



CRAFTING THE FUTURE



ONE YEAR LATER: IS NEXT GENERATION EU WORKING?

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Vision is the think tank that brings together researchers and young European professionals who all share work and study experiences gained in the best universities and European capitals, and the belief that the technological revolution we are experiencing will lead to a radical change in the forms of institutions, the nature of competition amongst businesses and in the governance of economic systems (more details on www.thinktank.vision). Vision director is Francesco Grillo, He is associate to SANT'ANNA University in PISA and at UIBE in Beijing and PhD from the London School of Economics. Bill Emmott, former editor of The Economist, and Ernst Wilson, former dean of the Annenberg School of Communication (LA) are also trustees of VISION.

Among the most recent [projects](#), the one on a "Taxation System for the 21st century" and "Technologies for the Reform of Civil Justice". Vision is also developing Social Innovation projects in Europe and Italy that see young people developing technologies that allow the elderly to access remote health services and the elderly engaged in mentoring young people seeking their first job. At the beginning of October 2020 the first [conference](#) on the future of Europe organized by Vision in Messina/Taormina saw the participation of thirty political scientists, economists and intellectuals who produced a MANIFESTO suggesting reforms of the way European Institutions work During the first COVID19 lockdowns (March-July 2020), Vision launched its "Post-Covid Series with [proposals](#) on the "cities of the future", tourism, compulsory civil service and school.

Where does NEXT GENERATION EU now stand? A year later, what has been left of Emmanuel Macron and Angela Merkel's intuition? Could this truly be the instrument for making shock-resistant European economy and irrevocable the process of integration?

Taking a glance back at Alexander Hamilton's words in 1790, might be useful to better understand the current state of affairs in the EU. It was over dinner, and thanks to a few well-spoken words that Hamilton convinced both Thomas Jefferson and James Madison of the need to merge the debt accumulated by the various colonies during Independence war from London. **"A national debt, if it is not excessive, will be to us a national blessing. It will be a powerful cement of our Union"** and the three founding fathers found a compromise, one which reconciled a rich state of Virginia and a state of Massachusetts on the verge of bankruptcy. Here, the history of the country that would dominate the world was born.

It was from a similar combination of political and financial circumstances that, a year ago, the idea of a fund financed with Commission resources was born. **Political considerations because it is now quite clear that the euro would become irreversible only with a European Union provided with its own fiscal capacity to respond to shocks. Yet, also of financial ones because the stability of the entire monetary integration is threatened by the absence of an integrated and liquid market like the United States one is.** Today international loans denominated in dollars account for three times the volume of those in euros. An area with a European Central Bank that is increasingly exposed to twenty-seven sovereign debts will continue to harbour dangerous weaknesses if we do not furnish the Community institutions with the ability to conceive and implement common and rapid fiscal responses to shocks which may become increasingly frequent, without the need to wait for a tiresome unanimity.

The logic of the compromise agreed last year by the European Council was to use the pandemic emergency to make this further leap in European integration. The idea was to evaluate the results of NEXT GENERATION EU before making common debt mechanisms permanent. In practice, the frugal States (Netherlands, Austria, Denmark, Sweden) accepted an experiment whose outcome depends very much on the ability of two single Southern countries - Italy and Spain, to which more than 40% of the subsidies go - to use the resources to return to levels of growth significantly higher than the European averages for a lengthy enough period of time. A bet, like others that have characterised the European integration project.

And yet even before waiting for economic outcomes, it is already possible to make an assessment. This will be important for the future, but also to adjust a mechanism that is already showing problems and on which a future that will not wait depends.

After one year, the European Union once again exhibits an old flaw: the power of certain intuitions is followed by an insufficient capacity for implementation. The problem with NEXT GENERATION EU seems to be twofold.

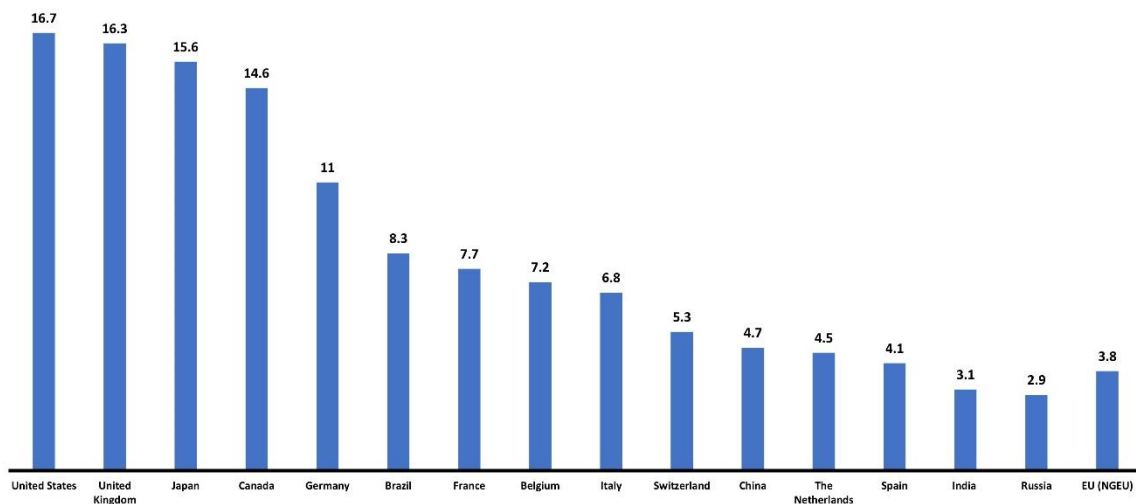
First of all, in terms of timing: as expected, after a year we have still not spent a single euro of the RECOVERY PLAN. And the delay is at risk of becoming longer. BLOOMBERG reports that many of the drafts presented so far by the various countries

