Investments policy and regional inequalities in Italy

Although in 2015 Italy's GDP is growing again (0.8%), signalling the start of the recovery after the "Great Recession" of the years 2008 to 2014, the gap with the rest of Europe remains large: during the crisis the cumulative gap with the euro area increased by about 9 percentage points, with the European Union by more than 11 points. There are many factors that can explain the slow growth of Italy with respect to the rest of the European countries : not only cyclical factors, such as the slowness with which the country has followed the cyclical expansion that the main European countries, such as Germany, France and Spain, recorded in early 2013,but also many, and probably most important, structural factors. We highlight here factors related to some features of the industrial system, such as low average size, international specialization, low spending on R & D, and those related to the institutional system, i.e. the set of rules in the markets, such as the inefficient regulation, the administration and management of public services such as education and civil justice, and finally those relating to the allocation and regional distribution of infrastructure, ICT, and human capital. The cumulative gap in the growth, in the period 1996-2015, is equal to 29 percentage points with the European Union (28 countries), almost 23 points above the euro area: the Italian economy grew moderately by about 10% in cumulative terms, a much slower pace than the French (27%) and the German (30%), one-fifth as soon as the Spanish (51%). This decline is also associated with a decline in domestic demand, which is mainly depended on the fall in investment: in the years of crisis investment declined cumulatively by about a third in Italy, a little over 10 per cent in the euro area, around 7 per cent in the whole EU. Much of the decline stemmed from the reduction of public intervention, partly because of budget constraints: public investment, as a percentage of GDP, decreased in Italy by about 0.7 points, 0.5 points in the area of euro, by 0.2 points in the EU.

These weaknesses industrial and institutional apparatus, also as a result of the failure to adapt the public and private capital, are preventing the Italian economy to fully exploit the opportunities offered by technological and commercial last twenty years: the enlargement of the markets resulting in the processes of globalization, economic and financial integration in Europe, the strong increase of productivity and efficiency enabled by new information and communications technology. The impact on the efficiency of production processes is strongly negative. Also in the two decades 1996-2015 output growth per worker, an indicator that measures a country's ability to produce resources efficiently and thus to be competitive, has decreased in the last two decades of -1.4%, while it grew by 24 , 2% in Europe, 15.8% in the euro area. In respect of the principal European countries, the productivity gap with Germany was in the past twenty years by 18.7%, 19.7% with France, 14.7% with Spain. Compared to technological and economic changes, which led to a rapid change in the competitive landscape for the country, the necessary economic and institutional transformations required to increase their competitiveness and thus maintain its growth in line with that of the main European countries appear after twenty ' years, slow and fragmentary, not only slowed down by the stringent constraints of public finance that are holding the adjustment of public and private capital, but also by the institutional difficulties that contribute to the difficulties in renewing the production structure. These differences are not reduced even in times of crisis, where basically the pro-cyclical pattern of productivity tends to reduce the differences between countries in Europe. In the period 2008-2014 the gap in productivity growth in Italy

with the rest of European countries grew by one percentage point a year, as in the period 1996-2015.
The crisis did not have the same intensity in all areas of the country. An analysis of the period 2008-2015, it is evident that the crisis was much deeper and more extensive in the South than in the rest of Italy, with negative effects that appear not only transient but they may have structural consequences, and that may explain the difficulties of the southern regions of these areas to engage the international recovery. In the period considered the Centre-North has grown at an average annual rate of 0.3%, while the South has decreased by an average of -0.2%, with a growth gap increased by half a percentage point a year.

As was duly noted in the reports of SVIMEZ on the Economy of the South (several years), the crisis has resulted in a depletion of the productive resources of the South and decreased its growth potential: the strong reduction in investment has decreased over time its capacity industrial, which, not being renewed, lost in time in competitiveness; migration, species formed human capital, and minor inflows into the labor market have reconciled the decline of jobs. It will not be so easy, after seven years of continuous flexing of Southern GDP, undock the South from this spiral of low productivity, low growth, and therefore less wellness.

The competitive capacity of businesses in the South more than the North due to the accumulation of capital, which is one of the tools with which the medium and small size companies, like those in the south, acquire technological innovation. From this point of view, the effects of the crisis appear worrying, while considering the recovery of 2015. The cumulative loss of investments since the crisis amounted to -40.9% in the South, to -30.1% in the rest the country, pointing out the difficulties of the development gap recovery. Low growth in the purchase of capital goods, together with the decline in household spending and the public administration, is among the causes of the fall in domestic demand during the crisis, not only in Italy but also in the euro area, and shooting path back to pre-crisis growth trend still seems long.

The delay in development of Southern Italy, enlarged in the years of crisis, is not a problem confined to that area. The start of the whole country on a stable path of development revival appears in fact unattainable without a recovery in domestic demand. From this point of view, the recovery is also due to the recovery of the southern economy, given the close integration of the markets of the two parts of the country, as recent studies of the Bank of Italy (2011) have extensively documented. In fact, the South continues to be a market of crucial outlet for domestic production, accounting for 26.5% of the North Central production, more than three times the weight of exports in other EU countries (9.1%). In addition approximately 40% of investment spending to active production center in South-North, as shown by the two-way trade flows. Finally, from this it derives the significant depressive effect of the reduction of public transfers to the South on the production of the rest of the country.

The whole country is unlikely to engage in the international positive cycle if the recovery in the central and northern regions not joined permanently and not improvised one of the southern regions. Foreign demand does not appear sufficient alone to restart the positive cycle dell'investimenti and employment, while a demand for consumption and investment in the depressed Mezzogiorno has inevitable negative effects on the economy of the central and northern regions.

The reduction of regional growth gap is traditionally entrusted, in Italy as in Europe, the regional policies for local development. They are place-based policies, or that exploit the resources available locally, in the broad sense and understanding of the culture and institutions, to build an economic and social system based on the market, healthy and sustainable (Barca, McCann, Rodriguez-Pose , 2012). policies are therefore "highly specific to local conditions" (European Commission, 2009). However, in recent years, regional development policies, in Italy as in Europe, have been strongly affected by the overall reduction in resources for the financing of investments, mainly resulting from the adjustment policies of public accounts. In Italy, in particular, compliance with the Internal Stability Pact has been a significant limit to the planning and realization of investment for many local authorities and, at the same time, the overall decline of the sources of financing and the narrowing of the margins of flexibility in budgets , they have led to a severe contraction of the overall resources for development. The publication of the Report on Territorial Public Accounts (2016) It allows for time-date information on spending trends in the various areas of the country and then assess the territorial impact.

The first fact that is evident is the sharp decline in capital spending, earmarked for the development of the country, the broader public sector (SPA): this expenditure in 2014 was lower by 29 percent compared to 2009. At the national level its GDP ratio rose from 5.8 per cent of 2009 to 4.4 in 2014; investments in particular are reduced in 2014 of -39 percent compared with 2009, passing, in percentage terms, from 4.3 to 2.8 percent of GDP. In the South, the contraction is from 7.6 to 6.5 percent for capital expenditure, from 5.1 to 3.8 percent for investments, amounted to -26 percent. Overall, in 2014 the capital expenditure per capita in the two areas was similar, around 1,100 euro a year. This means, moreover, the capital spending has lost that role as a rebalancing tool to the regional disparities that had maintained in the years prior to 2000, when the level of per capita spending resulted mostly higher in the South than in the Centre -North (CPT Report, 2016).