

## **Beauty Will Save Us Hypothesis of European Structural Funds Use as a Tool to Create in Italy an Economic Model able to Create Widespread Wellbeing through the Exploitation of Beauty and Quality**

by

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*Abstract:* The financial crisis erupted in USA in August 2007 has been the main cause of a long period of global recession far and difficult to overcome especially in EU. Taking into consideration the duration of the crisis we can conclude that its nature is not cyclical but structural. It follows that the only opportunity to overcome the current recession is strictly linked to a rethink of development models which have determined this crisis.

Among the European Countries showing the greatest difficulties to overcome the crisis Italy is the Country whose economic and social system is particularly evidenced by the ongoing state of crisis.

In particular, the Italian productive system, traditionally based on small and medium size enterprises with strong territorial links, seems to suffer in particular the homologation and competitive rules based on production costs of globalization.

At the same time, in Italy, thanks to its territorial peculiarities, these weakness could be transformed in great opportunities to intercept the demand of beauty and quality, still growing on a large scale. The characteristics of Italian model can be considered as a concrete opportunity to create a new model of development based on the production of a widespread well-being through the exploitation of local resources. For this reason, the aim of this paper is the proposal of a model of territorial intervention as a valid response to the needs and potentialities of areas most affected by the crisis in line with programmatic framework and socio structural policies tools stated by the European Union for the period 2014-2020.

*Key words:* agricultural policy, economic development, rural economics, natural resources.

JEL classification: O18, O13, Q1

### **1 The socio-economic framework in Italy**

In recent years, in Italy the different governments that followed were used to say “we need to get over the crisis”. Notwithstanding the need to share this assumption, there is to highlight the exploitable use of it as, contrary to what is often suggested, the crisis will be overcome not when the Gross Domestic Product (GDP) will grow but rather when its value will be aligned to the same level it was before the beginning of the crisis.

In order to better understand how “to get over the crisis” is difficult and, therefore, how inapt is to use this expression, it is useful to show some data describing the Italian economic and social framework:

1) Incomes and purchasing power: since the crisis at the end of 2014, Italy had lost about 9,3 points of GDP; industrial production

decreased by almost 18% and national competitiveness of about 22% (OECD, 2014). The purchasing power of the households decreased on average by 2,4% per year and their real income is currently estimated at levels below those of 1998;

2) Employment. Between 2008 and 2013, 134,000 Small and medium Size enterprises went bankrupt. In the same period, 25% (about 9,000) of historical firms on the market for over 50 years, ceased their trading. The trend has not improved in 2014 when there were nearly 95,000 business closures (CGIA, 2015). In November 2014, the unemployment rate was 13.4% with a peak of 43.9% for the age group between 15 and 24 years (ISTAT, 2014). These are the highest values since January 2004. Still in November 2014, over 2 million young people under the age of 30 years (35.7% of

the total) are totally inactive i.e. do not study, do not work and they are not engaged to learn a trade. 53% of employed people aged less than 40 years is precarious. Between 2008 and 2013 about 80 billion euro had been paid out on layoffs and unemployment benefits (INPS, 2014).

- 3) Social inequalities. Between 2007 and 2013 the number of poor has doubled on a national level and especially it has tripled in the Northern area of Italy. On the whole, today the poor are about 5 million, that is the 8.3% of the population (ISTAT, 2014) (INPS, 2014) (Ministero del Lavoro e della coesione sociale, 2014);
- 4) Loss of citizenship. In the third quarter of 2014, the pressure of taxation had been among the highest in the world exacerbating the strong inequality and favouring the tax dodgers. The valued tax evasion is 275 billion euro per year (ISTAT, 2015a);
- 5) Bad policy. Despite the restrictive policies put in place in recent years the primary public expenditure has increased its impact on GDP by 5.9% between 2000 and 2013 and net of public debt became from 39.6% to 45.5% (MEF-RGS, 2014)
- 6) Worsening of quality of life. Italians are less happy than before and they are in the 45<sup>th</sup> place (they were in 28<sup>th</sup> place in 2012) of the special list drawn up by United Nations (UN) (Helliwell *et al.*, 2014). This datum is also confirmed by the results of similar researches carried out on a national scale showing a worsening of quality of life taking into consideration especially the expectation for the future by young people (ISTAT, 2014) (CNEL, 2014).

The above mentioned data although not completely sufficient to account for the problems facing the economic Italian situation are however able to convey the importance of the current situation and above all they seem to confirm that just a recovery is not sufficient to “to get over the crisis” Italy has sunk. To confirm this, we need to consider that for 2015 (the first year since the crisis in which we’ve expected some positive values) GDP estimated values

of growth has been amended downward (from 1.3% to 0.5%) and the forecast for 2016 are not encouraging (about 1%) (Banca d’Italia, 2015).

