as a couple, but also due to the increase in separations and divorces, and couples, even families, that have to live long distance relationships. Living on one’s own is a dynamic condition of autonomy in adulthood, which one enters, exits and re-enters during the course of life. Due to the





globalization of working life and emotional relations, living alone has lost the social stigma it had in the past (if anything, we speak of singles and no longer refer to them as celibates or worse, spinsters or bachelors), and the psychological connotation of solitude. In conditions of autonomy and choice, living as single does not mean, therefore, being alone or feeling alone.

It is different for those who find themselves living alone in the last segment of their lives, especially after the age of 75, when the frailties and needs associated with old age make complete autonomy difficult, fueling the market of domestic workers and home carers. It is not surprising that for the majority of people over 75, residential loneliness arouses, for example, the fear of lack of immediate assistance in the event of an

emergency (CENSIS data). But single-person households have grown, and will continue to grow, precisely in the elderly age groups, driven by the combined effect of the increase in life expectancy and the prolonged decline in the birth rate. In fact, the number of kinless people, that is, without a spouse or children, is increasing, now equal in Italy (as in many other developed countries) to over a tenth of the total population.

Official data cannot capture the dynamics of life paths and episodes of solitary life before old age, but they do photograph the stock of single-person families: in 2023, according to ISTAT, in Italy there were 9.3 million people living alone (equal to almost 36% of total households). 50 years earlier, the corresponding figure was only 2 million. 47.5% of singles are over 65, a percentage that will rise to almost 58% of the 10.7 million people who are expected to live

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alone in 20 years' time (equal to almost 40% of households). Furthermore, in the adult population under 65 years of age, over 60% of singles are men, while over 65 years of age the obverse is true, and women clearly prevail (in a 70:30 ration), due to women's higher life expectancy and the still surviving social norm that makes husbands at least a few years older than wives.

Trends in other European countries are very similar to Italian ones. Eurostat reports that almost 37% of European households are composed of a single adult and this type of family has been growing rapidly (+21%) in the last decade. The aging of the population is the main cause of the increase in singlehood everywhere, although there are differences between countries linked to the differential propensity of young people to move out of the original family household, which is markedly higher in Northern Europe with respect to Southern Europe.

The social impact of single-person households in our society is strong and will become even stronger in the coming decades, due to the very rapid growth in the proportion of singles in older age cohorts: in two decades, the number of singles over 65 is expected to increase by 40%, translating into 6 million more elderly people living alone with respect to today, including 4 million individuals over 75 (of which 3 million are women).

Living alone, at any age, but especially in old age, does not automatically put someone at a disadvantage: the family support network can be strong and efficient even in the case of non-cohabitation. However, recent official data clearly show that single individuals exhibit greater correlation with lower economic security and greater vulnerability to poverty. Those who live alone are less likely to receive immediate economic support in case of need and, deprived of economies of scale available to larger families, they incur in higher daily expenses, must use external paid services more frequently and are burdened with higher per capita housing costs, since they often live in outsize homes. At a societal level, all this translates into a more fragmented housing demand for the same level of population, greater energy consumption, more service-oriented consumption models, and, above all, greater demand for public spending on welfare and assistance.

To deal with the challenge of aging and loneliness, and the care needs of many elderly people, there is an urgent need for new forms of residential living, such as cohousing condos that enable independence and dignity in elderly life, by combining private spaces with areas and services for common use, and last but not least, fostering ecological consumption practices and economic savings ■

# An Economy of Singles

## Consumers *Single portions, customized services, smaller homes: singlehood is rewriting the logic of retailing and consumer demand, from mass consumption to healthcare*

by Sandro Castaldo @

In Italy, nearly a third (33.2%) of the 25.6 million households consists of a single member. This represents the foremost type of family unit, followed by households composed of two members (25%). Single-member households generally feature young individuals, single parents or, above all, elderly people living alone. The increase in the average age of the population, which in Italy is among the highest in the world (second only to Japan), has led to an increase in single-member households in recent decades. Individuals who live alone have very different needs in terms of consumer and individual needs, determining the emergence of new consumption styles. They represent an increasingly relevant target for all companies producing and distributing consumer goods and services.

Through a careful analysis of the assortments offered by supermarket chains, it is possible to observe how single-portion products and packaging have increased significantly in importance, to allow for convenient fractional consumption. These packages, among other things, are also very useful for households with multiple members, for their use on different occasions: think of snacks that can be taken to office or school or the possibility of using single portions of food to prepare while working from home.

Along the trend in single-portion products, the segment of ready-to-eat products, for instance ready-made meals and delicatessen foods, is also growing in step. In fact, there is a tendency to cook less and less and saving time in preparing meals is seen as a benefit that is sought today not only by singles. The development of single-portion and ready-to-eat products represents an increasingly interesting segment for retail companies. The world of loyalty promotions is also adapting to reconcile itself with the demographic shift we are experiencing. In the past, it was natural to have the possibility of earning with points a set of plates and glasses suitable for a family of three or four. Today, the needs of singles require the possibility of obtaining individual pieces more quickly, without having to wait to collect all the coupons necessary. Even discounts (for example those found on flyers), traditionally reserved for standard packages or family packs, should also be extended to single portions, in order to attract the

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singles target. Also for this reason, some retail chains have experimented with methods that allow the individual customer to compose, with their own app or in store, the basket of goods to purchase during promotions. Singles' consumption is reflected not only in perishable products, but also in durables. Consider, for example, the shrinking in the average size of homes, with a growing demand for smaller-sized appliances, to meet the needs of this target. Often, in the reduction of the size of residential properties, the area sacrificed is precisely that of the kitchen (along with the bathroom), with the provision of 'essential' kitchenettes allowing for the easy discovery of ready-to-eat foods. The absence of the traditional kitchen room is a further reason that leads to the increasingly frequent purchase of ready-to-eat meals. From a sustainability perspective, this trend could lead to a reduction in food waste, which is a major problem in our country. On the other hand, there is an increase in single-portion packaging waste, which should be made more easily recyclable.

Even in terms of services, the single target shows specific needs. As regards the elderly, just think of health services, which often need to be provided in the patient's home, with a strong development today of homecare provided by clinics and pharmacies. Senior citizens are also those who hold most of the nation's wealth and assets; therefore, they represent an interesting target for companies that offer financial services for asset management and protection. Even in terms of goods retailing, these targets prefer commercial formats based on proximity, such as minimarkets and convenience stores, instead of big-box stores that are more difficult to reach, such as hypermarkets in malls. Let us remember that the Italian peak in births occurred in 1964, with 1,035,000 new births (in 2024 they were just over a third of that figure). These people are now sixty-year-olds, and in the coming years will determine a boom in the senior demographic of the population, increasing consumption in the product categories of the silver economy and the incidence of single-member households. The relevance of this demographic would require more detailed analysis by marketers, so as to identify latent needs before they manifest themselves explicitly, in order to meet them adequately ahead of the competition ■



# Buying Alone Is Not Good for Elders

*For seniors, purchasing a good or participating in an activity is more than a financial gesture: it is an opportunity to stay connected, feel recognition, cultivate belonging. We need more empathetic marketing and retail spaces that promote inclusion*

by Generoso Branca @

The average age of the European population is constantly increasing, with significant economic and social effects. In 2021, over 20% of the European Union population was over 65, a share expected to rise to 30% by 2050. This phenomenon is particularly evident in Italy, where over-65s represent 24% of the population, making it the third oldest country in the world. Furthermore, the aging of society is also changing the family structure, with a significant increase in single-person households, especially among the over-65s.

The progressive aging of society is not just a demographic issue: it has direct implications on market trends and social cohesion, posing new challenges for businesses and institutions. In this context, the Silver Economy is becoming a significant economic driver, with its own peculiar market dynamic and the growing need for an offer that responds to the specific needs a population of senior citizens. The consumption choices of the elderly are influenced not only by rational factors and functional elements, but also by social, emotional and identity needs.

A relevant aspect is represented by the economic, cognitive and technological barriers that can limit access to services and products for this segment of the population. Economic difficulties can reduce purchasing power and limit the ability to meet essential needs, while cognitive and technological barriers can make it difficult to use digital platforms and automated services. These obstacles, if not addressed, generate the concrete risk of social exclusion and marginalization, creating disparities in opportunities for participation in markets. Companies can play a strategic role in developing solutions that improve accessibility and user experience, through more intuitive interfaces, personalized support and targeted offers.

The increase in the number of people over 65 who live

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alone reflects a profound transformation in family and social dynamics. The lack of daily relationships and support networks can translate into a sense of loneliness that not only affects psychological wellbeing, but also consumer habits. Consumer choices in old age respond to a logic that goes beyond the simple functionality of products. For many, the purchase of goods and services is not only a response to practical needs, but takes on a strong emotional and social value. Consumption can become a way to maintain a sense of continuity with the past and to strengthen the bond with one's own personal identity and social context. The search for shared experiences and moments of sociability through consumption reflects the need for belonging and social interaction. In this sense, market participation takes on a collective dimension: consumption is not just an economic act, but a form of participation in social life. Companies that are able to intercept these needs can not only generate competitive advantage, but also contribute to social cohesion. To respond effectively to these new dynamics, operators should adopt truly inclusive marketing choices.

A first fundamental step concerns communication. The marginalization of over-65s in advertising messages, for example, contributes to reinforcing stereotypes of fragility and passivity, limiting their active participation in consumption. Portraying the elderly as protagonists, highlighting their role in society, can help change social perception and make the market more inclusive and dynamic. A narrative is therefore needed that acknowledges the elderly as aware and participating consumers.

At the same time, it is necessary to intervene on product offering. It is not just a matter of adapting existing products and services, but of thinking and developing solutions that simultaneously promote independence and participation. Creating dedicated spaces in points of sale, organizing social activities (such as local events, workshops or interest groups), investing in relational proximity in retail, and building opportunities for direct interaction are tools that can transform the moment of purchase and consumption into an experience of connection and belonging. In this perspective, to effectively involve the Silver segment, companies should focus on an experience that fosters sociability and sense of belonging, overcoming the purely transactional logic of consumption. In fact, seniors are looking for opportunities to connect with other people and feel part of a community. The social dimension of consumption is essential to combat isolation.

Integrating empathy and inclusion in marketing is not only a lever to create lasting customer relationships, but also a question of social responsibility ■





# A Market of Singles? Large Retailers are Adapting

*Stock management, organization of sales spaces and proximity: these are the three strategy drivers to address the target of single households, whether it's the young or the elderly living alone, as Roberto Eretta, Managing Director for Sales and Logistics at Lidl Italia, explains*

by Michele Chicco @

**M**ore and more households are composed of single individuals and this is forcing large retail chains to rethink their offer and organization of selling space. "Our approach is based on a continuous evolution of our assortment, more functional store layouts and strategic store positioning," explains Roberto Eretta, Managing Director for Sales and Logistics at Lidl Italia. The trend is irrefutable: if in 2019 single-person households were 31.2% of the total, in 2024 their number has risen to 35.6%, according to the Lidl Observatory.

## → What are the causes of this acceleration?

They are attributable to the decline in birthrates and the aging of the Italian population. For us it is important to be able to give the right answers, because it is a target that must undoubtedly be taken into consideration: the incidence of purchases by singles on the total of mass consumption has grown considerably. We went from 22% in 2019 to 29% in 2024. A leap of 7 percentage points. However, Italy is not homogenous in this respect: the South has different numbers from the North, there single-member households are just a little bit more than 31%.

## → What is the strategy you are implementing?

Our approach is based on three main drivers: assortment, organization of spaces and proximity of stores. This strategy allows us to respond to the needs of single households made up of young people as well as those who live alone and are elderly. In the former case the approach to spending is more functional, while it is more traditional in the latter. Both groups, however, have a lower frequency of visits to the store than other consumers and the value of average spending is slightly lower.

## → So how are stores changing?

We focus on the freshness of supply to increase the frequency of visits to the store. We have introduced single-portion items and, in some product families, loose and ready-to-eat products ready for consumption to intercept the needs of younger people. We have also worked on the arrangement of products inside the store, on the basis of our data. This target group in particular is attentive to convenience, but does not necessarily look for promotions. They are loyal to brands and, given that our

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assortment is made up of 80% private labels, we represent a concrete response. There is a study underlying the positioning of the various product categories, to create what we define as the cognitive bridge that unites us and our customers, which is also based on the need to save time, through a simple and smart shopping experience.

## → The choice of location is crucial.

The positioning of the stores is the third prong of our strategy: we have always sought proximity, so as to be closer to our customers. And this has rewarded us considering single-member families in general, or the elderly who do not like to shop in large stores. Proximity is also functional for the younger demographic, a segment of the population that is very attentive to the time factor.

## → Lidl is present in 30 countries, with over 12,000 stores. In short, you look at demographic trends from multiple points of view: how do you react in other markets?

We have guidelines that represent an orientation on all fronts, from the policy on assortment, from real estate development up to the internal layout. Our format is recognizable internationally, however each country has wide room for maneuver that allows us to adapt the implementation of the guidelines by taking into account individual peculiarities of local markets.

## → The issue is also urgent for other retail chains. How is the big-box industry moving?

Single-person households are a target that, in large cities such as Milan and Rome, has been studied for several years, by us and our competitors. Big cities lead and now the trend is spreading. The answers are not so different: proximity has become a must to bring the store as close as possible to the target audience, given that the time factor plays a crucial role. We are increasingly moving towards proximity, even to the detriment of surface size. As regards assortment, a lot depends on the capacity of the space and the consequent optimization of management costs. There is no magic recipe: everyone is clear about the demographic trend in progress and it is necessary to find the right balance based on your format and characteristics, adapting organizational structure to achieve company objectives ■



# Surviving Loss

*Among the over-50s, losing a partner increases the risk of sickness and death. Epidemiological evidence confirms the negative correlation between solitude and health and calls for public policies that integrate social factors and health aspects to combat the loneliness epidemic*

by Simone Ghislandi @

In 2023, the US Surgeon General published a report that gained much visibility on the importance of the lack of social relationships as a risk factor in Americans' health. The report openly spoke of a "loneliness epidemic," showing how in general the time spent in situations of social isolation has increased significantly in America over the last 20 years, regardless of gender, with higher incidence among ethnic minorities, the poor and within the LGBTQ+ community. Different age groups are affected differently by the phenomenon, with young adults showing higher levels of loneliness than older adults, who, however, are more vulnerable to consequences such as higher mortality and the prevalence of pathologies such as diabetes and cardiovascular disease. Similar evidence, albeit with smaller numbers, was also found for the European Union in a report published in 2024.

In this epidemiological framework, there is still much room for research. Not all literature, for example, agrees in defining an "epidemic" a phenomenon that is certainly relevant, but which has probably always existed (and with equally important numbers) and which we have only now found the courage to confront. Furthermore, it is particularly interesting to try to understand the causes of the spread of solitude. What role do social media play among young people? And what about redesigning the welfare state for the elderly? Is today's individualistic and hyper-competitive culture that is increasingly dominant at all levels responsible? Even considering its effects on health, the consensus is not definitive. In particular, it is difficult to identify a causal relationship between a subjective sensation such as loneliness and an objective medical condition, a relationship that at the moment is mainly based on evidence of correlations



*SIMONE GHISLANDI*  
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between variables, so that these assessments are more or less sensible conjectures. Finally, if loneliness is really bad for people's health, the policies and actions to be taken for preventive purposes are not easy to define or even implement, as they require a multidisciplinary vision capable of reasoning and acting at the intersection of the social, medical, psychological and economic spheres of people and communities.

