A European Public Investment Outlook

Edited by Floriana Cerniglia and Francesco Saraceno
Preface
Franco Bassanini, Alberto Quadrio Curzio, and Xavier Ragot

The major part of this outlook was written before or during the COVID-19 pandemic, which has spread all over the world, but has erupted with special virulence in Europe, although with different speed and strength. This dramatic event is producing an economic slump and a social crisis of dimensions not yet assessable but certainly unprecedented, at least for our century. It does not nullify nor decrease the importance of the topic which is the subject of this research. On the contrary, it emphasizes the role of public investment in shaping not only the economy, but also society as a whole.

In the short and medium term, a strong boost to public investment will be needed to cope with one of the worst legacies of the pandemic, the widespread public debt increase, caused by public policies aimed to mitigate the economic and social consequences of the shutdown of almost all production activities. The huge increase in public debt and even more in the debt-to-GDP ratio can in fact be addressed, as Mario Draghi recalled at the beginning of the pandemic outbreak in Europe, only by public policies capable of supporting the growth of the denominator or to reduce its fall; public investment and effective incentives for private investment are notoriously the most effective tools of these policies.

But this is only the quantitative side of the issue: as Floriana Cerniglia and Francesco Saraceno appropriately underline in their Introduction, the COVID crisis is moreover triggering “a healthy soul-searching process on our long-term development trajectory, questioning our way of life, our utilization of natural resources, the very social and environmental sustainability of our economies”. Public investment is in fact one of the key tools, with regulation and structural policies, to embed in the economy long-term horizons goals — such as sustainable growth, social and environmental objectives.

Furthermore, the COVID-19 crisis reveals, if necessary, that public investment must be analysed and coordinated at the supranational level, to attain some prominent European objectives, such as the fight against climate change or promoting an efficient mobility, but also to reach independent national objectives.

The Outlook goes to the heart of the subject of public investment, using two complementary angles. The first is to identify public investment trends and needs in
Europe and in selected countries. The second is the analysis of key domains where European public investments are needed to build a more sustainable Europe, such as transportation, climate change, social investment, etc. These two approaches show the value of public capital both within European countries and as a European public good.

Public investment is a tool which is used to reach different goals: innovation, education, social cohesion across European regions and countries, the fight against climate change, growth and high-quality employment. There are in fact little trade-offs between these objectives, and they should be seen as complementary.

This is all the more true after the eruption of the COVID-19 crisis. In this respect too, we are entering a world in which nothing will be as before. We have to be more ambitious in the goals we assign to public investment. As we have already mentioned, public policy toward a massive programme of investments will be needed to boost growth and consequently to make the higher public debt inherited from the crisis manageable. However, the quality of growth will be even more crucial. The “old” accounting approach of public investment, mostly measuring physical capital, is inadequate to fully grasp the nature of public investment. This increases the stock of human and social capital, which is part of the foundation of our complex European societies. The European Union should have a leading role in the new thinking about the role of public investment as a tool to reach the UN Sustainable Development Goals.

One might notice with some bitterness that we needed a pandemic that ground the world economy to a halt, to raise the awareness of policy makers around the world about the need of public investment. We believe that this timely Report will contribute to the debate that will, hopefully, continue past the emergency phase.

The outlook was brilliantly and efficiently coordinated by Floriana Cerniglia (Cranec) and Francesco Saraceno (OFCE) in a complex environment. The editors of the Outlook started their effort in December 2017 at the Centre “Cranec” of Università Cattolica, where a first workshop on the relaunch of public and private investments took place. A second workshop was hosted by Astrid Foundation in Rome, a few months later. The authors of the different chapters of the Outlook, from various institutional backgrounds, collaborated in an admirable way, enriching their perspective from different countries. These “diversities” valuably contributed to the quality of the Outlook and made the message emerging from this volume even more significant.

Franco Bassanini, President of Astrid
Alberto Quadrio Curzio, President of Cranec
Xavier Ragot, President of OFCE
The *Outlook* is the result of a joint effort by several economists belonging to a wide range of academic institutions and policy institutes; they all wrote in their personal capacity.

The work was coordinated by Floriana Cerniglia and Francesco Saraceno, with logistical and financial support by CRANEC — Centro di Ricerche in Analisi Economica e Sviluppo Economico Internazionale, Università Cattolica del Sacro Cuore — Milano; Fondazione Astrid; and OFCE-SciencesPo Paris.

The authors are affiliated to the following institutions:

- Agenzia nazionale per le nuove tecnologie, l’energia e lo sviluppo economico sostenibile, ENEA (Italy)
- Bartlett School of Construction and Project Management, University College London (UK)
- Cassa Depositi e Prestiti, CDP (Italy)
- Consiglio Nazionale delle Ricerche, CNR (Italy)
- CRANEC, Centro di Ricerche in Analisi Economica e Sviluppo Economico Internazionale, Università Cattolica del Sacro Cuore, Milan (Italy)
- Dalian Maritime University (China)
- Directorate General for Economic and Financial Affairs, European Commission
- Erasmus Universiteit Rotterdam (Netherlands)
- European Investment Bank, EIB
- European University Institute, EUI (Italy)
- Fondazione Astrid, Rome (Italy)
- Green, Università Bocconi, Milan (Italy)
- Hochschule für Technik und Wirtschaft, HTW Berlin (Germany)
- Institut für Makroökonomie und Konjunkturforschung, IMK (Germany)
- Institute for Innovation & Public Purpose, IIPP, University College London (UK)
- Institute for Innovation & Public Purpose, University College London
- International University College, Turin (Italy)
- Luiss School of European Political Economy, Università Luiss Guido Carli, Rome (Italy)
- Observatoire français des conjonctures économiques, OFCE-SciencesPo, Paris (France)
- Texas A&M University (USA)
• Universidad de Cantabria (Spain)
• Universidad Loyola Andalucía, Seville (Spain)
• Università degli studi di Bari Aldo Moro (Italy)
• Università Ca’ Foscari, Venice (Italy)
• Università Carlo Bo, Urbino (Italy)
• Università del Salento (Italy)
• Università Luiss Guido Carli, Rome (Italy)