It follows that the path to get out the crisis is uncertain and it seems difficult treading it without questioning the models of development that lead the current situation.

The biggest mistake we can make is to consider this crisis as a consequence of today’s problems and not as the effect of the development model that has led it.

In this context, making confusion between effects and cause don’t solve the former (effects) leaving the latter (the cause) undisturbed continuing making damages.

These are the reasons why we need to convince ourselves that the current development model is no more able to meet our development needs, wellbeing and social and economic progress. (For these reasons, we need to convince ourselves that the development model we are used up to now is no more able to meet our development needs, wellbeing and social and economic progress)

## **2 Limits of current economic development models and possible alternatives**

In the early years of the last two decades of the last century appeared the feature of the most significant structural change on international economy after World War II forward i.e. the growth of interdependences among Countries and, then, among different social and economic systems.

The rapid progress of telecommunications in turn caused by the extraordinary development of informatics made these links more and more stringent. In fact, thanks to the development of informatics, obstacles in space and time have been overcome and the world has become an only area where the most different phenomena can spread and move faster than ever before involving a growing number of Countries (Drezner, 2007).

This evolution process, commonly called globalization, has caused developments on a global scale to which policy, also because of the

limits set by boundaries and national laws, was totally unprepared to deal with and then to rule (Avant *et al.*, 2010).

It is so happened that the process of globalization although initially welcomed as a great opportunity for all has rapidly shown its limit; first of all creating an economic model based on the growing gap between wealth and powers more and more concentrated in the hands of few and impoverishment and exploitation phenomena more and more widespread (Walby, 2011).

The effective inability to govern these phenomena has led to the rapid success of a development model based on liberal ideologies where political supremacy has been replaced by economic supremacy first and by finance later. It has encouraged the development of short term profit-oriented systems whose consequence had been the loss of connection with the real value of economy and the accentuation of social inequalities and exploitation (Vieri and Calabrò, 2014); the crisis of national systems (Meyer, 2000), and the risk of authoritarian tendencies.

In this framework, one of the main mistakes was to assume as absolute some elements relative by nature such as: competitiveness, production costs and organization. In practice, at every level it is embraced the predatory logic of “the big fish eating the small fry”. This has inevitably favoured the concentration of wealth and decision in the hands of few traders.

A recent survey made by Swiss Federal Institute of Technology shows that the control on over 40% of wealth produced worldwide is in the hands of interconnected 147 multinationals (Vitali *et al.*, 2011).

This has two obvious consequences: the exposure to the risk of serious systemic effects (if one of the network component has a problem this will involve also the other components); the natural trend of oligopolies to fix the price and thus distorting the competition if not eliminating free competition which in many sectors is now more a mere theoretical assumption than a verifiable reality.

The current development models are characterized by a large exposure to systemic risks and great distortion of competition. These

elements, although they are the clearest aspect of the economic model inefficiency, are, at the same time, the main premise for their self-conservation.

As natural consequence, the costs descending from these inefficiencies are not paid by those who generate them but by the weakest components of the different socio-economic systems.

It is evident that it is not possible to stop globalization or to subvert its logics. In our opinion Countries suffering most the effects of the crisis need to find a way allowing their economies to affect globalization without suffer it. This is what Italy unlike other Countries is able to do.

Environmental, artistic, cultural, landscaped values and quality of products (foodstuffs, handicraft, clothing, cars, etc.) put Italy under conditions to be able to escape from homogenizing pressures of globalization developing activities whose competitiveness is not linked to lower production costs.

### **3 Opportunities and strategies**

#### **3.1 Opportunities**

As above mentioned, one of the consequences of globalization is the unequal economic growth distribution and the birth of “new riches” in New Developed Countries (far East, Latin America) together with the traditional ones in Europe and Nord America.

This situation, from one side is expression of the limits of current development models, from the other side is one of the main opportunity the Italian socio-economic system can take to affect globalization without suffering it.

The “rich” consumer has different consumer behaviour compared with traditional consumer behaviour and his choices are oriented towards goods and services with a high content of image and exclusivity and social distinction. This principle is valid for all categories of consumption: tourism, culture, foodstuff, fashion and personal care.

For example, when travelling, these consumers with a high willingness to pay ask for a large quantities of dedicated services. This new

demand had been caught in different European Countries, i.e Swiss entrepreneurs that put on the market new all inclusive exclusive holiday packages.