In a series of works funded by the "Age-IT" program of the Italian national recovery and resilience plan (PNRR), done with the CERGAS and Dondena research centers, we focus on some of these questions





in relation to the elderly population in Italy and internationally. The first question we addressed, for example, concerns whether it is possible to identify a chain of causality between loneliness and health conditions. Using two famous international surveys on about 70,000 people over 50, the Health and Retirement Study (HRS, for the US) and the Survey of Health, Ageing and Retirement (SHARE, for Europe), we try to reconstruct the evolution of health of those individuals who, for various reasons, find themselves coping with living alone. Given the age of the sample (over 50), in most cases this sudden isolation is due to the loss of a partner, an event that, especially among the elderly, is a source of acute emotional and psychological stress. Following a shock of this type, it is obviously logical to think that the sense of loneliness increases, sometimes even permanently, creating what we define as "induced loneliness" caused by a relevant event, thus excluding possible cases of reverse causation (i.e. those who are and live alone as a consequence of an illness). In this context, with Irene Torrini (Bocconi) and Maria Sironi (University of Padua) we show how induced loneliness represents a significant risk factor for relevant variables such as mortality, morbidity and psychiatric illnesses. In other words, among American and European elderly, feeling lonely and being alone represent two dimensions that are partially different from each other and only partially overlapping. The pure subjective dimension (loneliness, precisely) makes an elderly person significantly more vulnerable and fragile with causally identified effects on health that are evident starting from the year in which the shock is experienced. Loneliness hurts and, in some cases, even kills.

It remains to be understood how to act to reduce such a subjective risk factor. From the point of view of public policy and health economics in particular, if the social dimension impacts so strongly on the health one, it would be important to understand its interactions and spillovers, optimizing it and overcoming the silo mentality that has for years been dominant in welfare spending in Italy and Europe. For example, it is perfectly possible that investing more and better in social spending to reduce the loneliness of the elderly could save health resources and increase the productivity and consumption of all those families who, at least in part, have to take care of the elderly in some phases of their lives ■

# Singles on the Move

*Those who live alone have special mobility needs, which are often overlooked.*

*Digitalization, on-demand transportation and flexible networks can reduce isolation and make travel more accessible, inclusive and sustainable. But integration between new modes of mobility and new forms of participation is needed*

by Gabriele Grea @



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A recent OECD analysis shows that, in single-person households, the probability of not having a private car is 10% higher than for larger families. An older study focused on the behavior of single-person households in Canada, in addition to confirming similar evidence, highlighted a greater propensity of singles towards active mobility and shorter distances traveled. The latter aspect may be linked to greater proximity to the workplace, better access to local public transportation networks and, last but not least, age.

Defining the mobility profiles of singles is complex and does not necessarily lead to the identification of univocal characteristics capable of framing a specific transportation demand. Looking at the evolution of the offer of mobility services and the innovation dynamics underlying them, it is possible to get an idea of the importance that this type of user has within the ecosystem, and the main challenges that this entails, by focusing on two concepts: connectivity and accessibility.

On the one hand, the so-called "personal mobility", which can be divided between transport services (taxi, hired drivers, carpooling, on-call services, etc.) and sharing (bike sharing, scooter, moped and car sharing, etc.). In both cases characterized by digitalization as a founding element, it designs a model of offer that is highly compatible with the mobility needs of younger individuals, residents in urban areas, with good spending capacity and a high propensity for behavioral change. Although there is no profiling according to family size of the approximately 40 million trips that are made through shared mobility in Italy, it is plausible to infer that a significant share satisfies part of the mobility needs of younger singles.

However, there is another side of the phenomenon, numerically more significant, which is linked to the aging of the population. The limitations in terms of accessibility – connected to factors such as age, health, peripherality – for people who live alone constitute a factor of potential social isolation, and traditional forms of mobility, such as public transportation, are not always able to respond adequately. Also in this case, the contribution of innovation, and in particular of digitalization as an enabling factor, is fundamental to define solutions capable of making sustainable mobility more attractive and effective. More flexible options such as Demand Responsive Transit, collective on-demand services organized through route optimization algorithms and multi-channel booking systems, are developing in many peripheral areas of low demand to respond to the needs of citizens, and in particular of the most vulnerable social groups. For both profiles briefly outlined, as already mentioned, the digitalization of the transport offer plays a role of primary importance to allow the offer of effective services designed around the needs of citizens. It is a necessary but not necessarily sufficient condition for the mobility ecosystem to adapt to the needs of demand and above all to be able to express sustainable, also from an economic point of view, and inclusive services.

If on the one hand, digitalization is able to support the development of increasingly personalized and individual mobility models, even through the sharing of vehicles, on the other hand, two basic elements of an achievable inclusive and efficient mobility system can be glimpsed: the integration between networks and different kinds of services (collective and individual, personal and shared, formal and informal), and social participation (also on a voluntary basis) to make transport options sustainable even in low-density and low-attractiveness areas.

Without forgetting the role that automation will have to play in supporting the development of the first and last miles of mobility services for user, for the completion of networks and the improvement of accessibility for citizens, in particular those who live in conditions of greater isolation ■

LUCIA SPOTORNO  
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# Who Will Take

*With the growing incidence of aging and disability, caring for the non-self-sufficient elderly becomes a social and economic challenge. Long Term Care (LTC) insurance, designed to cover the costs of home and hospital care, can be part of the answer, but collective insurance policies are needed for affordability*

by Lucia Spotorno @

**T**he risk of losing self-sufficiency and the consequent need to receive care (both medical and non-medical) are becoming increasingly relevant in advanced economies, especially due to the aging of the population. Care to meet the needs of a frail old person is a labor-intensive and time-intensive activity that last for an indeterminate amount of time, is expensive and is only partly provided and financed through public welfare instruments.

Family solidarity was in the past the main channel for providing the necessary services. In the case of the elderly, this occurred through the informal assistance offered by a spouse (if present) or children (especially if female), if geographically close to the place of residence of the person in need.

The role that family solidarity is able to play today is greatly reduced due to demographic factors and changing values. This exposes the shortcomings in public policies and private interventions to effectively manage a situation that becomes dramatic when the person at risk lives alone.

Three different types of problems arise: (1) the creation of effective and economically efficient assistance solutions, (2) the financing of the cost that their provision entails (3) the integration between the different agents that provide assistance (formal or informal) in order to reduce the overall cost for society.

With regard specifically to the second aspect, a first solution is to use private savings set aside for this purpose. This is an option that is seemingly simple to activate, but which, due to the unpredictable nature of the amount required to cover necessary care in the future, may prove ineffective.

A second solution is insurance-based. In this case, the financing of care is paid for by an insurance company,



# Care of Us When We Are Old?

with which the person in need has previously taken out an insurance policy by paying a premium.

Long Term Care (LTC) policies are insurance contracts that can be activated for this purpose.

The insurance policy can be individual or collective and can be sold in conjunction with other insurance products, typically life insurance. It can cover the whole lifespan of the insured (so it covers the risk of non-self-sufficiency until the end of one's life) or have a term. In this case, if the non-self-sufficiency occurs after the term set out in the contract, the insurer is not required to provide any benefits.

Benefits are disbursed exclusively in the case in which the insured person is no longer self-sufficient, that is, no longer able to independently carry out daily living activities.

The diffusion of this kind of insurance in Italy is still limited. Compared to the 6% of the Italian population over 65 who expressed a need for assistance covered through "formal" assistance tools (public home social-assistance services or nursing home stays), in 2022 the number of active LTC policies was equal to 120,000, corresponding to a meager 0.2% of Italians over the age of 65.

The reasons for this shortcoming are various. On the demand side, the cost of insurance is perceived as high by potential buyers, in addition to the lack of adequate information about the advantages of the product. On the supply side, the difficulty for insurers of managing the risk of long-term care in case of complete disability inhibits the application of convenient conditions that would make such policies more attractive.

However, the experience of foreign countries where the market is more developed (notably Israel – where 60% of the population has coverage of this type and France – where 5.5 million LTC insurance policies are active, a number corresponding to 10% of the country's adult population) is encouraging.

In particular, collective solutions seem to be the most promising way to extend this coverage to wider segments of the population.

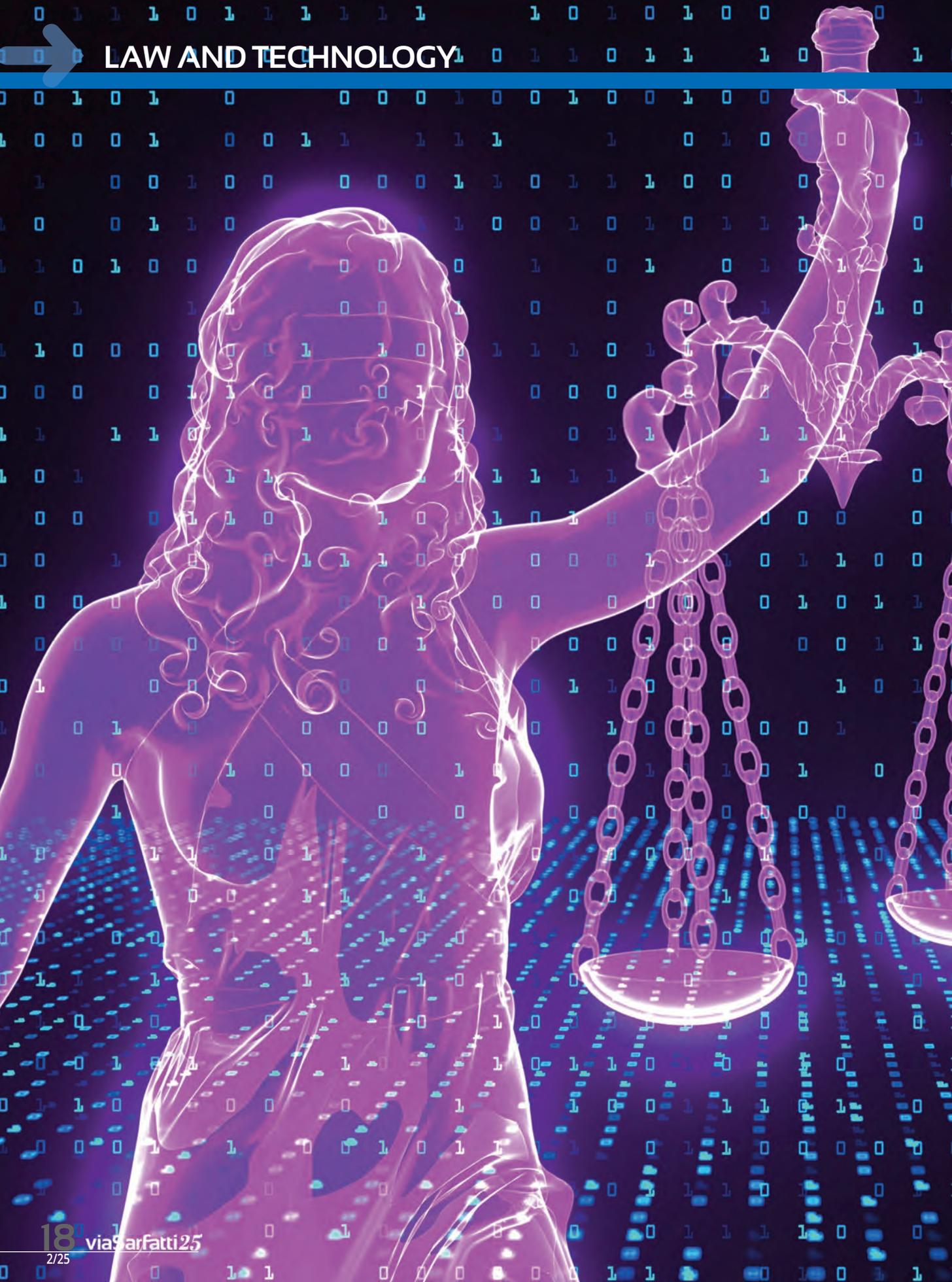
In a collective contract, the insured are not subjects who have a specific motivation – typically consisting in the fact of being particularly exposed to risk – to sign the contract. They benefit from the coverage because they belong to a certain community – for example because their employment relationship is governed by an agreement in which insurance coverage is provided as an additional benefit.

This makes the risk easier to manage for the insurer, and it allows for more favorable conditions for the insured.

This is also thanks to a solidarity mechanism. In fact, having an equal premium for all members of the insured community means that those who do not benefit from the services provided for in the contract, since they fortunately do not fall into the conditions that activate them, transfer resources to the "weakest" who will need them, as they will not be self-sufficient in the future ■



# LAW AND TECHNOLOGY





# Who Decides If You Deserve a Loan?

*With AI in credit scoring, the criteria are changing, but at the same time risks of discrimination are increasing. Regulation should not prize efficiency over fairness*

by Pietro Sirena @

**A**rtificial intelligence (AI) and big data are transforming the lending sector by enabling precise decision-making, automating customer support, detecting fraud and improving predictive analytics. AI assesses creditworthiness using both traditional credit history and non-traditional data sources, such as online behavior, purchasing habits and social media activity. These alternative data sources allow lenders to refine risk evaluations and provide credit access to a broader range of consumers.

Credit scores, traditionally based on credit cards, mortgages, payment history and outstanding debts, are now increasingly influenced by alternative data. AI leverages machine learning to analyze diverse digital footprints, offering lenders a more comprehensive view of an individual's financial reliability. This shift allows financial institutions to consider behavioral patterns beyond conventional credit history, potentially expanding financial inclusion.

One of AI's main advantages in credit scoring is its purported neutrality, as it removes human bias from decision-making. AI can evaluate applicants without the subjective prejudices that often affect human assessors. Moreover, other data can fill gaps left by traditional credit metrics, offering a fuller picture of financial responsibility. For example, applicants with minimal credit history but stable financial behaviors may now qualify for credit.

However, claims of AI's neutrality have been challenged. Human biases can be embedded in AI systems through data selection, labeling and algorithmic training, leading to discriminatory outcomes. Moreover, dataset limitations can introduce sampling bias, causing AI to misrepresent or underrepresent specific demographic groups. Poor-quality data or biased training sets may reinforce existing inequalities rather than mitigate



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them. The use of AI in consumer contracts also presents a significant risk of discrimination. AI systems may unintentionally create disparities in access to financial products, pricing and contract terms, disproportionately affecting marginalized groups. The reliance on historical data and opaque algorithms may perpetuate systemic biases, leading to unfair treatment of certain consumers based on gender, ethnicity or socioeconomic status.

Transparency issues also pose significant concerns. Consumers often struggle to understand AI-driven credit assessments, making it difficult to challenge unfair decisions. AI's complexity and opacity can obscure the rationale behind lending decisions, reducing accountability. The reliance on data-driven predictive techniques further raises concerns about the fairness of AI-based assessments, particularly when underlying data reflects societal prejudices.

Despite these risks, AI's potential to enhance fraud prevention and financial inclusion remains significant. By analyzing large-scale patterns, AI can detect fraudulent activities more efficiently than traditional methods. Additionally, AI-driven credit evaluations can extend financial services to those who lack conventional credit histories, fostering greater economic participation.

Regulatory measures, particularly within the European Union, seek to address these challenges. Legal frameworks are evolving to ensure AI-driven credit assessments uphold fairness, transparency and consumer protection. These regulations aim to mitigate bias, improve algorithmic accountability and ensure that AI applications in lending comply with ethical and legal standards.

In conclusion, AI-based credit scoring offers both opportunities and risks. While AI can enhance efficiency, fairness and financial inclusion, challenges related to bias, transparency and data ethics must be carefully managed. Effective regulation and oversight are essential to ensuring that AI serves as a tool for equitable and responsible credit assessment ■

# The Market We Don't See

*A €15 trillion potential remains untapped: companies ignore disabled consumers at their own expense, since they are capable of coping with trauma with creativity and enterprise, and also social media storytelling*

by Stefania Borghini @

According to several authoritative estimates, about 20% of the population have some form of disability. In the light of this, its underrepresentation - which often becomes invisibility - in the media, television and movie content, in advertising and in the offer of products and services, is very striking.

In recent years, numerous awareness campaigns have been carried out to reduce ableism and all the forms of discrimination and stigmatization of people with disabilities: associations and social movements have fought for the removal of every form of cultural and physical barrier that prevents the full emancipation of disabled people. Academic publications have



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empirically demonstrated various contributions that disability can give in terms of competitive advantage, suggesting that it should not be considered simply as a social question but also as an actual corporate asset. In the UK, it has been estimated that the so-called Purple Pound, i.e. spending power of disabled consumers annually and globally, is over €15 trillion. Among consumers in general, many would welcome greater inclusivity on the part of brands: 80% of people say they appreciate more inclusive imagery in communication, and more than 60% have actively participated in inclusive choices by buying products from inclusive companies or by changing their set of considerations.



