

Table of Contents

General Introduction	1
1 The Fragile European Construction	3
2 First Steps Toward More Centralized Governance	7
3 Risk Reduction Versus Risk Sharing	11
4 Monetary Policy and Mechanistic Market Discipline	15
5 Pandemic Shocks and New Governance	18
6 The Convergence of Monetary and Fiscal Policies	22
Provisional Conclusions	25
Acknowledgments	27
PART I THE ITALIAN ‘REAL’ FRAGILITIES AFTER THE EUROPEAN DEBT CRISIS	29
Introduction to Part I	31
1 Risks of Deflation in the EMU: Why is This Time So Tricky?	
Co-written with <i>Paolo Canofari</i>	35
1.1 Introduction	35
1.2 The EMU Inflation Rate	36
1.3 Structural Deflation in the EMU	39
1.4 The Negative Effects of Deflation	41
1.5 European and Domestic Policies	45
1.6 Conclusion	48
2 New Opportunities for Growth in the Euro Area	51
2.1 Introduction	51
2.2 Why the European Outlook was so Bleak ...	52
2.3 ... and Now it Looks so Bright	54
2.4 The New Method of Quantitative Easing	56
2.5 Short-Term Effects	57
3 A Joint Intervention for Italy: A Non-Punitive Plan for Investment and Reform, Co-written with <i>Carlo Bastasin</i>	61
3.1 Introduction	61
3.2 Conventional Interpretations and the Case of Italy	62

3.3	Radical Uncertainty and Specific Shocks	67
3.4	The Role of Institutional Shocks	70
3.5	Hysteresis and the Insufficiency of Conventional Policies	72
3.6	A Shared Responsibility	74
3.7	Conclusions: Some Details on the Agreement	76
PART II THE ITALIAN FINANCIAL FRAGILITIES IN THE NEW EUROPEAN REGULATORY FRAMEWORK		79
Introduction to Part II		81
4	Europe 2017: Make It or Break It?	
	Co-written with <i>Franco Bruni</i> and <i>Sergio Fabbrini</i>	85
4.1	Introduction	85
4.2	Reduced Ambitions to Deepen Europe: Can We Revitalize Them?	86
4.3	The Importance of the Banking and Capital Markets Unions	89
4.4	<i>Quo Vadis</i> Europe?	93
4.5	Concluding Remarks	97
5	European Banking Supervision: The Italian Case	99
5.1	Introduction	99
5.2	The Italian Banking Landscape	99
5.3	The 2014 Comprehensive Assessment and its Interpretation	102
5.4	The Debate	103
5.5	The Evolution of Supervision	105
5.6	Recent Developments and Prospects	107
5.7	Conclusions	109
6	Solving the Problems of Italian Banks	111
6.1	Introduction	111
6.2	Normative and Factual Aspects	112
6.3	Consequent Problems and Insufficient Solutions	114
6.4	New Opportunities	116
PART III THE ITALIAN DIVERGENCIES BEFORE THE PANDEMIC SHOCK		119
Introduction to Part III		121
7	Isolation or Convergence: Italy and the Euro Area's Stalemate	
	Co-written with <i>Carlo Bastasin</i>	125
7.1	Setting the Stage for the Summit of June 28–29, 2018	125
7.2	The Institutional Steps Preceding the Upcoming Summit	126
7.3	The Unresolved Problems of European Economic Governance	128

7.4	The Proposed Solutions	129
7.5	The Italian Situation	131
7.6	The Opportunities for Italy	132
7.7	The Eurogroup's Disappointing Results	134
7.8	The Euro Summit's Disappointing Results	136
7.9	Conclusions	138
8	The Potentials and the Dangers of the Italian Economy in a Renewed Euro Area	141
8.1	Introduction	141
8.2	The 2019 Italian Results	142
8.3	The Short-Term Italian Prospects	143
8.4	The Long-Term Structural Problems	144
8.5	The Possible Long-Term Solutions	146
9	The Flexibility Game is Not Worth the New ESM	149
9.1	Introduction	149
9.2	The New Tasks of the ESM	151
9.3	The Revision of the ESM Treaty	153
9.4	The Quasi-Automatic Restructuring of Sovereign Debts	155
9.5	Flexibility and Market Discipline	157
9.6	An Alternative Solution	159
9.7	Conclusions	162
	PART IV THE PANDEMIC SHOCK: THE EMERGENCY PHASE	163
	Introduction to Part IV	165
10	The Economy in the Time of the Coronavirus: The Different Limits of the Monetary and Fiscal Policies	169
10.1	The Economic Problem	169
10.2	The Ineffectiveness of Monetary Policies	170
10.3	Expansionary Fiscal Policies	172
10.4	The Contraindications of Discretionary Policies	173
10.5	The Need for European Intervention	175
10.6	Monetary Policy and Banking Supervision	177
10.7	Conclusions	178
11	Europe's Debate on Fiscal Policy: Too Much yet Too Little	181
11.1	Introduction	181
11.2	Coronavirus Bonds: Benefits and Limits	183
11.3	Some Inconclusive Refinements	184
11.4	A New Proposal: The "Gift"	185
11.5	Conclusions	187

12	Are the Italian Banks Part of the Crisis or Its Solution This Time?	189
12.1	The Recent Legacy	189
12.2	The Fragilities Before the Pandemic	193
12.3	Banks at the Time of the Pandemic	198
12.4	Possible Solutions	202
12.5	Conclusions	207
 PART V THE PANDEMIC SHOCK AND THE NEW ITALIAN OPPORTUNITIES		209
Introduction to Part V		211
13	Next Generation-EU: An Interpretative Guide	
	Co-written with <i>Marco Buti</i>	215
13.1	Introduction: A Breakthrough Proposal	215
13.2	The Architecture of the Proposal	217
13.3	The Economic Phases to be Financed	219
13.4	The Redistributive Effect to Prevent the “Great Fragmentation”	223
13.5	NG-EU and National Plans	224
13.6	Conclusions	226
14	The “Next Generation-EU” Breakthrough: Opportunities and Risks for Italy	229
14.1	Introduction	229
14.2	Access to Resources by “Fragile” Countries	230
14.3	The Case of Italy	232
14.4	The Risks to be Avoided	234
14.5	Conclusions	235
15	Next Generation-EU: This Time Italy Must Not Miss the Opportunity	
	Co-written with <i>Marco Buti</i>	237
15.1	Introduction	237
15.2	Why it is Essential to Overcome Path Dependency	238
15.3	The Obstacles to Overcome and the Opportunities to Exploit	241
15.4	The Necessary Cooperation, in New Forms	243
15.5	Conclusions	245
16	Implementing the Recovery and Resilience Plans: The Case of Italy	
	Co-written with <i>Marco Buti</i>	247
16.1	Introduction	247
16.2	Where We are Coming From	249
16.3	From the “Update to the Economic and Financial Document” to the NRRP	252
16.4	From Bottom-Up to Top-Down	256
16.5	The Role of Governance	259

16.6	The Second Pandemic Wave: Additionality and Substitutability	262
16.7	Conclusions	265
Conclusion		267
1	An Effective Italian NRRP: Three Conditions	268
2	An Effective Italian NRRP: The Content	272
3	A Warning as a Conclusion	276
References		277
Contributors		287
Index of Names		289