Italy has great potentialities to take this chance not enough exploited up to now. Italy represents worldwide the image of a Country very rich in cultural, artistic, historical and culinary traditions and, more generally, the image of “quality of life”. This concept could be summarized in a “territorial brand” whose keystone is the beauty, already intrinsic component on international level of luxury products (Calabrò and Vieri, 2014).

It is important that the beauty would become a strategy of local sustainable development that can be realized using present locally resources.

The principle is: if the demand of beauty and quality exists, catching it is the main aim of national economic policy on a global scale, not individually.

Such an approach can give to the Italian socio-economic system the possibility to catch some of the positive elements of globalization that is the opportunity to put on the market goods and services of an high level of quality expressing territorial peculiarities; in this way the Italian socio-economic system can get out of limits imposed by globalization such as competition based on production costs, and homologation. It is important to note that in order to catch this opportunities we don't need great investments and infrastructures but coordinated measures that work together creating synergies on territorial level.

### 3.2 Example of strategies

The strategy we intend to submit is “win win” and its fulcrum is the interaction among growth factors present locally and its aim is to achieve the results “in the context” with diffused shared benefits.

In this sense, the role of Public Institutions is to create the best condition helping the right development of territorial socio-economic systems, not only giving handout.

For example, Institutions should provide for the creation of a territorial brand granted only to

those who conform to specific production and supply rules and are willing to create a network developing territorial economy. In this sense, both entrepreneurs producing traditional products and entrepreneurs providing services using local resources should be awarded.

One more example, Institutions should give special areas both for recovering and handing down from the elderly to the youth local old trades and set up launch window where local products can be sold through short chains.

Even tourism could help territoriality; in fact, Institutions should vouch for a coordinated tourism policy through the creation of special all inclusive holidays packages providing for tours to companies operating in luxury and quality so that, thanks to special offers, tourists could find more attractive in terms of prices to buy locally products directly in the place of production rather than in their own Countries.

In addition to the creation of a new touristic demand, this approach could also be useful for:

- the possibility for some companies to expedite the internationalization process;
- the opportunity to attract investments: the possibility tourism give to travellers to keep in contact with products and services that are peculiar of a specific area could open the door to market expansion beyond the local border drumming up for specific products.

Institution must focus on training too. We must not ignore that any beauty and quality offers of sale, especially set in a more complex systematic strategy, cannot be extemporized; but it requires adequate competences in lingual and cultural field, marketing and business strategy.

The development of “economic communities” established by Public Authorities and shared by interested parties is a fundamental point of this strategy. As above mentioned, Public Authorities should not grant funds but they should built up the best development conditions whose admittance is possible only for companies accepting obligations.

The aim is to agree all the members of a territory making them working together in mutual cooperation in order to realize the above mentioned “economic communities”.

This aim is not easy to achieve because of the individualism traditionally characterizing the Italian system of doing business in which entrepreneurs have poor inclination to share their strategies with others.

In this sense, the role of Institutions to encourage associated actions through the promotion of coming pilot projects will be strategic.

Rural areas seem to be more suitable to test this strategy because they represent 92% of national surface and place of residence of 57% of Italian people.

It is clear that the new development model is best-considered for the territory as a whole, not for single productive sectors. However, it is also true that agriculture, thanks to the role it has on a national level, is the referential sector for developing and realising an economic model based on the ability to produce well-being through the exploitation of local resources. This is particularly true for the Italian reality in which agriculture is experiencing a unique paradox. To understand that, it is sufficient to remember that the sole agriculture, as economic sector, bear on GDP less than 2%, but at the same time:

- it is the fulcrum of agribusiness that counts for 15% of GDP and in Europe it is on the first place as high quality brand products;
- it sells 65% of raw materials to the food industry which in turn counts for 42% on retail and for 70% on large distribution turnover;
- 57% of national territory is destined to agricultural land and 92% are defined as rural areas where lots of activities of collective interest, such as environmental and landscape safeguarding and land services, are carried out;
- 20% of areas protected by European Environmental Regulation (Nature 2000) are agricultural lands;
- It is one of the few activities we can carry out in the slope areas (in Italy, 77% are mountain or hilly areas) or in disadvantaged areas (39.5% of National area equal to 43% of rural areas).

As for above, it is evident that the relationship

between agriculture and territory is the basis for the development of an integrated management system able to produce diffused well-being through the exploitation of local resources.

This development strategy is particularly functional regarding territorial needs and potentialities characterized by the integration of the value of quality and beauty in the local management system where agricultural activities can work together with handcraft, environmental and landscape safeguarding ones in order to produce products and services well responding to the new growing demand (Vieri, 2012).