And yet... this market potential is still very much unexplored because many companies are unable to be inclusive, and if they are, they are not always able to adequately address consumers, to convince them of the authenticity and sincerity of their strategy. Above all, many companies do not know disabled consumers

and have a limited concept of what “ability” means. While on the one hand, they are very willing to involve Paralympic athletes in their campaigns, on the other hand, they do not consider the target of disabled consumers to be profitable.

But what would they discover if they really started to approach them? They would probably have the opportunity to understand the resourcefulness of disabled consumers, their strong attitude to problem solving, their creativity and ability to involve large audiences, to cite the most evident aspects.

A recent ethnographic research study on people who have acquired a physical disability due to a traumatic accident or an illness has provided interesting insights into their rebuilding of personal identities supported by consumption and the sharing of daily practices on social media.

Beyond the intrinsic subjectivity of each individual path, rebuilding one's life following an accident or illness requires going through at least four coping phases during which consumption practices play an important role. In this journey, there are alternating moments that are both physically and psychologically difficult (phase 1, in the immediate aftermath of the trauma, and phase 3, the return home) and others in which one experiences stability due to the achievement of a new equilibrium and the acquisition of awareness of one's own abilities and potential (phase 2, hospitalization and recovery, and phase 4, achievement of a new identity).

If the period that immediately follows the trauma is characterized by strong practical and psychological difficulties, subsequently people demonstrate strong reactive abilities that enable recovery and new forms of daily life, a renewed relationship with their own body and with the physical and social world around them. Not only that, some individuals address market failures to become inventors, and with scant resources they manage to create personalized products, launch new services, offer opportunities for sports and recreational activities.

Every personal conquest and new form of awareness can be shared on social media, becoming a life diary that many people who are not necessarily disabled can draw from. Observing the phases that lead to the reconstruction of a new, full and satisfying self, it is interesting to note how over time individuals are able to refine what in anthropology is defined as disability expertise, that is, the ability to actively reorganize cultural norms, relationships between one's own self and corporality, the environment, and other people. Possessing this ability also means refining the skills needed to interact with people and institutions that often do not have the ability to understand and empathize ■



## THE PAPER

**Born Twice: The Role of Social Media in Identity Redefinition After Sudden Disability**, by Lena Cavusoglu, Nadzeya Sabatini, Francesca Bonetti, Stefania Borghini, Russell W. Belk

# NGOs v Governments: Who Healthcare Challenge?

NGOs fill gaps left by states in developing countries, but their action may weaken the public sector. Higher salaries attract the best health workers, leaving government facilities understaffed. A Bocconi study about Uganda reveals a fragile balance between aid and dependence: collaboration or competition?

by Andrea Costa @

Over the past two decades, Non-Governmental Organizations (NGOs) have become key players in providing essential services in developing countries, particularly in sub-Saharan Africa. In Uganda, as in many other nations in the region, NGOs are the main source of basic health services for rural communities. However, their growing influence has sparked a heated debate about their long-term impact on government capacity and sustainable development. A recent study by **Erika Deserranno** (Bocconi University), **Aisha Nansamba** (BRAC International) and **Nancy Qian** (Northwestern Kellogg MEDS) published in the *Journal of the European Economic Association* addressed this dilemma: does aid provided by NGOs strengthen or weaken the capacity of local governments to deliver public services? The answer is complex and reveals a surprisingly multifaceted picture.

## NGOS AND GOVERNMENTS COMPETING FOR HUMAN RESOURCES

The entry of NGOs into Uganda's rural communities has produced two opposing effects on the government's ability to provide health services. NGOs often offer significantly higher salaries than the public sector - in some cases up to 20 times higher - thus poaching the most skilled workers from government facilities. This local "brain drain" has reduced the number of government health workers, undermining the state's ability to provide essential services resulting in worsening health indicators, including increased infant mortality. On the other hand, in communities where skilled labor is relatively abundant, the entry of NGOs has complemented and enhanced government services, hiring additional staff without taking human resources away from the state. In these areas, the interaction between NGO staff and government workers has stimulated healthy competition and cooperation, thereby improving access to health services for local people.



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## ECONOMIC OPPORTUNITIES AND PERVERSE INCENTIVES

Another noteworthy aspect is the remuneration model adopted by NGOs: health workers are paid according to the number of health products sold, such as fortified oils and soap, rather than for the medical care services provided. This incentive system, while increasing practitioners' income and improving the distribution of essential goods, has a significant side effect: practitioners tend to concentrate their efforts on selling products rather than delivering critical health services, such as prenatal and postnatal visits. The result is a paradox: in communities where NGOs hire government workers, the quality and frequency of health services decline, negatively impacting the health of the population. However, in areas where NGOs supplement public provision without taking away staff, the process results in better health coverage.

## A FRAGILE BALANCE

The analysis suggests that aid from NGOs is not inherently good or bad, but its impact depends on the local context, particularly the availability of skilled labor. In places where NGOs compete with the government for scarce human resources, they unintentionally risk undermining the state's long-term capacity, creating a chronic dependence on outside aid. Conversely, in areas with greater availability of skilled workers, NGOs can play a complementary role, strengthening the government's health response capacity. As Erika Deserranno explains, "If NGOs are to start working in places where skilled labor is scarce, it would be useful to invest more in training and other capacity-building activities that would at the same time increase the supply of skilled labor." The study suggests that more coordinated planning and alignment between NGOs and local governments could maximize the positive impact of aid, avoiding the undesirable effects of poaching workers and improving long-term sustainability. NGO intervention, then, can either be a blessing or a hindrance to a state's ability to deliver essential services, depending on how it is managed. The hope is that future international cooperation policies will inch toward models that are more sustainable and respectful of local dynamics ■



## THE PAPER

**The Impact of NGO-Provided Aid on Government Capacity: Evidence from Uganda**, by Erika Deserranno, Aisha Nansamba, Nancy Qian



Wins the



# Credibility Is Earned in the Field

*Simone Sposato, Bocconi alumnus and Deputy Country Director for Emergency in Kabul, explains the scope of the Italian medical NGO's intervention in the country and the relationship with the local government. All with an overarching goal: to treat anyone in need, especially the most vulnerable*

by Andrea Celauro @

**E**nsuring medical care for everyone, regardless of political factions and power rivalries, making it clear from the start that they do not take sides: this is how Emergency has carved out a reputation for credibility over the many years of humanitarian work in war zones (and not only there): "Independence mixed with neutrality, this is the distinctive character of Emergency. We enter a country with the sole goal of giving people in need medical treatment," explains **Simone Sposato**, a 31-year-old Bocconi alumnus who is Deputy Country Director for Emergency in Kabul.

## → What does your role in Kabul consist of?

Alongside the Country Director, I am responsible for the entire Emergency project in Afghanistan, where the organization has been present since 1999. The project involves the presence of Emergency hospitals in three cities – two Surgery Centers for war victims in Kabul and Lashkar-gah, a Surgery and Pediatric Center and a Maternity Ward in Anabah – plus 40 emergency clinics and basic healthcare centers in the whole area providing 24-hour emergency care, seven days a week. Overall, since the creation of the various facilities, almost one and a half million patients have been treated in hospitals and 6 million have been seen in clinics.

## → How do you interface with the country's institutions to put your mission into practice?

There is a constant dialogue with local institutions, which is not always easy and linear. When we arrive, we sign a memorandum of understanding with the country's Minister of Health, which clarifies exactly what the scope of our intervention is. Here in Afghanistan the relationship is very good, also because we were the only NGO that chose not to leave the country, neither in 2001 (after the attack on the Twin Towers and the subsequent invasion of the country) nor in 2021 (with the rushed withdrawal of the international forces and the return to power of the Taliban). When we intervene in a place we restore existing hospitals or build new ones: the idea is to give the country the knowhow and facilities to train doctors, nurses and staff on site and allow them to practice medicine. In Afghanistan we have four specialization schools (in surgery, pediatrics, gynecology and

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Bocconi Alumnus, Deputy  
Country Director for  
Emergency in Kabul*

obstetrics, and anesthesiology) and we are actually training the new generation of Afghan doctors. And we could be the first NGO to have a woman specialize in anesthesiology in Kabul.

## → Do you hire local staff?

60% of the medical staff are nurses: at the beginning the majority came from abroad, now they are all local. Looking at the total number of employees today, 1,758 are local and only about 50 are foreigners. In Kabul, the medical coordinator is also local. Our final goal is to leave the country, leaving a legacy of autonomous functioning facilities which are managed by competent personnel. What are the main challenges in your activity? Economic challenges are paramount. The fundamental problem is to persuade institutional donors that Afghanistan still has a tremendous need for resources: donors' radars often look at either countries at war or at least developed countries, while today Afghanistan is in a transitional situation. Although there is no active war, most of our health interventions are still linked to the war: mine wounds, unexploded ordnance and the presence of a high level of crime. And, as always in all wars around the world, 90% of the people affected are women and children, contrary to what is usually thought. We have limited resources and sometimes, chatting with colleagues from other NGOs, I see that others are surprised to hear how we make do with the little resources we have.

## → Let's talk about you: you arrived in Kabul in January 2024. But how did you end up at Emergency?

I graduated with a degree in business management from Bocconi, but I have always had a strong interest in public institutions and healthcare. After graduation I joined a company, but after eight or nine years at my job, taking stock of my life as I turned 30, I asked myself: "Is this really what I want?" The answer was no. What really makes me happy is helping others and I have always had Gino Strada as a personal hero and point of reference. The night before my first interview with Emergency I understood that it was the right path for me to take. It was my first experience in the nonprofit sector and everything was new to me ■





# Beyond Aid: the New Role of NGOs in Local Development

*San Moumassou Njona, a Bocconi alumnus, talks about his experience in the humanitarian sector and describes the evolution of NGOs from mere aid providers to enablers of sustainable development*

by Andrea Costa @

In the increasingly challenging context of humanitarian assistance and international development, the role of NGOs is changing. No longer just aid providers, these organizations are becoming true partners in the advancement of local communities. We talk about this with **San Moumassou Njona**, Executive Master in Management of International Organizations at SDA Bocconi in 2020 and currently Program Manager for Gambia, Senegal and Guinea for Gavi, the Vaccine Alliance. San has held various roles for other humanitarian organizations, including IEDA Relief, NorCap (NRC) and the United Nations Office for Project Services (UNOPS). From the challenges of coordinating NGOs and governments to the need for greater community involvement, Njona guides us through the changes taking place and the prospects for the future of the humanitarian sector in Africa.

→ *San, could you start by telling us about your experience?*

Certainly. I have spent about a decade working in various humanitarian and development roles - I also did voluntary work for one and half years with UNHRC, and the rest in various capacities, including my time at Bocconi and involvement with the Norwegian Refugee Council and the UNOPS. During this period, I worked on a variety of programs covering health, education, peacebuilding, and economic recovery. During that period, I witnessed the evolution of NGOs in Sub-Saharan Africa and I would add that it has been particularly interesting to witness: I noted with great satisfaction the shift in their role, from simply being aid providers to becoming real development partners.

→ *What exactly do you mean by 'partner' in this context?*

Many NGOs have changed their approach. Rather than imposing donor-driven agendas, they now work directly with local communities, employing local people and collaborating with them in initiating and designing programs. This approach ensures a more inclusive, collaborative partnership. Previously, NGOs would often enter communities without understanding local structures, leading to inefficient programs. Now, there's a shift towards capacity building and transitioning responsibilities to local entities.

→ *That sounds like a positive shift. But are there still open problems?*

Absolutely. NGOs often have more resources than local authorities, which can lead to a brain drain, where skilled professionals leave government roles for better-paying NGO positions. This weakens institutions. In some cases, NGOs even



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act as de facto or take over government roles, which raises concerns about long-term sustainability. Another challenge is fragmentation: when interventions aren't well coordinated, redundant efforts arise, leading to a waste of resources.

→ *Can you elaborate on these coordination difficulties? Do you mean between NGOs and governments, or also among NGOs themselves?*

It's both. NGOs often receive funding from different donors, each with its own agenda. If there's no coordination, two NGOs might find themselves implementing nearly identical programs in the same school or village. Without proper coordination, efforts overlap, creating inefficiencies. To address this,

coordination mechanisms have been established, often led by OCHA (United Nations Office for the Coordination of Humanitarian Affairs). These actions help, but the problem persists, especially in remote areas.

→ *Given these challenges, how do you propose improving coordination?*

There are several ways to address this issue from my experience. For a start, NGOs working in the same areas should establish forums to discuss needs assessments and intervention plans, ensuring clear division of responsibilities. Then, NGOs should improve accountability, which is currently mostly to donors and central authorities, not local communities. NGOs should conduct after-action reviews within the communities they serve, discussing what worked, what didn't, and how to improve.

→ *In your view, are we moving in the right direction?*

I wouldn't say it's just a feeling—there are clear indicators that we are moving in that direction. The increasing scarcity of resources means that NGOs and development actors must work more efficiently. Furthermore, communities are becoming more vocal about their involvement in decision-making circles. This would enable humanitarian and development organizations to work together more closely, ensuring that their interventions are genuinely community-driven. A positive trend is the emergence of local NGO networks in the Sahel and Great Lakes regions. However, donors must also play a role by listening to these local networks and providing the necessary resources to support sustainable solutions. Also, as relief operators, let's face it: if a community has received five years of humanitarian intervention on the same issue with no improvement, something is wrong. A master's degree takes five years—surely a community can achieve progress in the same time frame. Long-term interventions must lead to self-sufficiency, not perpetual dependency on aid ■

*Financial crises, pandemics, Artificial Intelligence, political shocks: we live in an age dominated by shocks. With Bocconi professors and Chiara Scotti, Alumna and Deputy Director General of the Bank of Italy, we investigate how individuals, institutions and society can anticipate, understand and transform uncertainty into resilience*

# Preparing for the



unpredictable

# Why Pessimists Always Win

*In economics, bad news travels better. A deep dive into the psychological and media biases that reward those who always predict the worst - and why optimism rarely makes the headlines*

by Carlo Favero @

In the world of statistics, a shock is a noble thing. It waltzes into an equation with an air of neutrality, mean-reverting as if it were a model citizen.

Shocks, in their purest form, are unpredictable deviations with an expected mean of zero - neither inherently good nor bad. They are, quite simply, the statistical equivalent of life's little surprises.

Yet, when we step into the financial realm, the story takes a darker turn. Here, 'shock' is a euphemism for catastrophe. Economic downturns, recessions, crises - these are the shocks that grab headlines, sink markets and immortalize economists who predict them. But where are the economists who successfully predict positive shocks? Why does no one earn fame by forecasting a sudden boom?

As we shall see, this asymmetry in perception is no accident. It is deeply rooted in human psychology, championed by Kahneman and Tversky's loss aversion principle, and further amplified by the professional incentives in the field of economics. Let's explore why the world of finance is rigged in favor of pessimists - and why, paradoxically, they often end up being 'right' even when they are wrong.

## THE STATISTICAL INNOCENCE OF SHOCKS

Statistically speaking, an economic shock is an unexpected change in an economic variable. The key word here is 'unexpected.' Whether it's a policy shift, a sudden change in consumer sentiment, or an oil price fluctuation, the defining characteristic of a shock is that it deviates from what was anticipated. And, crucially, these deviations have no systematic bias - over time, they average out to zero.

For every economic slump, there is a corresponding economic boom. For every financial crisis, there is an unanticipated recovery. However, in real-world discourse, positive shocks rarely make the news.



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Imagine an economist appearing on television to say, "The economy is likely to outperform expectations due to unforeseen factors." It hardly makes for gripping television. Negative shocks, on the other hand, have drama, urgency and, most importantly, an audience that is eager to listen.

## KAHNEMAN, TVERSKY AND THE TYRANNY OF LOSS AVERSION

Daniel Kahneman and Amos Tversky, in their seminal work on prospect theory, introduced the concept of loss aversion: the idea that losses loom larger than gains in human psychology. Simply put, people feel the pain of losing \$100 far more acutely than they feel the pleasure of gaining \$100. This asymmetry influences decision-making across all domains, including economics and finance.

Because of loss aversion, investors, policymakers and the general public are more sensitive to negative shocks than to positive ones. If a central bank unexpectedly raises interest rates and causes a market downturn, it is perceived as a significant event, meriting endless analysis and debate. But if a new technological breakthrough leads to unexpected growth, it is often dismissed as 'the market functioning normally.'