are nowhere near meeting the minimum requirements laid down by the Community regulation and that, indeed, two of the frugal countries have not even submitted a draft of the plan.

Secondly, the overall size of the expected response seems now insufficient. And it is the same inevitable sluggishness of the process that makes a package whose figures were defined in May 2020, inadequate with respect to a pandemic that has recorded 80% of deaths in the months following the agreement. As the chart accompanying the article shows, NEXT GENERATION EU is worth slightly more than 0,5% of the Union's GDP per year for the next six years (and about 1.2% of the GDP of great beneficiaries like Spain or Italy). This figure is about six times less than that invested by the American administration (and which the new President has increased by a further 50%).

In a similar nature, NGEU is worthy much less than the resources allocated by the EU Member States at national level and which have already, almost entirely, reached the current accounts of individuals and companies. **The entire story does, then, confirm that the response to the COVID-19 is, still, largely national notwithstanding the much hype on the NGEU.**

THE SIZE OF THE ECONOMIC STIMULUS PACKAGE COMPARED TO COVID-19 (CONSIDERS ADDITIONAL EXPENDITURE AND TAX REVENUES FORGIVEN IN 2020; FOR THE EU, AID IS DISTRIBUTED OVER THE PERIOD 2021 - 2026) (% OF GDP 2019)



Source: Elaboration by VISION with data from International Monetary Fund

The process launched last year must therefore surely be completed, but also profoundly reviewed. Even before seeing the final results in the countries that will make the difference (Italy and Spain).

How? Vision suggests two ideas.

The first. Out of the three instruments proposed by the European Union - the Recovery Plan (it is actually called "recovery and resilience device"); the financing of the European Stability Mechanism (ESM) for health systems, which nobody has used; and the SURE for employment support interventions - the third is the one that is certainly working best. It already reached final beneficiaries by issuing European common debt to fund Furlough schemes.

The idea could be to build up a financial cushion at European level in the coming months to cover - universally - all those who find themselves losing their jobs as a result of a sudden shock or the restructuration that technology induces. The pandemic has shown that the old national welfare systems are unable to cover the most productive and least stable sections of the population (the young people employed by the GIG ECONOMY, for example). Giving Europe the mission to reach out to everyone can become an opportunity to become much more popular and more political.

Secondly, it also wouldn't be wrong to imagine, for years to come, a more pragmatic approach to the Resilience and Recovery Facility itself. Rather than waiting for states to devise a strategy for the paligenetic change of an entire society, one could ask them to present, even at different times, three or four worksites for innovation and reform. These would not have to be necessarily integrated into the same RECOVERY PLAN, where delay would obviously have a cost. Instead, they could focus on specific objectives or problems to be solved - less general than the vague "ecological transition" that the European Commission is recommending - and would function as a template applicable to other planning instruments.

With a line of reasoning of this kind, the Italian government, for instance, could focus scarce resources – in terms of managerial, strategic and negotiating skills - on a limited number of priorities without exposing itself to expectations that risk being counterproductive.

In the case of Italy three priorities would probably be more than enough: an effort on schools, to be converted into full-time and autonomous institutions; an investment on technologies for health care, to be restructured so as to reach the homes of the elderly directly; and a project for the drastic reduction of pollutants in the city, to be achieved by shifting important shares of mobility from the traditional car to the electric car, cycling and sharing.

Two-hundred and thirty years ago, Alexander Hamilton was able to transform fifteen former colonies into the embryo of a country capable of resisting other catastrophic events much better than Europe. That decision was a success, because the moral imperative was understood from the outset. **What is still missing is the flexible pragmatism and firm will of the great intellectuals who decided to expose themselves to the perils of power. We need a new Hamiltonian leadership to give Europe the prospect of surviving a completely new century.**