## **4 Consistency with EU policy and practicality**

### **4.1 Consistency with EU policy**

The proposed development model can be consistent with “Europe 2020” strategy (European Commission, 2010) that can be considered the referential basis for finalizing coming socio-structural policy measures for 2014-2020. As is known, Europe 2020 strategy is based on three strategic lines and five objectives aimed at supporting a progress based on the same principles shared by the suggested economic model, such as: knowledge, innovation, environmental sustainability and social inclusion.

The possibility to create integrated territorial development models is also consistent with the objectives of other European policies, in particular with environmental safeguarding (Vieri, 2012a) and renewable energy sources policies (Vieri, 2012b) that can be integrated efficiently with agricultural policies. In fact, an integrated policy can strengthen the multifunctional role of agriculture with benefits both from the landscape conservation and renewable energy sources production.

The new development model should be included in the socio-structural policy co-financed by EU, in particular it is included in range of “programming from the bottom” measures. Operating methods and tools provided for 2014-2020, seem to fit well with the proposed economic model.



Contrary to the past when the operative framework was rigid and established in assets and measures, now the EU action is more flexible and it is organized in a well-defined number of priorities whose pursuit can combine to bring about all the available financial tools.

According to the planning established for 2014-2020 socio-structural funds, the new development model will be supported through multi-fund integrated programs. In particular there should be a range of actions from specific co-financing of business investments to horizontal actions “in context”. To do this, it is necessary to carefully plan actions aimed at fulfil the double - in part conflicting - demand to ensure from one side a strong aim of the measures and from the other side, the indispensable openness towards innovative actions such as:

- supporting training activities in the field of territorial marketing involving high level training institution;
- linguistic education through, for example, stages for foreign students in the “economic community” firms; this can also be a way for firms to know better the characteristic of foreign demand in order to develop marketing tools able to draw the attention of foreign potential consumers;
- supporting communication projects by encouraging particularly the use of social networks in business;
- the creation of specific agreements with international operators able to orient the flow of tourism towards the demand of luxury and quality;
- the development of actions aimed at improving and qualification of production processes in the direction of quality, typicality and recovery of local traditional trades.

#### 4.2 Practicality

In order to develop and implement the new development model, some preliminaries actions need to be considered to:

- 1) identify on a regional scale the valuable characteristics of potential areas that can be

exploited in order to attract quality and high spending power tourism (culture, music, historical areas, environment, landscape, foodstuffs and handcraft);

- 2) hold a market survey aimed at estimate the development capacity of emerging markets, the productive capacity and the communication media (including social networks) potentially important to make these areas known to potential demand;
- 3) create through communication campaign and company networks the “economic communities”;
- 4) include territorial marketing as part of the workers training programme;
- 5) make the access to territorial development measures on regional level a condition of aligning all the participants in order to share best practices and create partnerships;
- 6) define operational patterns useful to make easier developing systems oriented to produce and exploit quality and beauty;
- 7) make ex post evaluations of proposed actions (impact in terms of economic growth, occupation, etc)
- 8) launch pilot projects in order to verify their feasibility allowing, according to the obtained results, a feedback able to translate into practices the tested proposal.

It follows that, in the preliminary stage, the beneficiaries of these actions should be identified in all the participants to “economic communities”, in the aftermath, that is after starting the new development model, the entire community will get the advantages as economic upturn.

#### 5 Conclusions

The serious economic crisis began at the end of 2007 determined a long period of recession very difficult to overcome, especially in Europe. Among Countries most affected by crisis, Italy is in a very difficult situation and its possibility to overcome the crisis is only linked to the change of the economic model leading to the current situation. Due to the characteristic of its socio-economic system, Italy has suffered gravely one of the heavy limit of globalization

that is competitiveness judged only taking into consideration the costs of production. On the other hand, Italy has a great possibility to intercept the demand for quality and beauty that is ever growing in despite of the crisis, developing activities whose competitiveness is not linked to lower production costs.

This is the most important opportunity Italy needs to seize upon in order to take the advantages of globalization and not only the disadvantages. In this perspective, one of the first actions to be implemented is the creation of an integrated production system on territorial level exploiting local resources generating widespread well-being.

In this context, despite of its low economic incidence in the economic system, agriculture can play an important role to its central position within economic systems (92% of national area is classified as rural) and its possibility to be integrated with socio-economic components helping the system intercepting the demand of beauty and quality. Italy is worldwide appreciated for its quality and beauty, that's why we think that our economic system has to pay its attention to these two aspects as peculiarities of a new potential market. The development model we theorise in this paper is based on the management of an integrated system founded on the creation of networked "economic communities" pursuing a common aim of economic and social development. The proposed economic model is fully in line with European socio-structural policies for 2014-2020 and it can find a favourable application in the European socio-structural context.

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