This asymmetry creates a structural bias in economic discourse: fear sells. Investors want to hedge against losses, policymakers want to avoid blame and journalists want eyeballs on their articles. The result? A collective overemphasis on negative shocks and a near-total disregard for positive ones.

## THE DOOMSAYER'S DILEMMA: HOW TO BE RIGHT BY ALWAYS PREDICTING CRISIS

Enter the professional pessimist, the doomsayer economist who makes a career out of predicting



economic downturns. No one exemplifies this archetype better than Nouriel Roubini, who famously foresaw the 2008 financial crisis. A brilliant economist, no doubt, but also a case study in the perverse incentives that reward persistent pessimism. As the joke goes, Roubini has predicted twenty of the last three economic shocks. And he is not alone. Many economists have built reputations - and lucrative consulting careers - by repeatedly forecasting disaster. The reason is simple: when a forecaster predicts a negative shock and is wrong, they are forgotten. When they are right, they are hailed as visionaries.

Contrast this with the fate of an economist who predicts positive shocks. Suppose an economist repeatedly claims that the economy will experience unexpected growth. If they are wrong, they are ridiculed as hopelessly naive. If they are right, the good news is often attributed to luck, policy measures or underlying market resilience - not to the foresight of the economist.

### WHY ECONOMISTS PREFER TO PREDICT DOOM

The media, financial markets and policymakers are all incentivized to pay more attention to negative forecasts. Consider the following dynamics:

- **Media Sensationalism:** “Stock Market Crash Expected” is a far more compelling headline than “Market Growth May Exceed Expectations.” Bad news sells, and economists who deliver it get more airtime.
- **Professional Risk Management:** An economist who predicts a recession and is wrong faces little professional backlash. An economist who predicts prosperity and is wrong can be discredited permanently.
- **Human Psychology:** Investors and policymakers are wired to be more risk-averse than risk-seeking. They want to prepare for the worst, which makes them more receptive to negative predictions.
- **Historical Bias:** Most major economic theories (Keynesianism, Marxism, even Austrian Economics) were developed in response to crises, making economic discourse inherently more crisis-focused.

### THE MARKET'S SELECTIVE MEMORY: WHEN POSITIVE SHOCKS DISAPPEAR

Ironically, while negative shocks are remembered and analyzed for years, positive shocks often fade into the background. The post-pandemic economic recovery of 2021, for example, defied most pessimistic forecasts. Yet, rather than being celebrated as a positive shock, it was rationalized away as merely the consequence of stimulus policies and pent-up demand. This selective memory reinforces the dominance of pessimistic narratives. When markets crash, we

remember the forecasters who predicted it. When markets surge unexpectedly, we assume it was bound to happen anyway.

### A CALL FOR STATISTICAL BALANCE

Economic shocks are, at their core, symmetrical. They can be positive or negative, and their long-run expected value is zero. Yet, because of loss aversion, media incentives and professional dynamics, the field of economics has developed a built-in bias toward predicting and focusing on negative shocks. This is not just an academic curiosity - it has real consequences. Persistent pessimism can lead to unnecessary risk aversion, missed opportunities for investment and a general sense of economic gloom that is self-fulfilling. It may be time for economists to reclaim the neutrality of shocks, to acknowledge that surprises can be pleasant as well as painful. And perhaps, just once, it would be refreshing to see an economist gain fame for correctly predicting an unexpected boom. But until then, the doomsayers will continue to win the game - even when they are wrong ■

# The Only Certainty Is Uncertainty

*In these turbulent times, financial and economic shocks are always around the corner. But, as Chiara Scotti of the Bank of Italy explains, we are learning how to deal with them: the Great Recession was less damaging and persistent than the Great Depression, and the recent energy crisis has caused less havoc than the oil crises of the 1970s*

by Michele Chicco @

**A**ccelerating flows of data, goods and capital increase the risks of macroeconomic shocks having a global impact, but time has not passed in vain and our ability to manage crises has improved over the years. When equilibria are suddenly altered, there is less damage now than before. “In a world characterized by uncertainty, the only certainty is that other economic shocks will occur in the future,” says **Chiara Scotti**, Bocconi alumna and Deputy Director General of the Bank of Italy. The key is to be prepared, while being careful not to overburden the regulatory framework.

→ **What are macroeconomic shocks and why are they dangerous?**

The first thought goes to unexpected events that have negative consequences for the economy, such as a sudden collapse of financial markets or a sharp increase

in energy costs. However, the meaning is broader. Economists see the economic system as a set of relationships between production, income and aggregate demand tending towards an equilibrium. A shock is an unexpected event, positive or negative, that interferes with that equilibrium. All shocks entail adjustment costs, in terms of inflation, employment, the cost of money, and the quantity and quality of lending. Some shocks, such as financial crises, are more dangerous, due to the size of the adjustment costs and the prolonged duration of the effects on economic activity and employment.

→ **How have they changed throughout history?**

Shocks have always existed. Even trade and financial integration, potential vehicles for the transmission of shocks, are not new: Florentine bankers in the 14th century funded English sovereigns and Florence purchased wool from England. However, today we observe two elements of novelty: on the one hand, the speed, intensity and interconnection in the exchange of data, goods and capital have accelerated, heightening the transmission and potential impact of shocks; on the other hand, the ability of economic systems to react has improved, also thanks to more solid institutions, coordinated actions at the international level and more adequate fiscal and monetary policy interventions. For this reason, the financial crisis of 2008 and the recent energy crisis have been much less damaging and persistent than the Great Depression of the 1930s and the oil crisis of the 1970s.

→ **In an uncertain international scenario, do they become more likely?**

Uncertainty plays an important role in the economy. In recent decades, economic literature has shown how uncertainty, understood as an exogenous shock, can have macroeconomic consequences and, more recently, has also shown how uncertainty can be an endogenous response to macroeconomic conditions. In my research, I show how the effect of shocks is stronger in periods of high uncertainty. So it is not that shocks become more





likely, but their impact is magnified. Estimates on American data show that after one year the drop in GDP in response to a financial shock is three times higher in conditions of uncertainty similar to those observed during the 2008 financial crisis, as compared to situations of low uncertainty.

→ **What impact does technology have?**

Technology can be the origin of economic shocks or amplify their transmission, for better or worse. Positive technological shocks lead to an increase in aggregate output and a reduction in costs, favoring economic growth. An important part of the economic literature has focused on the development of dynamic general equilibrium models in which the macroeconomic cycle can be explained on the basis of technological shocks. This is a research program that earned Kydland and Prescott the 2004 Nobel Prize in Economics. On the other hand, technology can be a source of vulnerability for the financial system, as in the case of cybersecurity risks, and can speed up the transmission of shocks and amplify their impact.

→ **What have we learned from recent shocks such as the pandemic?**

The 2020 pandemic was a radically different shock compared to those of financial or economic origin of the previous decade. Two key lessons for the future have emerged from this experience. The first is the importance of economic policy coordination, especially during crises: monetary and financial policy must each pursue their respective objectives with their own tools but, jointly, they can effectively counter the economic effects of dramatic shocks. The second lesson is that international collaboration, in research, information sharing and coordination of policy response, contributes to a more effective reaction to shocks and therefore to the wellbeing of our societies.

→ **How do we learn to face the consequences of sudden events?**

The key is to be prepared. In a world characterized by uncertainty, the only certainty is that other economic shocks are likely to occur. To minimize the impact, we must strengthen our economies during times of favorable conditions. In Italy, the strengthening of banks' assets has allowed them to face the pandemic crisis in more solid conditions than during the global financial crisis or the European sovereign debt crisis. From this perspective, we need to resume and maintain the path of growth, which provides the resources necessary to build and strengthen effective defenses against future shocks.

→ **However, excessive regulation also presents risks, what is the limit?**

Adequate regulation and careful supervision are essential for the financial sector to mitigate rather

## The Quiet after the Storm: Why We Should Worry about the Banking Sector

by Ignazio Angeloni

When is the right moment to deal with (or worry about) banks? If we look at Google Trends, we see that in recent years, only on three occasions have banking issues disturbed people's sleep: 2008 (the great financial crisis), 2020 (the pandemic), and 2023 (the crisis of regional American banks). In all three cases, the concern lasted briefly: a month or two at most. But to be truly aware and effective, policymakers and depositors should harbor doubts especially when there appear to be no clouds on the horizon. That is the most fruitful and least costly time to understand and, if necessary, act. This could be one of those moments. The two years since the last crisis of U.S. regional banks are coming to a close. A crisis that, without warning, shook the American financial system and part of the global system. What happened, and why? Which lessons are still relevant today? To answer these questions, we must pay attention to three things: how that crisis began, how it was resolved, and what consequences it had - or did not have - elsewhere in the world. Some answers can be found in a report published a few months ago by CEPR, the economic research institute based in Paris, written by the author together with a group of European and American experts.



The full article is published on the IEP@Bocconi website

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than amplify shocks. An international regulatory framework based on principles of clarity, coherence and harmonization must be defined, to avoid arbitrage phenomena that in an interconnected world would end up hiding risks, rather than reducing them and promoting their management. Identifying the threshold beyond which regulation becomes excessive is a challenging task. We must be careful not to create a regulatory framework that is too complex and difficult to interpret, while ensuring, at the same time, that greater simplicity does not endanger financial stability, the correct functioning of markets and respect for people's rights.

→ **You studied at Bocconi, what advice do you have for students who are delving into these issues?**

Never stop studying and learning, be curious, explore the details but at the same time maintain a 360-degree vision, open your mind to other disciplines and diverse contexts, cultivate your professional and human curiosity, invest in relational skills. Macroeconomic phenomena need to be interpreted in a broader context, which includes history, international relations and technological innovation. And they must be managed by interacting with individuals from different backgrounds, and building positive and lasting relationships with them, based on a collaborative approach, never forgetting that at the center of economic policy there are and there will always be people ■



# Dealing with the Unthinkable in Theory

*Faced with uncertainty and the impossibility of predicting financial crises, pandemics or geopolitical shocks, it is essential to think ahead by recognizing our limits and investing in the capacity to adapt. More flexible economic models and the creation of default options, resilient institutions and preventive strategies are fundamental tools to manage the unknown*

by Nicola Pavoni @

**M**any individual decisions and economic policies take place in conditions of deep uncertainty, often without a clear knowledge of future scenarios and their possible consequences. However, the history of recent shocks, such as the 2008 financial crisis, the Covid-19 pandemic or the energy crisis, has taught us fundamental lessons on how economies and institutions can adapt to unexpected events.

Let's think of the extreme uncertainty over governing the current and future effects of artificial intelligence, climate change or geopolitical shifts. The words of former US Secretary of State Donald Rumsfeld summed up this awareness pithily:

"Reports that say that something hasn't happened are always interesting to me, because as we know, there are known knowns; there are things we know we know. We also know there are known unknowns; that is to say we know there are some things we do not know. But there are also unknown unknowns - the ones we don't know we don't know."

How can society prepare for the latter scenarios? Extreme ignorance can lead to immobility (not knowing what to do, I do nothing) or ignoring the very possibility of major unpredictable events. Both attitudes appear naive. The first step is instead to recognize our ignorance, broadening the range of models used by economists. Some branches of existing economic research seriously address these issues, providing useful tools to address unexpected shifts in expectations, which are quite relevant in macroeconomics, economic policy and applied economics.

A first indication is the importance of creating easy-to-achieve 'default options,' which have known and predictable consequences. These provide a sort of generic insurance against extreme events. The 2008 financial crisis showed how the lack of emergency liquidity structures exacerbated the recession, while the Covid-19 pandemic highlighted the importance of resilient



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healthcare systems and digital infrastructures. A practical example is the e-government structure created by Estonia that effectively guarantees the functioning of the government apparatus from abroad or virtually, usable for example in the event of an invasion or cyberattack.

Alternative payment systems - such as the Russian MIR and SPFS systems, or the BRICS project - are examples of 'financial emergency exits' that can be implemented in extreme crisis situations.

Second, flexible and resilient institutions allow to better manage unexpected events, limiting possible negative consequences while exploiting potential opportunities. Concrete examples are the creation of precautionary stocks in critical infrastructure and, once again, the example of the digital platform for e-schooling in Estonia, which allowed a rapid adaptability of the education system during the Covid pandemic. Also the decentralization of political and economic power as in the cases of federalism with economic diversification present, such as the cases, for example, of Canada and Switzerland, reduce vulnerability to extreme shocks. Flexibility and resilience can, in turn, be enhanced by promoting a plurality of perspectives and approaches, which improves education and enhances critical thinking.

So are economic models of little use? No, to the contrary. In macroeconomics it is well known that models are highly stylized versions of reality. Although some economists aim to exploit the expansion of computational capabilities to enrich them and integrate more and more relevant variables in them, their usefulness is not only quantitative. In their abstract form, economic models allow us to formalize analogies between situations so different that they cannot be considered similar in a statistical sense. In this way, they become essential qualitative tools to describe future scenarios and foster productive debate, achieving two crucial objectives: to make explicit the assumptions underlying the analysis and provide a common technical language, at least for the



economic experts who assist policymakers.

In conclusion, a society aware of its inevitable ignorance about the future can choose to invest more massively in the ability to adapt, reorganize and thrive in the face of the unexpected. At the same time, the role of economic

models in this domain could be oriented towards a more narrative description of future scenarios, in order to provide more qualitative policy recommendations ■

# When Uncertainty Is Good for the Economy

*According to a recent Bocconi study, upside uncertainty can boost GDP because overoptimism inflates markets, suggesting an asymmetric approach to monetary policy with respect to swings in expectations*

by Andrea Costa@

**D**oes uncertainty have a negative impact on the economy? The answer is that it depends.

According to a recent study (*Downside and Upside Uncertainty Shocks*) by **Luca Sala** (Bocconi Department of Economics), **Mario Forni** (University of Modena and Reggio Emilia), **Luca Gambetti** (University of Turin), published in the *Journal of the European Economic Association*, uncertainty is not unmitigatedly bad for the economy. In fact, the authors argue that upside uncertainty, i.e. the possibility of better-than-expected economic results, can stimulate economic growth. On the contrary, downside uncertainty, i.e. the possibility of worse-than-expected economic results, has the opposite effect and depresses the economy.

## SKewed TAILS

The study is part of a line of research that investigates the macroeconomic effects of uncertainty. In particular, Forni, Gambetti and Sala start from the empirical observation about the tendency of the expected distribution of GDP growth to become negatively skewed in recessionary phases. This asymmetry is due to the fact that the left tail of the distribution is countercyclical, while the right tail is relatively steady over time. When we talk about "tails" in statistics, we refer to the extreme parts of a probability distribution function. In this context, the "right tail" represents the probability of



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positive economic outcomes exceeding expectations, while the "left tail" represents the probability of negative outcomes below expectations. The study then identifies the two types of shocks: an upward uncertainty shock is defined as a shock that thickens the right tail of the distribution, i.e. that it increases the likelihood of positive economic outcomes exceeding expectations, while a downward uncertainty shock thickens the left tail of the distribution, that is, it increases the probability of adverse economic outcomes exceeding expectations.

## METHODOLOGY AND FINDINGS

The research of Forni, Gambetti and Sala is based on an innovative econometric approach that combines complex statistical tools. This approach enables estimating the effects of exogenous shocks on uncertainty in terms of the expected distribution of GDP growth.

The results of the study show that downward uncertainty shocks have negative and significant effects on real economic activity. In contrast, upward uncertainty shocks have positive effects, albeit of a lesser magnitude, on real economic activity and positively significant effects on stock prices.

These results suggest that central banks should take into account the differential nature of uncertainty shocks when calibrating their monetary policy. In particular, downward uncertainty shocks, which signal an increase in the probability of adverse events, call for monetary policy interventions aimed at sustaining aggregate demand. Conversely, upward uncertainty shocks, which signal an increase in the probability of favorable events, may call for monetary policy interventions aimed at preventing the economy from overheating ■



## THE PAPER

**Downside and Upside Uncertainty Shocks**, by Mario Forni,  
Luca Gambetti, Luca Sala

# When Finance Strikes, the Economy Responds Unevenly

*New evidence on asymmetric mechanisms of financial shocks in the United States*

by Barbara Orlando @

**W**hat happens to the U.S. economy when the financial system is rocked by a shock? The answer today is neither linear nor symmetric.

Negative shocks - tightening credit or increasing perceived risk - induce much stronger macroeconomic reactions than positive ones. But there is more: what changes is not so much the intensity of the shock as its sign. Whether the shock is small or large, if it is adverse it still triggers strong and persistent responses on inflation, employment and industrial production.

These findings emerge from a study published in *Economics Letters* (vol. 250, April 2025), entitled *Machine learning the macroeconomic effects of financial shocks*. The authors, **Niko Hauzenberger** (University of Strathclyde), **Florian Huber** (University of Salzburg), **Karin Klieber** (Österreichische Nationalbank) and **Massimiliano Marcellino** (Bocconi) - propose an innovative approach that combines structural econometrics with Bayesian Neural Networks (BNN), an artificial intelligence tool particularly well suited to capture nonlinearities in economic data.

"The real methodological innovation," explains Marcellino, director of Bocconi's Baffi Research Center, "is that we can use machine learning techniques to study impulse responses without having to specify a functional form in advance. This approach allows us to detect hidden dynamics, such as asymmetries in the signs of responses, that often escape traditional linear models."

In detail, the method uses BNNs to estimate local nonlinear projections, calculating the expected effect of a financial shock - as measured by the excess bond premium on three key variables: inflation (CPI), industrial production (INDPRO) and employment (CE16OV). The results speak for themselves: in the event of a negative shock, inflation falls sharply (by up to one percentage point), industrial production falls by almost two points, and employment contracts for two years. The same effects are not observed in the presence of positive shocks: there is little, sometimes no



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## How the model works: inside Bayesian neural networks

The approach is based on a Bayesian Neural Network (BNN) with a hidden layer composed of a number of neurons equal to the number of macroeconomic covariates. Each neuron can use a different activator function: leaky ReLU, sigmoid, ReLU, and tanh. BNNs combine these activators with specific weights to generate flexible but interpretable responses.

To avoid overfitting due to the large number of parameters, the authors use a regularization system called horseshoe prior, which "squashes" toward zero the irrelevant coefficients, keeping only those that are essential for explaining the phenomenon.

Another distinguishing feature is the management of uncertainty about latent shocks. Instead of treating errors as fixed residuals, the model adopts a sequential Bayesian approach, estimating step by step the distribution of shocks at different time horizons. Finally, nonlinear local projections (NLP) are computed not on a single scenario, but as an average over 400 simulated economic history trajectories (for each Markov Chain Monte Carlo draw), resulting in an estimate that is not conditional on past shocks but is robust and generalizable.

reaction.

"Negative shocks have a much more pronounced macroeconomic impact than positive shocks of similar magnitude," Marcellino points out. "And this is true for inflation as well as industrial production and employment." The study is also notable for a robust simulation exercise on artificially generated data from highly nonlinear processes. Bayesian neural networks, in this context, manage not only to faithfully recover expected responses, but also to distinguish between sign and size asymmetries. A result that confirms the model's ability to accurately capture the complexity of macroeconomic dynamics.

"This kind of evidence has crucial implications for monetary policy and financial stability," Marcellino concludes. "If we know that the economic system is much more sensitive to negative shocks, then it is critical to act early with preventive tools, rather than waiting for the crisis to erupt."

In an increasingly uncertain world, in which predictive models must contend with complex, nonlinear dynamics, tools such as Bayesian Neural Networks represent a promising frontier: capable not only of predicting, but also of explaining ■



## THE PAPER

**Machine Learning the Macroeconomic Effects of Financial Shocks**, by Niko Hauzenberger, Florian Huber, Karin Klieber, Massimiliano Marcellino



# When Borrowers Flee First

*Banking crises do not always start at the till. A new Bocconi study reveals that the best firms anticipate collapse by shifting deposits and loans to healthier banks. This dynamic further weakens fragile institutions and requires rapid and targeted interventions by regulators*

by Filippo De Marco @

**B**anking shocks are a recurring threat to economic stability, as past financial crises demonstrate. The academic literature has mainly studied bank runs as a cause of bank failures, thus focusing on banks' struggles regarding liability and funding. However, much less is known about the initial stages of banking crises and the dynamics leading up to the collapse of financial institutions. In *Corporate Runs and Credit Reallocation*, we focus precisely on the initial period of banking stress and in particular on the dynamics regarding assets, analyzing the behavior of corporate clients. They play a crucial role in this process as they can accelerate a bank's deterioration not only because their deposits are not typically covered by deposit insurance, but also because they simultaneously borrow from the same bank.

It is the best clients who leave, in fact, as they are the ones worried about the solvency of the struggling bank. High value-added firms, which depend on credit lines for access to liquidity, tend to diversify their sources of financing, establishing new credit relationships with stronger institutions. Because the best and most reliable firms are the ones most likely to obtain alternative financing, stressed banks find themselves having to manage a portfolio of riskier borrowers with greater credit constraints. This process can further exacerbate any banking crisis, leading to a



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progressive deterioration of assets and amplifying the risk of a bank run by depositors. In essence, our paper highlights a new dimension of banking crises: "credit-line runs," similar to depositor bank runs.

Our analysis uses data from the Bank of Italy and the experience of the failure of two Italian regional banks, but our results have a much broader scope. In fact, recent academic work has shown that most bank failures in the US since 1850 are characterized by a slow deterioration in asset quality and the flight of depositors not covered by deposit insurance. Our work has important implications for the management of banking crises.

First, in non-systemic banking crises - such as the March 2023 crisis in the US - our findings suggest that market forces tend to drive a reallocation of credit that further weakens the assets of distressed banks. These results therefore highlight the need for timely intervention by banking supervisors and regulators. In line with recent debates over the failures of Credit Suisse and Silicon Valley Bank, regulators should closely monitor market signals - including on social media - and respond quickly.

Second, the study highlights an often-overlooked role of bank capital. In addition to acting as a buffer against losses and aligning incentives, bank capital is critical to ensuring that market-driven reallocation of deposits and credits takes place efficiently. The



## THE PAPER

*Corporate Runs and Credit Reallocation*, by Elena Carletti, Filippo De Marco, Vasso Ioannidou, Enrico Sette

results show that the most solid and productive firms are able to move to better-capitalized banks, while the weaker ones face greater financing constraints. This selective process, based on the soundness of bank capital, helps ensure that credit continues to flow to the firms best suited to support investment and economic growth.

In addition, the paper suggests that banking regulation needs to consider not only the behaviour of banks, but also that of firms in times of crisis. Rapid interventions, such as liquidity injections from central banks and clear communication to avoid panic, can reduce the risk of runs and limit financial contagion ■



## THE COURSE

SDA Bocconi's new Global Leaders Program engages participants into economically and geopolitically significant topics that are central to the contemporary discourse.



# When the Earth

*A study by Cremaschi and De Vries shows that the devastation wreaked on Puglia's olive trees by Xylella fueled resentment toward the government, strengthening support for radical parties. Where public services were found wanting, the agricultural disaster turned into a political fuse*

by Barbara Orlando @

Collective economic shocks can radically change the political geography of an area, fueling support for far-right parties. These include not just financial or industrial crises, but also events seemingly far removed from politics, such as a plant epidemic. A new Bocconi study shows that the bacterium *Xylella fastidiosa*, responsible for the devastation of Puglia's olive trees, triggered a 2.2% increase in votes for far-right lists in the affected areas. But the phenomenon is not uniform: what made the difference was a pre-existing perception of being neglected by the state. Where public services were lacking, resentment exploded, transforming the agricultural scourge into a political tinderbox. The study, titled *Without Roots: The Political Consequences of Collective Economic Shocks*, was conducted by **Simone Cremaschi** (Bocconi University), **Nicola Barileto** (University of Texas at Austin) and **Catherine E. De Vries** (Bocconi University) and published in the *American Political Science Review*. Based on a quantitative difference-in-difference analysis of electoral data and a field survey in two communities in Puglia, the authors highlight how the *Xylella* epidemic has transformed economic hardship and identity loss into consensus for the far right.

"These events are not just agricultural disasters. They are collective traumas that rewrite local political dynamics," explains Simone Cremaschi, Research Fellow at the Bocconi Department of Social and Political Sciences. "For many inhabitants of these areas, the olive tree is not just a tree. It is part of their family history, the local landscape and their sense of belonging. Its disappearance has created a kind of void that has fueled political resentment."

**WHEN A PLANT INFECTION BECOMES POLITICAL**



# h Dies, the Hard Right Grows

Xylella fastidiosa, accidentally introduced in Puglia in 2013, destroyed countless centuries-old olive trees and caused economic losses estimated at €1.2 billion in the first four years. But the most disruptive effect was social: the disappearance of an entire rural production system undermined traditions, identity and sense of community. The field investigation focused on two municipalities in the Puglia region, indicated by the authors with the fictitious names Querceto and Prosopo for reasons of confidentiality. Querceto, a town with poor public services, saw a significant increase in the far-right vote. Here the epidemic was perceived as yet another demonstration of neglect by the central government, another episode in a narrative of marginalization that already existed before Xylella. Prosopo, on the other hand, a town equally affected but with better provision of government services, did not register significant changes in proportions of votes cast.

“Where public services were already lacking, Xylella reinforced a pre-existing sentiment: “they abandoned us,” Cremaschi adds. “This made voters more inclined to support parties that channeled resentment against elites and vowed to defend forgotten localities.” But Xylella’s effect on the ballot box was not limited to radicalizing the vote. Voter turnout in affected municipalities remained higher than in unaffected municipalities, marking a difference of almost 4%, indicating that the agricultural disaster mobilized voters rather than causing them to fall into apathy. This element belies the idea that this was just a generic protest vote: Xylella generated an active push towards the hard right, and not a simple rejection of politics.

## XYLELLA, DEINDUSTRIALIZATION AND OTHER CRISES: A COMPARISON

The Apulian case is part of a broader body of research studies on collective economic shocks. Plant epidemics have marked the political history of entire regions: from the potato blight in Ireland in 1845, which strongly contributed to anti-British radicalization, to the phylloxera that hit European vines in 1863. But the political effect of Xylella also brings back the memories of deindustrialization occurring in the aftermath of the



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financial crisis of 2008.

In many areas affected by industrial decline, the disappearance of jobs has generated a rift between the local population and the central state, pushing voters towards parties that oppose traditional elites. The case of Xylella shows that this phenomenon is not limited to industrial areas, but can also affect the agricultural sector and the rural landscape.

Another key finding of the study concerns youth migration: after the Xylella epidemic, the population between 20 and 35 years of age fell by 3% in the affected municipalities. Young people have abandoned the areas devastated by Xylella, seeking opportunities elsewhere. This trend, if not reversed, could permanently change the demographic makeup of these territories, further strengthening the conservative element in the long term.

## MASS UPROOTING AND THE RESPONSIBILITIES OF THE STATE

The case of Xylella shows that economic shocks are not just questions of government budget or aid. They are moments in which the sense of belonging to a community and the state can be strengthened or destroyed. In Puglia, the epidemic shattered an already fragile social fabric, exacerbating existing divisions and favoring parties that promise redemption to communities “left behind.”

But the study also raises another question: could the government’s response have avoided this political drift toward reactionary extremism? The government allocated funds for the compensation for farmers and the replanting of resistant species, but researchers highlight that bureaucratic delays and political uncertainties amplified the perception of abandonment. “Institutions were not able to provide rapid and effective responses. This reinforced the idea that those who govern do not deal with the real problems of the people,” underlines Cremaschi.

With climate change and globalization making these adverse events more frequent, the lesson of Xylella goes well beyond Puglia. Public policy cannot be limited to emergency management: it must prevent the kind of economic and social marginalization that makes communities vulnerable to the call of hard-right populism.

Because, as Xylella demonstrates, when people are uprooted by events, answers are sought in parties and forces that promise to protect those neglected and left behind by the government ■



## THE PAPER

**Without Roots: The Political Consequences of Collective Economic Shocks**, by Simone Cremaschi, Nicola Barileto, Catherine E. De Vries.

# Cryptos Under Pressure

*Economic uncertainty shocks amplify cryptocurrency volumes and volatility, attracting investors seeking out risk. But the Milei and Trump cases show that politics can influence digital markets in opaque ways*

by Giovanni Bruno @

Cryptocurrencies are the most recent and disruptive innovation in the global financial system. Since their beginning in 2009, when the bitcoin (BTC) first went online, the capitalization of cryptocurrencies has reached \$2T in 2024. Investors can trade cryptos on the respective blockchains or via digital intermediaries; crypto trades have become very popular, even among unsophisticated investors. Cryptocurrencies have also attracted large media coverage recently, following the controversial involvements of prominent politicians in the crypto markets. A notable example is Argentina's President Milei promoting the \$Libra coin, whose price swiftly collapsed after skyrocketing following Milei's announcement, and caused a total loss of \$250M. A second example is US President Trump's plan for a national crypto reserve. Were the plan perceived as concrete, the crypto prices would probably go up in anticipation of federal purchases. This would favor crypto creators and insiders, including the Trump family involved in the crypto business, at the expenses of the US taxpayers.

The Milei and Trump cases are just two striking examples of how economic policy uncertainty shocks can impact financial markets and, in particular, the crypto markets, influencing price formation, returns and trading volumes.

Crypto prices have always shown high volatility and have been hit over the years by several episodes of periodically exploding bubbles, both short- and long-lived (see Oldani et al. 2025). This behavior can be partly explained by the limited supply schemes of cryptocurrencies, which naturally pressures prices and limits the volumes of transactions. For example, the supply of BTC, the crypto with the highest market capitalization, is inelastic, being limited and pre-



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defined in the protocol of the blockchain at 21 million tokens, with a decreasing path over time. As of 27/03/25 the total supply of BTC is of 19.4 million tokens for a market cap of \$1.72T

(coinmarketcap.com). Indeed, as opposed to the exuberant behavior of prices, crypto returns and trading volumes are quite stationary over time and a similar behavior also characterizes indexes of economic policy uncertainty (EPU), both national and global (GEPU).

Many recent studies, most of them focused on BTC, have examined the impact of the EPU indexes on crypto returns and volatility. There is consensus among researchers that economic policy uncertainties exacerbate the volatility of crypto currencies, compared to conventional financial assets. On the other hand, it has also been found that cryptos can have, in specific circumstances and depending on the magnitude of the uncertainty shocks, hedging/diversification ability (Fang et al. 2019, Miba'am and Güngör, 2025), which can make them attractive for investors, compared to traditional assets, such as equity, bonds or commodities.

To get a more complete picture on the impact of policy uncertainties on cryptos we have analyzed (Oldani, Bruno and Signorelli, 2023) the trading volumes of BTC, Ether (ETH) and Ripple (XRP), the three major cryptos for market capitalization, in comparison with the GEPU index and the European News-Based Uncertainty Index (ENBI), a news-based index of uncertainty computed from news related to policy-related economic uncertainty (Baker et al., 2016). Using regression models we found a robust positive relationship between the volumes of each crypto and each of the two EPU indexes, both in the short and long run. This is consistent with the view of BTC as a safe haven against economic policy uncertainty, as found by Miba'am and Güngör (2025).

Based on the characteristics of crypto investors and the high volatility of crypto returns, there is another explanation for the EPU-induced expansion in trading volumes. From various independent surveys it is known



## THE PAPER

**Economic Policy Uncertainty and Cryptocurrencies,**  
by Chiara Oldani, Giovanni S. F. Bruno, Marcello Signorelli



## The Matchstick of Inflation

by Franco Bruni

During 2024, inflation in both the U.S. and the eurozone stabilized its decline below 4% and toward 2%. Coming from the alarming levels of 2022—close to or exceeding 10%—this decline fostered the notion that the post-pandemic inflationary episode had been successfully resolved. This optimism encouraged a reduction in interest rates, which many now hope will continue, albeit with no clear endpoint in sight. However, the average inflation rate in the second half of 2024 was 2.7% in the U.S. and 2.2% in the eurozone. Moreover, inflation rose month-on-month during the last three months of the year, reaching 2.9% in the U.S. and 2.4% in the eurozone by year-end.

The average of the last three seasonally adjusted monthly inflation rates stood at 0.3% in the U.S. and 0.21% in the eurozone, corresponding to annualized inflation rates of 3.7% and 2.6%, respectively. If the goal is a stable 2% inflation rate, we are not there yet.

The latest U.S. inflation figures have reignited expectations of lower interest rates and driven further stock market rallies. However, these expectations are weakly justified, as they depend on a slowdown in price growth excluding food and energy as well as on the fact that the overall index increase was less than anticipated.

The situation differs between the U.S. and the eurozone. In the latter, inflation is lower, the growth rate of the real economy is lower and decreasing, fiscal policies are expected to be less expansionary, and the potential inflationary impact of Trump's threatened tariffs is smaller. Therefore, the rapid conclusion of the inflation rollback is more uncertain in the U.S.

[The full article is published on the IEP@Bocconi website](#)



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that the average investor in crypto is a young male with a mid- to low-degree of financial literacy, and that looks for high-risk and high returns in his investment decisions (Xi et al., 2020). This evidence is consistent with the findings of a recent paper (Corbet et al., 2024) that estimates average risk aversion to be negative in five crypto markets out of 11, with small positive values for the remaining six markets, including BTC, ETH and XRP. Then, if the volatility of crypto returns is magnified by the uncertainty shocks, as evidenced for example in Fang et al. (2019), the resulting expansion in trading volumes could be thought of as a flight to risk of mainly unsophisticated investors.

Which of the two explanations is the most relevant for the expansion in the crypto trading volumes induced by EPU shocks is a matter of further empirical research. But it is clear that the latter would recommend monitoring and supervision for digital intermediaries and exchanges by domestic authorities ■



# The Weight of



*From American to European high courts, a legal reasoning approach that looks to the past to guide choices on fundamental rights is once again gaining ground. But can it really justify exclusions and discriminations? A comparative analysis of the ambiguities on an increasingly controversial topic*

by Graziella Romeo @

In the increasingly complex landscape of controversies on fundamental rights, the notion of tradition emerges today as a particularly relevant area of legal and cultural debate. The concept of tradition is intimately linked to that of law. Law itself can be interpreted as a tradition, maintained and preserved as a pool of legal solutions suitable for regulating social behaviors. In recent times, however, constitutional and supranational courts have begun to openly deal with traditionalist reasoning, that is, based on the need to respect tradition, sometimes embracing it, sometimes criticizing it.

This growing attention raises crucial questions: what role should tradition play in the decision-making process of the courts? Can tradition justify limits on the rights of historically discriminated groups? The topic is, today, especially relevant to define the contours of the right of same-sex couples to form a “traditional” family, in the sense of one founded on a bond recognized by law and aimed at raising children.

Some recent cases provide significant insights into this tension between tradition and changing social customs. The US Supreme Court has, especially in recent years, taken positions that reflect a certain deference to tradition in matters of women’s rights, closely followed by the Constitutional Court of Uganda, which expressly cited the American precedent, translating its reasoning in a controversy over the rights of homosexual persons. The European Court of Human Rights, for its part, has stated that support for the traditional family can constitute a legitimate reason for differentiating the treatment of couples based on their sexual orientation.

On the other hand, the Inter-American Court of Human Rights has invited governments to fully recognize the rights of homoparental families, stressing that tradition, culture and religion cannot be invoked to justify discriminatory practices. In



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Europe, the German and Slovenian Constitutional Courts have shown, with different arguments, a more critical sensitivity towards the use of tradition as a normative parameter.

In this context, a comparative and interdisciplinary reflection on the scope and limits of the use of tradition in contemporary law becomes increasingly urgent (“The tradition trap and the rights of same-sex couples”, in *Asian Journal of Comparative Law*, forthcoming 2025, 1-46, with Stefano Osella). Some significant indications come, for example, from the Hong Kong Court of Appeals, which has clarified that traditionalist reasoning presents a “circular” logic since it ends up justifying the need to perpetuate tradition – the exclusion of homosexual couples from the full enjoyment of rights related to the family sphere – on the basis of the intrinsic goodness of a past which becomes normative, that is, capable of influencing the legal discipline of the present.

In this context, the Italian Constitutional Court first qualified marriage as a millenary tradition that recognizes the bond between people of the opposite sex aimed at procreation and the raising of children, justifying in this way the limitation of the right to marriage for homosexual couples. In more recent years, the Court has instead clarified that a reinterpretation of the more traditional institutions of family law may be necessary in light of the profound sociocultural changes that contemporary democracies are undergoing (Constitutional Court, 22 February 2024, ruling no. 66). The case concerned a homosexual couple in a civil union who became heterosexual after the transition of one of the partners. The Court held that the automatic dissolution of the union violated the claimant's rights, allowing its temporary maintenance. The case demonstrates that traditional legal reasoning is today approached with an ever-increasing awareness of its intrinsic logical-rational weakness ■

# Tradition

Bocconi

*follow us*

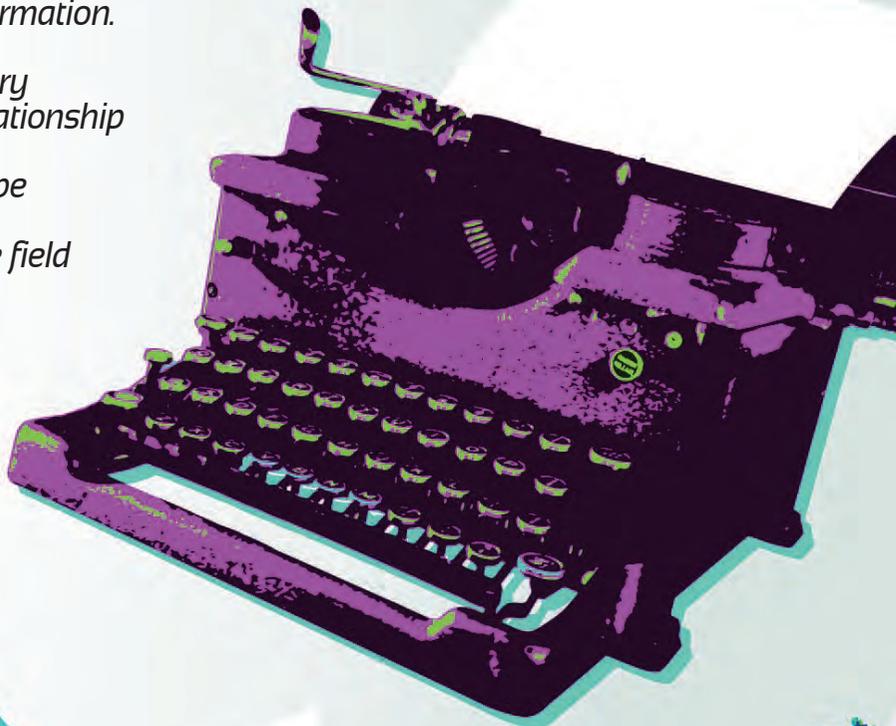


@unibocconi



# Media, Rewritten

*From traditional journalism to AI content for social media natives, news information is at the center of a radical transformation. New platforms, business models, publishing strategies and regulatory challenges are redesigning the relationship between readership and truth. We discuss the emerging landscape with Bocconi professors and alumni who are experts in the field*



# The Future of Journalism in an Age of Social Media and Fake News

*Regaining readers' attention and trust with authoritativeness, but also developing their engagement with content. Also, understanding how to best exploit the potential of AI without being overwhelmed by it. This is how old and new media are preparing for an information landscape that will be completely digital in a matter of few years. We discuss this with Luca De Biase, Riccardo Haupt and Francesco Carione, Bocconi alumni and news publishing experts*

by Diana Cavalcoli @

According to the calculations of Philip Meyer, a famous scholar of the American publishing market, the last paper copies of the *New York Times* will be purchased in 2043. Only digital information will remain standing in a not too distant future. The prophecy, according to several journalism theorists, could become reality even more quickly considering the speed with which artificial intelligence is transforming the world of newspapers by entering the newsrooms and revolutionizing the way in which news is produced, distributed and consumed. According to the latest report from the Reuters Institute, the spread of AI in news organizations continues unabated with 87% of journalists working in the main international newspapers convinced that newsrooms have now been completely or partially transformed by algorithms and chatbots. The ambition of media companies, the survey explains, is in fact the personalization of content to increase reader engagement. Hence the multiplication of new tools: from those that transform text articles into audio (75%), to those that provide summaries created via AI (70%), through translations into different languages (65%) in one click. The objective is clear: to conquer the time and attention span of readers. **Luca De Biase**, Bocconi alumnus, journalist and essayist expert in innovation, explains how the difference in these years of great change will be made by those who

in the vast sea of digital information will be able to carve out new spaces of relevance, re-establishing the pact of trust between the news organization and the reader. A bond even more important in the age of digital platforms and social media that monopolize the attention of hyper-connected readers.

He says: "The novelty compared to the analog world is that it is time that is scarce today, or rather the public's attention span. When only paper newspapers existed, column space was the scarce resource par excellence and was controlled by publishers. Today it is no longer like that." And the competition with platforms, think of X or Instagram, has become fierce. Without newspapers having emerged as winners. "We must find another space to provide information," adds De Biase, "an alternative to that of platforms that are created to entertain but not to inform. Journalism is knowing how things are according to a precise method, which verifies sources, which is independent, accurate, which can also be relatively light and fun but not devoid of precision." The good news is that the need to know what is happening in the world, from a neighborhood street to a country thousands of kilometers away, has not decreased over the years, if anything it has scattered. We must therefore start again from the relevance of the journalistic method and for De Biase some experiments in this direction have worked in recent years. "In Italy, *Il Post* has





been able to create its own community of readers and it is no coincidence that this online publication reiterates how its strength lies in the method and care with which it presents the news, but there are also international cases like ProPublica, founded to do journalistic investigations that newspapers no longer do. A successful case, so much so that three years after its birth it won the Pulitzer Prize. The challenge today I believe is to create a space, a context in which the meaning of journalism can be found again."

**Riccardo Haupt**, Bocconi alumnus and CEO of Chora&Will Media, further refines the idea: "Traditional journalism understood as information about what happened yesterday is dead. It is a mere commodity that everyone has on their handheld screens. At both Chora and Will we are instead aiming for a logic of involvement, we want to generate community value around content." An attitude that is evident if you look at Chora's core business, namely podcasts, a growing market also in Italy, where at the end of 2024 there were 17.2 million active listeners. "We work like a major publishing house of yore," Haupt explains, "which has a countless number of titles but is authoritative and recognizable as a brand in its own right." And then there are the voices. "Artificial intelligence is a huge reality, we use it to speed up editing or for translations,

but if you look at the creator economy and the boom it has had in recent years, you realize how the role of the human being has never been so central. The strongest brands, those that bring home the most important numbers, are always faces in flesh



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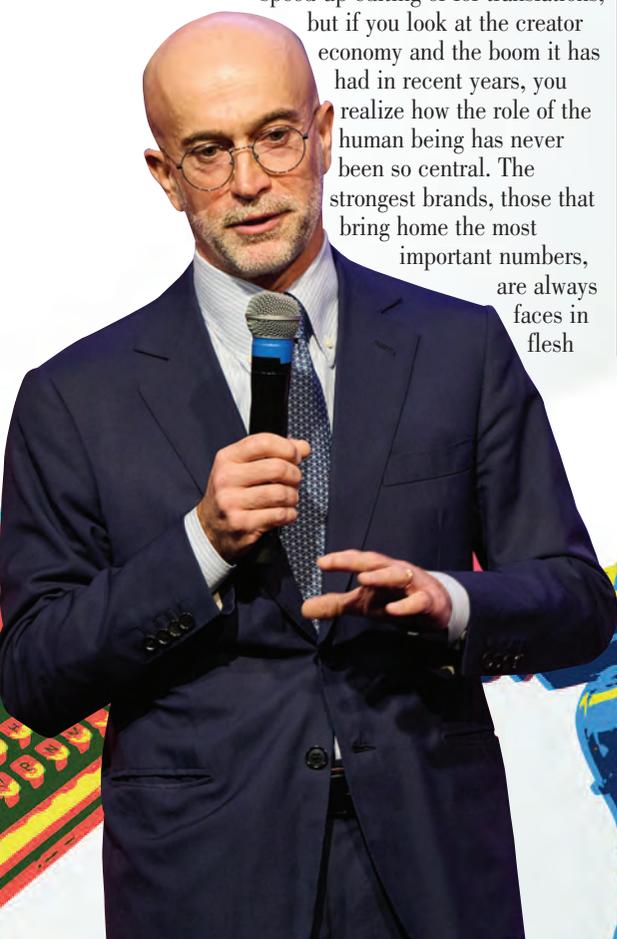
and blood. You can listen to a voice similar to that of Cecilia Sala, recreate it with artificial intelligence, but it will never be comparable to the real thing. For this reason, I imagine a future of humans with AI, rather than AI replacing humans," he concludes.

According to alumnus **Francesco Carione**, General Manager of *Gazzetta dello Sport*, "Artificial intelligence is a revolution on par with the internet if not faster. If the first websites, I'm thinking of *Corriere della Sera* and *Gazzetta*, were born around the second half of

the 1990s and took at least 24 years to become profitable, for artificial intelligence the times will be much faster." It will therefore be essential for managers to work on in-house skills, prepare the new generations of journalists who will be called upon more than ever before to guarantee quality information to readers. For Carione, in an increasingly digital future, publishing companies will have to focus on authoritativeness to stand out, and the issue of copyright will arise even more forcefully. "This is evident if you look at sports information. Almost all news today is produced by traditional media whose contents are then pirated and reworked, today also through AI, in a few seconds by newspapers of all kinds." A disposable system of para-information, which risks also fueling disinformation. But it is precisely in this cloudy context that quality journalism can emerge. "In a world where fake news and fake images proliferate, the reader will need to rely more on those who are capable of telling the facts, who actually do the dirty verification work. I remain convinced that in this scenario quality brands will emerge with force. Especially today when there is so much to see in sport plays and therefore original analysis and storytelling skills are needed." ■

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# Moderating Without Censuring

*A Bocconi study on the impact of Germany's law against hate speech shows that effective moderation can reduce hate both online and offline without harming public debate. But balancing safety and freedom remains a crucial challenge for platforms and policymakers*

by Carlo Rasmus Schwarz and Rafael Jiménez-Durán @

**S**ocial media platforms have become an indispensable component of public discourse. These platforms, which initially promised to democratize access to information, have evolved into arenas where both democratic engagement and toxicity flourish side by side.

Social media companies have made efforts to tackle these problems. Hate speech has been officially prohibited on YouTube since at least 2006, on Facebook since at least 2012, and on X (formerly, and henceforth, Twitter) since 2015. However, both Facebook and Twitter recently cut back their content moderation efforts, as content moderation remains highly controversial. Some contend that platforms do not moderate enough, while others fear that moderation stifles free expression and restricts online discourse.

As harmful and extremist content continues to pose tangible risks, policymakers and platforms face a critical challenge: how can online speech be regulated without compromising freedom of expression?

## SOCIAL MEDIA AT A CROSSROADS

As on many issues, when it comes to content moderation policies, the United States and Europe appear to have taken very different directions. While in the United States - especially with the beginning of the Trump administration - content moderation has been rolled back across most major social media platforms, European lawmakers have increasingly passed legislation that forces social media platforms to moderate content in violation of European hate speech law. Which direction is more desirable? A prerequisite to answering this question is to understand if content moderation efforts are indeed effective in curbing online and offline hate.



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## DOES CONTENT MODERATION WORK?

We have tackled this question in several research projects which generated new and important insights into this crucial policy question. In one recent project, we studied the impacts of Germany's "Netzwerkdurchsetzungsgesetz" (NetzDG), one of the world's first comprehensive legal interventions aimed at curbing online hate speech. The findings are clear: increased content moderation is able to significantly reduce the prevalence of hateful speech on social media. Even more strikingly, we also document that the increased content moderation also leads to a measurable decline in hate crimes against refugees. These results highlight the role social media plays in shaping offline behavior. Prior research has demonstrated the link between online hate speech and real-world violence, but the NetzDG study provides direct causal evidence that moderation policies can mitigate these offline effects. This has significant implications for policymakers considering similar interventions in other countries. Taken together, these findings suggest that content moderation is able to achieve one of its primary policy goals.

## DID CONTENT MODERATION DISTORT ONLINE DEBATES?

One of the most persistent concerns about content moderation is the tension between curbing harmful speech and preserving the plurality of online discourse. Critics argue that policies like the NetzDG can encourage platforms to over-censor content out of fear of financial penalties.

In our study we find no evidence that the law led to a significant decline in overall political discussions or the variety of topics covered on Twitter. Rather than stifling engagement, the law appears to have contributed to a broader inclusion of voices in online conversations. For many users, platforms with stricter moderation policies may feel more accessible and less hostile. Web traffic data suggests that the NetzDG actually increased the number of users on affected platforms, reinforcing the idea that effective moderation can create a more welcoming digital environment.



## THE PAPER

**The Online and Offline Effects of Content Moderation: Evidence from Germany's NetzDG**, by Rafael Jiménez-Durán, Karsten Müller e Carlo Schwarz



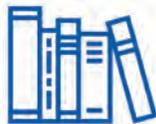
## THE TRADE-OFFS OF CONTENT MODERATION

Despite the positive findings, there are still important unresolved questions about the broader implications of content moderation policies. While the NetzDG successfully reduced hate speech and hate crimes, it remains unclear whether similar policies in different contexts would yield the same results. Additionally, concerns about the chilling effect of content moderation persist. While this study found no major disruptions in political discourse, long-term effects on self-censorship and political engagement warrant further investigation. In other methodological research, we have documented that the removal of toxic content can indeed lead to significant distortions of online content comparable to removing entire topics of online debate altogether.

## THE PATH FORWARD

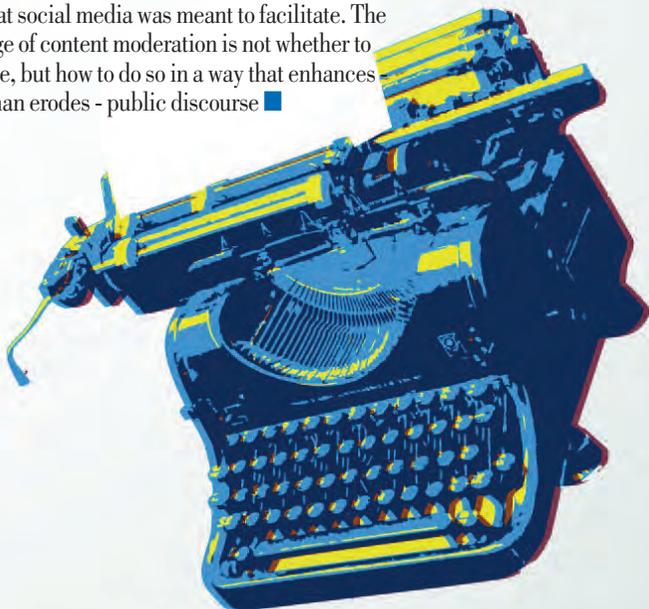
The insights from these research projects offer a glimpse into the potential of well-enforced moderation policies to curb online toxicity and reduce real-world harm. However, they also highlight the need for nuanced approaches that balance the benefits of moderation with the fundamental principles of free expression. Policymakers must ensure that such laws are designed with built-in safeguards against abuse and overreach, particularly in contexts where governments might use content moderation as a tool for political suppression.

Ultimately, content moderation is not just a technical issue - it is a question of how we define and protect democratic discourse in the digital age. If done thoughtfully, regulations can foster healthier online environments while preserving the vibrant exchange of ideas that social media was meant to facilitate. The challenge of content moderation is not whether to moderate, but how to do so in a way that enhances rather than erodes - public discourse ■



## THE LIBGUIDE

The Bocconi Library's guide designed to offer an overview on the theory and practice of journalism



# A Sentimental Story with a Bad Ending

*The relationship between the printed press and readers is basically over. It's the publishers' fault, who have made it break down since the 2000s in three fateful steps*

by Simone Autera @

// It's always like this, you understand how much a relationship really meant to you after it breaks down."

It could be a friend's comment on your attempt to get back into a relationship with your ex, but instead it's a merciless observation about the end of a centuries-old relationship, that between the printed press and its readership. Whose fault was it? The publishers', who didn't understand that they are a relationship business.

More precisely, their business model was based on three relationships – which they all betrayed in different ways. Let's take look at them, one by one.

At the turn of the millennium, the first relationship to go awry was that segment of the paying public that wasn't interested in the latest on Dubya's war in Iraq in the newspapers, but was looking for a second-hand motorbike to buy. Or was seeking a new job, an apartment rental or a soulmate. In that moment of fording to digital, publishers did not





understand that they had always had a fundamental relation with two distinct segments of the public: those who bought the newspaper to read it, and those who bought it for the personal ads. If the former chose the newspaper for its journalism, the latter chose it because there was a volume of personal ads adequate for their search. Then, with the advent of the internet micro-advertisers moved to specialized and more efficient sites, and the personal ad business collapsed, which for local newspapers could represent up to 70% of revenues. What if in addition to ferrying newspaper content online, they had also migrated the ad business? They would have certainly continued to preside over a very profitable relationship.

Between the late 2000s and the mid-2010s, a second betrayal takes place: the breakdown of the relationship with readers (those interested in the newspaper for its journalism). Access to news now increasingly occurs via social media and increasingly on mobile devices. In essence, the disconnect between the publisher and the content it produces start taking place, and now content resides everywhere. The mantra for newspapers thus becomes “we follow readers wherever they are.” And here begins the liaison dangereuse with the new hosts of (potential) readers: digital platforms (Facebook, X, Apple, Google, etc.). First there is the era of the click: maximizing traffic from social media newspaper pages by enticing them with catchy headlines and content designed for a “social media palate.” Then comes the era of engagement: when they realize that to get at least one click on a banner it is necessary to bring more than a thousand readers to a page, publishers begin to look for alternative methods of monetization. And here the platforms make a countermove. Facebook with Instant Articles, Google with AMP, Snapchat with Discover,



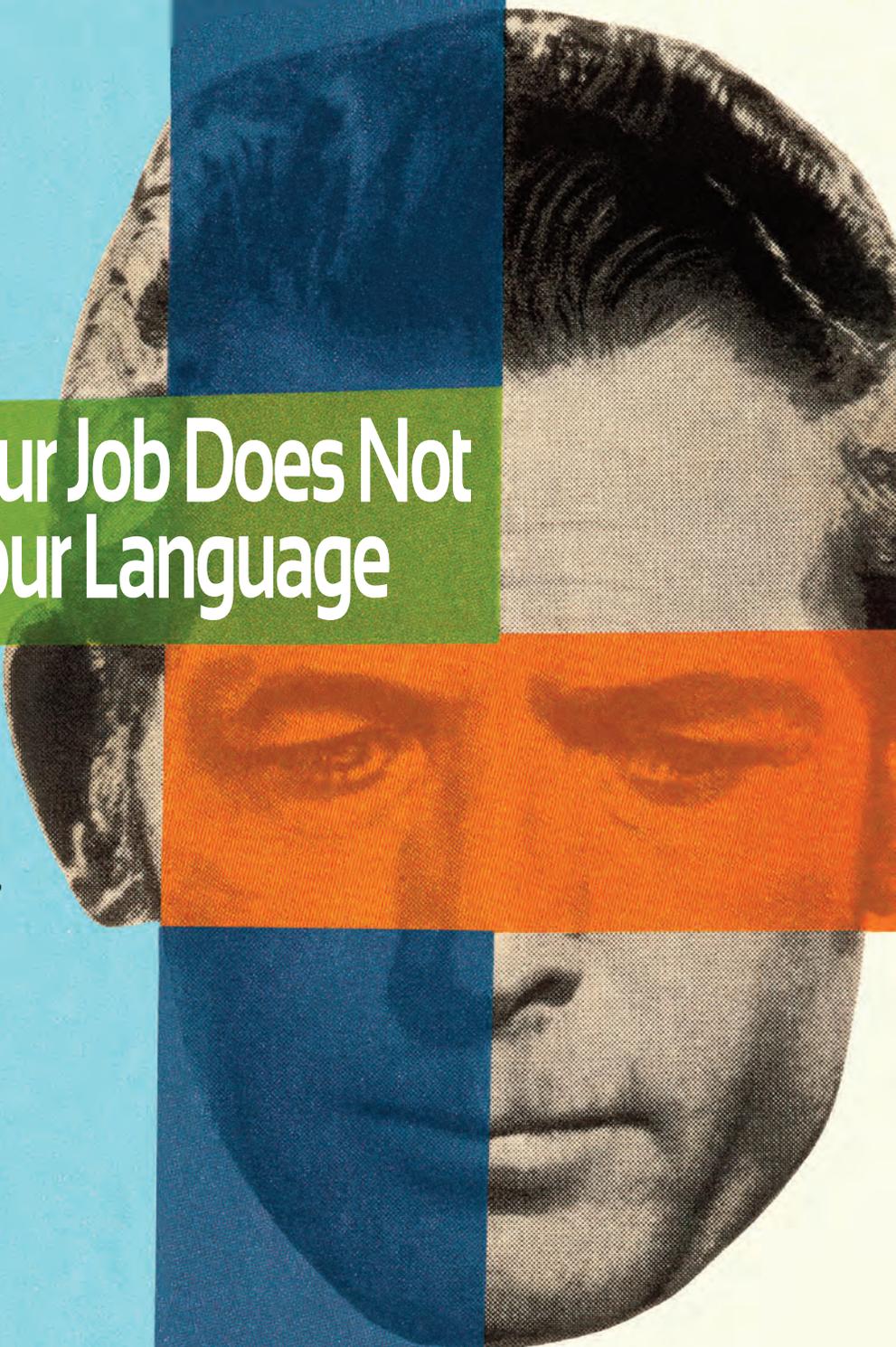
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Apple with Apple News, develop solutions to engage readers on publishers' content, without readers ever needing to leave the platforms. Publishers invest in social media managers, community managers and entire teams dedicated to following every single initiative proposed by each social network. While they invest, however, the platforms are changing the rules of the game. “For every five readers that Facebook sent us last year, now we get less than one” commented an executive of Slate magazine after Zuckerberg's company decided in 2018 to change the algorithm that proposes the content of media companies.

The third relationship has gone into crisis as a direct consequence of the second breakdown: a publisher who loses contact with and does not have control of their readership is incapable of guaranteeing adequate ROI to advertising buyers. All the KPIs falter: the average duration of navigation, the number of pages visited, the number of pageviews per visitor collapse drastically. Contact with readers is now mediated by the platforms and that control has data as medium of exchange, which only the platforms collect and know how to manage. In short, what have newspaper and magazine publishers not understood in the long and troubled transition from paper to digital? That they are a relationship business where every relationship counts. At the beginning they did not understand that the paper daily was also being purchased by those who were not interested in the news. Then they bartered the relationship with their readers for a relationship with internet platforms. And they found themselves no longer able to provide any value to the advertisers.

“Whoever is cause of their own misfortune should cry for themselves,” the wise friend above would comment. But in hindsight we are all excellent consultants ■





# When Your Job Does Not Speak Your Language

*A Bocconi study shows that personal values matter more than you think: when managers and teams do not share the same worldview, productivity suffers*

by Alexia Delfino  
and Miguel Espinosa @



Every day, we make big and small decisions that reflect our personal values: who we vote for, what we buy and how we raise our children. But do values also play a role in our workplace performance? Does the alignment - or misalignment - of personal values with our colleagues or managers affect our productivity?

For years, researchers and business leaders have sought to understand why some organizations outperform others. Culture is often touted as a key factor, shaping how people collaborate and work toward common goals. But within organizations, performance differences can be just as stark. Two employees with the same job title, similar qualifications and equal access to resources can produce vastly different results. Why?

A common answer is that employees who align with their organization's values perform better. But this explanation misses a crucial point: employees bring their own personal values to work, and these values do not always align with those of their peers or managers. Think about a manager who cares about hard work and obedience trying to lead a team where subordinates value creativity and self-expression. Even if subordinates are competent, this misalignment can create frictions, communication breakdowns and ultimately decrease productivity.



## THE PAPER

**Value Dissonance at Work**, by Alexia Delfino, and Miguel Espinosa



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Studying a major global bank with over 200,000 employees, we explored how personal value differences impact workplace performance. We surveyed employees and managers about the values they believe are most important to teach children and examined how these differences relate to job performance, career progression and retention.

Employees whose values are misaligned with their managers perform worse, particularly on more objective productivity metrics. While misalignment among peers has some impact on turnover - increasing the likelihood that an employee exits - the main performance costs come from employees not seeing eye-to-eye with their managers.

Why does misalignment in personal values matter? Our study finds that communication breakdowns are a primary driver. Employees whose values are more distant from the values of their manager are less likely to discuss progress, participate in informal meetings, voice concerns or feel psychologically safe at work. Without open lines of communication, collaboration suffers and performance declines.

These findings challenge a lot of conventional wisdom about workplace diversity. While most diversity research focuses on visible factors like gender or ethnicity, this study suggests that deeper, less visible differences - such as personal values - can be just as important, if not more so, in determining workplace outcomes.

So what should organizations do? The study offers three key recommendations. First, foster psychological safety: Encouraging open communication and trust can help employees work through value differences instead of letting them fester. Second, improve team assignments: While restructuring teams to improve value alignment is an option, it comes with risks - such as employees misreporting their values or stifling creativity. Third, increase awareness: Simply helping employees better understand their colleagues' values can improve collaboration and reduce friction. We indeed find that workers who accurately perceived their coworkers' values are more productive.

The bottom line? Personal values matter, and they shape the way we work far more than we realize. If companies want to maximize performance, they need to stop treating employees like interchangeable parts and start paying attention to what drives them at their core. A good fit is not just about skills and experience - it is about values, too. And in a world where communication and teamwork are more critical than ever, organizations that recognize this hidden dimension of performance will have a serious competitive edge ■



## THE BOOK

Today, the driving force of a company is no longer just individual talent, but the entire community that lives and operates within it. Leadership becomes widespread, combining challenge and care, and is grounded in a sense of belonging and community. Establishing and nurturing this sense of community is essential for companies - not only to face current challenges, but also to fully value the intricate web of interdependent lives. *Il lato umano dell'impresa* (Egea, 2025, 226 pages, €28, in Italian) invites us to rethink the beliefs that have shaped work and organizations.



# Importing Solar-Made Fuels? It Could Be a Gamechanger

*Producing e-fuels in countries rich in renewables and importing them to Europe could accelerate the transition. But political, environmental and geopolitical imperatives need to be aligned*

by Francesco Gulli @



**C**limate change depends on the rise in temperatures and, according to the Paris Agreement, we should ensure that the increase is “well below 2°C above pre-industrial levels and to pursue efforts to limit it even further to 1.5°C.” Achieving this goal depends on containing the accumulation of greenhouse gases (GHG) in the atmosphere, as it matters not only when the target (net zero) of emissions is reached (the EU is mandated to reach this target by 2050), but also the quantity of GHG accumulated in the atmosphere before reaching it. In this regard, the choices on where (in which sectors), how (with which solutions) and when (with which priorities) to direct decarbonization efforts are crucial for the effectiveness of the fight against climate change. In any case, net zero means that the target can be achieved not only by reducing emissions but also by capturing CO<sub>2</sub>, even directly from the atmosphere (Direct Air Capture). To do what? To produce synthetic fuels through the use of electricity (“electric fuels”) with which to obtain hydrogen (via electrolysis) and combine it with the captured CO<sub>2</sub> (CCU-Carbon Capture and Utilization). In this case, when electricity is supplied by carbon-free renewable sources, the CO<sub>2</sub> emitted in the use phase of the synthetic fuel is equal to that captured and the entire cycle will be carbon-neutral. This is a method with which almost all commercial fuels can be obtained (from methane to gasoline and diesel, from methanol to kerosene) and burned without additional net CO<sub>2</sub> emissions in a very large market. In fact, the potential demand in Europe is estimated at 30-50% of consumption in the transport sector alone (but e-fuels can also penetrate other sectors, especially in hard-to-abate industrial uses).

All this is not without drawbacks. In particular, when the electricity to produce synthetic fuel derives from the centralized electricity grid still partly powered by fossil fuel plants, producing the fuel would lead to an increase in emissions in electricity generation and therefore would not be totally carbon-neutral. Carbon neutrality would instead be achieved if power plants were already



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completely (or nearly) decarbonized or if electricity production from renewables were entirely dedicated to the production of the fuel in question (without possibility of alternative allocation of renewables, which is unlikely in many advanced countries).

What to do then? One idea could be to import electric fuels from those countries where renewable resources are very abundant, cheap and without alternative allocation (fully dedicated renewables). For example, the countries of North Africa and the Middle East (MENA), but not only them. In the meantime, we should commit domestic renewables to the decarbonization of power generation plants (a sort of double environmental dividend). This would reduce the time to reach emission reduction targets and at the same time contain the accumulation of CO<sub>2</sub> in the atmosphere.

However, this come with at least two caveats. First, the technology is not yet fully mature (especially the one for direct capture of CO<sub>2</sub> from the atmosphere) and abatement costs are still high. Second, there remains the geopolitical problem of energy imports from countries with potential political risk. The ethical question of subtracting of resources from developing countries, however, should be scaled down: since these are renewable resources, there would be no gradual exhaustion of their stocks in those countries.

On the other hand, the advantages would be clear. The environmental ones, previously highlighted, but also the economic ones to the extent that this supply chain would allow to maintain the transport, distribution and use of infrastructure already in place in both exporting and importing countries (think, in particular, of the import of electrical methane from MENA using the already existing natural gas pipeline infrastructure without the need to impose the phasing out of the technologies already in use). In conclusion, greater attention (also political) to this solution would perhaps allow to facilitate the energy transition (even if we should speak more of a revolution than a transition) and to make the ambitious objectives of containing global warming more realistic ■

*By spreading the addiction to instant gratification and social media algorithms, marketing has turned into a purveyor of ignorance instead of value. It is time to give marketing back its soul and social responsibility*

by Paolo Guenzi @

# Helping the Customer, Instead of L

In our society, ignorance seems to have become a value and a daily practice, with the consequent decline of the cultural and ethical standards of the world we live in. This phenomenon is helped by the spread of marketing principles and tools originally conceived to improve relationships between companies and their customers, which, however, applied in a distorted and improper way, have contributed to impoverishing the value of knowledge in individuals, compromising their critical spirit and their ability to reason, to choose and behave responsibly.

To give an example, Amazon has built its success on the ability to offer its customers speed, simplicity, customization, proactive consumer advice and buying suggestions. However, this model has led to an “age of impatience” in which large segments of the population expect everything right away. Speed has become haste, and haste translates, for example, into excessive brevity in the media system, which hinders the public’s ability and willingness to analyze and delve deeper, and even to engage in dialogue. The simplicity of use favors the spread of intolerance towards fatigue and effort, and the habit of receiving feeds based on algorithms favors the daily training in delegation, passivity and conformism.

The contribution of the application of marketing concepts and methods to the promotion of ignorance in our society calls for a more general reflection on how the world of corporate marketing risks losing its identity and soul, being distorted for



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various interdependent reasons.

The first is an overly reductive interpretation of marketing as pure and simple communication, rather than as a discipline aimed at understanding and creating value for customers. This can lead to an excess of attention to form (which is important) over substance (which is fundamental) and to the dominance of emotional narration over the essential representation of facts.

The second is an excessive fragmentation of marketing decisions and activities, often subcontracted to a plethora of hyper-specialized agencies and external subjects, which lack a real underlying connection with the company’s mission and escape oversight to be really accountable for the achievement or underachievement of objectives. The parcellation of decisions and operations tends to make us lose sight of truly strategic issues, such as segmentation, positioning, market innovation. A third problematic factor is the focus on the short term: the development of technological tools (digital channels, automation, algorithms) allows us to achieve advantages in analytical rapidity and decision-making speed through the real-time understanding of many phenomena (in particular the cause-effect relationship between marketing decisions and actions and customer responses), but also risks leading to hasty evaluations, dictated by impatience. Strategic choices cannot and should not be evaluated immediately, they cannot be measured by counting the likes on social media posts. This is complemented by the predominance of the dictatorship of



# Lowering Their Attention Threshold

quarterly results, which discourages truly strategic thinking, long-term perspective and risk-taking, instead encouraging the use of shortcuts and the delegation to third parties (in particular influencers, testimonials and external content creators), the creation of competitive advantage and differentiation. Fourth: the widespread availability of information, often excessive in its amount to the point of hindering decision-making, tends to standardize approaches between different companies. This generates vicious circles of imitative repetitiveness that end up reducing innovation across all

marketing levers, also as a consequence of the widespread adoption of algorithms. Finally, a further and decisive element of risk for marketing is the dehumanization induced by the use of technological and automated tools in the taking of many decisions. This phenomenon is aggravated by the recent spread of artificial intelligence.

All these factors contribute to generating the risk of distorting and impoverishing the very meaning of marketing in companies, which should instead be to orchestrate the entire organization around the centrality of customers. The challenge, or rather the opportunity, consists in recovering and promoting a role of greater responsibility for marketing, within companies and across society. To cite two emblematic examples: with respect to issues that are central to companies today, namely digitalization and sustainability, marketing and sales functions often have a secondary, when not marginal, role compared to IT and supply chain management. In this way, we risk missing the train of how to transform these two phenomena into decisive elements for individual and collective progress. It is time for marketing managers to question themselves on the deeper meaning of their profession, to recover those prerogatives that make it, potentially, among the most interesting and enriching in the managerial profession, and reflect more critically on their own responsibility for the impact of their decisions and actions on communities and society at large ■



## THE BOOK

Once a source of embarrassment, 'ignorance' has today become a wildly successful product, often flaunted with pride. How did we get here? In part through the marketing of ignorance - a sophisticated process that creates and spreads ignorance as both a value and a daily practice in society. In *Il marketing dell'ignoranza* (Egea, 2025, 160 pages, €18.90, in Italian), Guenzi analyzes its guiding principles, mechanisms, and consequences: from the triumph of the trivial over the useful, to the mass production of eccentricity, and the 'amazonization' of expectations.

PAOLO GUENZI  
**Il marketing dell'ignoranza**  
Un prodotto Made in Italy di straordinario successo



# When Management Teams (Too Many)

*The hierarchical structure of top management teams (TMTs) can lead to silos or block collaboration. Companies need to adapt their TMTs to different challenges, from*

by Fabrizio Castellucci @

**T**op Management Teams (TMTs), also known as Executive or Leadership Teams, are groups of senior-level executives responsible for driving a company's business success by building and executing the strategy. Not only do they come from different functional expertise or divisional areas, but they might also have different hierarchical levels in the company. For instance, in 2021, all members of Johnson & Johnson's TMT had the same hierarchical level (they were all "Executive Vice Presidents"), while in Walt Disney's TMTs, members had different hierarchical levels (some were "Senior Executive Vice Presidents," some "Executive Vice Presidents," some "Senior Vice Presidents," and some "Chairmen." These differences are not neutral but have substantial implications for



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running the company. With greater structural power, members with higher hierarchical levels are more likely to influence the other TMT members, thereby promoting more centralized decision-making. With greater behavioral integration, TMT members are more likely to collaborate, exchange more and better information and share decision-making. Extant theory suggests the existence of a tradeoff between achieving greater behavioral integration and promoting greater structural power determined by the hierarchical structure of the TMT. More hierarchical levels within the TMT grant power to managers at the higher levels to influence the other members of the TMT, thereby centralizing the decision-making and reducing behavioral integration. Conversely, fewer hierarchical levels reduce the structural power of



## THE PAPER

**Top Management Teams Hierarchical Structures: An Exploration of Multi-Level Determinants**, by Aras Can Aktan, and Fabrizio Castellucci



# Top Management Teams (Much)

*managers can foster control  
firms modulate it to adapt  
growth to competition*

certain members by favoring behavioral integration within the TMT. This led my coauthor, Can Aktan, and I to conduct a study to explore the determinants of TMT's hierarchical structures.

Using a sample of 260 S&P 500 firms from 2007 to 2018, we first found that even though TMT sizes remained constant during the years of observation, they became less hierarchical, i.e. more behaviorally integrated. We also saw several factors driving the TMTs' hierarchical structure changes. On the one hand, we discovered that industry growth, board independence and outsider CEOs reduce the hierarchical distinctions in the top management team.

When these distinctions are minimal, members see each other as part of the same social entity and become more salient toward each other, translating into better decision-making processes needed to tackle the challenges introduced by growth, independence or the presence of an outsider CEO. On the other hand, factors such as

CEO duality, size and functional diversity of the top management team, board age diversity, firm size, divisionalization, good firm performance and industry concentration make the TMTs more hierarchical. Changes in these factors could lead to different levels of task demands, complexity and uncertainty for various firms' stakeholders. Therefore, TMT members might be better positioned to manage the task demands, complexity and uncertainty through the structural power granted by higher title grades. Our findings show that firms react to different contingencies to manage them better. For example, with high industry growth levels, the top management team hierarchy is minimized as it is believed that a more robust behavioral integration is better to cope with the uncertainties and complexities that the industry growth may present. Conversely, when firms face greater market competition, an increase in structural power for decision-makers is believed to be essential for reacting to competitors quickly. Overall, this exploration study suggests that firms' decision-makers consider the hierarchical structure of their Top Management Team as a key tool to respond to specific contingencies ■

# The Spiritual Journey of Albert Einstein

Neuroscientist Kieran Fox shows readers a different side of the father of relativity, Albert Einstein: a man who believed that science and spirituality were not in conflict, but rather complementary. An 'apostle of sacred science'

by Diane Orze @

When we think of Einstein, we picture the ultimate scientist - the father of relativity, a genius who forever changed our understanding of space and time. But behind the equations lay a deeply spiritual mind. Neuroscientist **Kieran Fox** explores this lesser-known side of Einstein in his book *I Am a Part of Infinity: The Spiritual Journey of Albert Einstein (Sono parte dell'infinito - La biografia spirituale di Albert Einstein*, Egea, 2025, 352 pages, €28,90, in Italian). "The phrase 'I am a part of infinity' is not just a metaphor," Fox explains. "Einstein saw interconnectedness as both a physical and philosophical truth." Convinced that science and spirituality were not in conflict but complementary, Einstein found echoes of the divine in the laws of the universe - without dogma, without churches.

→ **You describe Einstein as an "apostle of sacred science." In what way was his search for a unifying principle in physics also a spiritual quest?**

Einstein, following Spinoza, was a monist - meaning that he thought mind and matter were merely different manifestations of a single underlying "substance" or "arch-force." This idea that reality is ultimately a single unified whole is extremely ancient, going back at least as far as the Upanishads, and possibly even to ancient Egypt. Through most of history, people have tried to approach and understand this Oneness only through spiritual practices and mystical experience. But starting with the Pythagoreans in ancient Greece, there were people who tried to grasp this Oneness in a more rational way, using numbers and later mathematical equations. Einstein was part of this Pythagorean tradition, which was in essence a

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Neuroscientist (PhD 2016) and doctor (MD 2023), currently training to be a psychiatrist in the Research Resident Training Program at the University of California San Francisco

rational road to ultimate reality - an attempt to achieve a mystical sense of Oneness through mathematics.

→ **According to Einstein, science and spirituality were not in conflict but complementary. Do you think the contemporary academic and scientific world is ready to rediscover this synthesis?**

In some ways I think we have definitely been heading in this direction. Most of my research over the past 15 years has focused on the neuroscience of meditation, consciousness and now psychedelics. The fact that these topics are now seriously investigated by scientists, and that the results are published in major academic journals, shows that science is much more receptive to this side of the human experience. On the other hand, we're still a long way from feeling Einstein's reverence for physical reality. We still exist within an extremely dualistic worldview where matter is seen as dead and inert and uncreative, and consciousness somehow magically "emerges" out of the physical world. So perhaps unexpectedly, I think scientists are more and more willing to embrace the spiritual side of things and to explore consciousness and altered states. But, generally speaking, "spiritual" people still don't have much respect for the physical world, or any reverence for the miraculous powers of matter. They don't see the importance of scientific understanding and don't appreciate that science itself can be a spiritual path and can lead to deep religious feelings, as Einstein's experience shows.

→ **Einstein believed that humanity needed to evolve toward a new ethical and spiritual consciousness. Do you see any signs of this transformation in today's world?**



Kieran Fox\_Photo credits Fagun Thakrar



Kieran Fox

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I wish I could say yes, but I think that, like most people, I see us heading in the exact opposite direction. There is ever more emphasis on differences in culture, in religion, in race - all these false divisions and fake dualities that divide us and give us excuses to hate and harm one another. And what's worse, I see increasing acceptance of the idea that violence is the solution to our problems - in fact, many people seem to celebrate it. We are in desperate need of new leaders like Mahatma Gandhi and Martin Luther King, Jr., who can help turn things around and lead humanity in a different direction. And of course the other part of ethics that Einstein emphasized, but that is so often forgotten, is not just how we treat other humans, but whether we have compassion and kindness for other living beings.

→ ***In your book, you mention Einstein's relationship with figures like Spinoza, Buddha and Gandhi. How did these thinkers influence his idea of a religion without dogma?***

Religion without dogma was one important part of it, but the main issue for Einstein was to jettison the idea of a personal God (who rewards and punishes his creatures) and develop a different understanding of the divine. For Einstein, as for Spinoza and Gandhi, "God" was everywhere; the divine force was present in absolutely everything, from the tiniest speck of matter to the most transcendent insights of the human mind. No church was necessary, since in a sense all of reality was sacred, a single gigantic temple. Likewise, no priests or other intermediaries were required, because, whether we realized it or not, we were in touch with the divine all the time. And in the same vein, no special book was considered sacred, because the only "text" that really mattered was what Einstein called "the book of Nature," which was written in the language of mathematics.

→ ***What was the most surprising discovery you made while writing this book?***

When I started writing the book, my plan and expectation was to trace how Eastern spiritual traditions shaped Einstein. I have been pretty deeply immersed in Eastern spirituality for a long time, and just looking at Einstein's quotes, it was obvious that Eastern religion and philosophy had influenced his thinking. But what came as a total surprise was the prominence of what we could call the Pythagorean tradition, not just on Einstein but on every major physicist for the last 500 years, and also on the Western philosophers Einstein most admired, namely Baruch Spinoza and Giordano Bruno. Hardly anyone knows anything about the Pythagorean tradition today, but their strange mystical-mathematical worldview has shaped all of modern



## THE BOOK

Albert Einstein is renowned worldwide for having revolutionized our understanding of the cosmos, but few know that the famous scientist had a profound spiritual side. Einstein believed that a wondrous force was woven into all things, everywhere, and this pervasive sense of the sacred influenced every aspect of his life - from his brilliant science to his passionate pacifism. *Sono parte dell'infinito*, by Kieran Fox (Egea, 2025, 352 pages, €28,90, in Italian) offers the first in-depth exploration of Einstein's spirituality.



science and was the major inspirational force for most of the great theoretical physicists who sought to understand the ultimate nature of reality with mathematical constructs. The Pythagorean worldview is the closest anyone has come in history to a kind of scientific spirituality, and Einstein was well aware he was carrying on this ancient tradition in his own work. It came as a huge shock to me just how oblivious most of us are to the deep spiritual roots not only of science but of our entire Western culture, and of the secret spiritual motivations that drove our greatest scientists to make their greatest discoveries.

→ ***If you could ask Einstein one question today, what would it be?***

I would ask him to tell me more about the subjective side of his "cosmic religious feelings," which he tells us so little about in his surviving writings. I think that in writing the book I was able to get a good grasp of the intellectual ideas and the philosophical theories that led to Einstein's worldview. But I wish I could know more about the subjective side, the actual first-person experience, and how this motivated and inspired him to keep pursuing unity in physics. What did it actually feel like for him when his ego dissolved and he felt himself merged with the cosmos? What was it like for him when his crazy new theories were confirmed by careful experiments? (Einstein says, "I was beside myself with ecstasy for days!"). What was it like to feel that he was channeling divine truth through the limited vessel of the human mind? Sorry, this is more than one question! But these are the kinds of things I wish I could ask Einstein about today ■

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