



THE 'DRAGHI PLAN' - WE'RE NOT THERE

An X Ray of its diagnosis, objective and remedies



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Three ways of reading the Plan

It is good if the report *The Future of European Competitiveness*¹, known as the Draghi Plan, is used to discuss the future of the European Union. It is bad if one remains on the surface and, sticking to the headlines, uses it for tactical or prejudiced siding or for easy irony. In the meantime, in Brussels, behind the smokescreen of the '800 billion Euros per year', much of the Plan has already been taken as given in the institutional, political and administrative machinery of the Commission, with no actual debate in the European Parliament or in other EU bodies. This is confirmed by how deeply the Plan has penetrated into the missions assigned to the *Commissioners-designate*, both as specific mandated actions and as a whole: "You will develop a new Competitive Coordination Tool, as proposed in the Draghi Report", President Ursula von der Leyen writes to Commissioner-designate for "Economy and Simplification" Valdis Dombrovskis in his mission letter.²

There are three ways of reading the Plan.

Firstly, the Plan as a list of possible technical proposals, suggested by the large number of academics, researchers, Commission officials, members of some European institutions, and by 152 companies or associations of companies (as opposed to a small representation of labour unions and civil society associations) that, according to the list provided by the European Commission's website, have been part of the process.³

Secondly, the Plan as a macro-economic and macro-institutional political appeal to a Europe in clear stalemate, under the banner of 'no more austerity, more coordination and speedy decision-making for a European industrial policy, large public investments, simplification and new EU public debt'.

Thirdly, the Plan as a political and economic policy strategy. The Plan does not hide its objective, nor the diagnosis motivating the remedies. Indeed, it states them clearly. Here they are in a nutshell:

- **Diagnosis:** Europe has a gap in GDP and productivity growth - measured in comparison to the US - that could worsen; this gap is attributed to less technological innovation, especially in the digital field, which is said to be mostly due, in turn, to the smaller size of European companies - again in comparison to the US - held back by the following main factors: excessive protection of competition

¹ See https://commission.europa.eu/topics/strengthening-european-competitiveness/eu-competitiveness-looking-ahead_en.

² For example, read the 'Mission Letter' that accompanied the nomination of Teresa Ribera Rodriguez, with the portfolio 'Clean, Just and Competitive Transition': https://commission.europa.eu/document/5b1aaee5-681f-470b-9fd5-aae14e106196_en

³See [Sc601b283-d00c-4866-9122-5feaea950d5e_en \(europa.eu\)](https://commission.europa.eu/document/5b1aaee5-681f-470b-9fd5-aae14e106196_en).

preventing mergers; insufficient commercialisation of knowledge; failure to pass on the lower cost of renewables to energy prices; insufficient funding, private and public; inadequate coordination between Member States; too many EU regulations - all this, once again, taking the US as the standard.

- **Objective:** to accelerate GDP and productivity growth in the EU in order to close the gap with the US, ensuring 'security' in the sense of independence from 'non-strategically aligned' countries (see Part A, p. 52), consistent with the EU decarbonisation goals, and, socially, ensuring that 'the state is seen as being on the side of citizens and attentive to their concerns' (see Part A, p. 15), which operationally translates into 'preserving' - not improving - social inclusion.
- **Remedies:** Reverse the braking factors identified in the diagnosis, aiming above all to promote the formation of mega-companies as 'European champions' and accelerate the commercialisation/privatisation of knowledge, both on the basis of the US model; make defence a priority, because it serves 'security' and because investing in defence gives a strong contribution to new technologies, especially digital ones; pursuing the objectives of energy transition both with investments and with measures to ensure a reduction in energy prices, a strong EU coordination in the automotive sector and forms of protectionism (of goods and direct investments) 'tailored' to imported materials and technologies; pursue these goals also through the use of the (famous) EUR 800 billion per year, private and public (around 4% of the EU's GDP), the allocation of which is made clear only between two mega-aggregates: 450 for energy transition, 350 for digital, defence and innovation. Achieving all this by embedding the Plan into a seven-year Competitiveness Coordination Framework – “Tool”, is the meeker word used in the mission letters to the Commissioner-designate - approved by the European Council and capable of guiding every act.

The first way of reading the Plan is definitely insufficient. One can agree with one proposal and not another, and it is surely a good thing to consider several of them (especially with reference to Part B of the Plan) on a technical level, but this is not enough and can even be misleading: What is the overarching strategy sustaining these proposals? Do we agree with it?

The second way remains problematic and incomplete. Everyone believing in the European Union is impelled to subscribe to the Plan's appeal. Certainly, we agree that in the Council (the institution composed of representatives of the Member States that can approve, in agreement with the European Parliament, regulations, directives and decisions initiated by the European Commission) the number of topics on which unanimity is mandatory should be reduced. Of course, obtuse austerity must be overcome, also by increasing the own resources with which the EU feeds its budget. Sure, the Union must be able to finance large development investments with common debt, as it did during the pandemic as an emergency move. But these are decision-enabling containers: what is the content they will house? For which development strategy is more coordination called for and the European debt is made? And how is this debt made? And how does it square with the reconfirmed austerity policy for Member States, which squeezes their investments and public services? And, again, what is meant by the 'simplification' mantra? And how is it possible that the European Parliament is extraneous (as we shall see) to the decision-making process by which the Plan itself proposes to be implemented? In short, before rushing to express an opinion on the macro "appeal", it would be appropriate to look at the strategy of the Plan. And evaluate it carefully.

Therefore, the third way seems to us the right one: look at the strategy of the Plan, examine it, discuss it.

We, the ForumDD⁴, an alliance of active citizens' organizations and researchers, have examined and discussed the Plan. We have come to believe that if its strategy were actually to steer EU action in the coming months and years, the effects on Europe would be undoubtedly negative. The Plan must thus be taken very seriously,

⁴ See <https://www.forumdisuguaglianzediversita.org/our-project/>.

using it to launch an in-depth public debate on the future of Europe. Contributing to this debate is the purpose of this note.

In the **diagnosis**, the Plan is led astray by two factors: first, the choice of the US as the recurring standard of reference, without grasping its economic fragility, recent evolutions and strong uncertainties about the future; second, the neglect of the EU's fundamental values and strengths and of some of its inescapable challenges and opportunities on the demographic, social and environmental level. The **objective** is diminished by its neglect for people, by its underlying assumption of technological neutrality, entrusting the market only with the choice of technologies and their implementation, by its failure to examine what is best for Europe in the current, unstable geo-political scenario, and by its ancillary view of the social dimension; the divide between economy and society is accepted, accentuated even, as if we had learnt nothing over the last decades. These weaknesses condition the **remedies**, which, without prejudice to the validity of specific ideas in individual sectors (see in particular Part B), configure a strategy that would harm Europe. The potential harm arises from favouring a concentration of economic and political power (consistent with the de-democratisation underway), increasing inequalities, aggravating the Union's distance from the aspirations and ideas of society and relegating the EU in international relations to a rigidly predetermined position, despite a global framework that would require a different kind of breathing space (the Global South and Africa in particular have no role in the Plan).

We have reached these conclusions via two routes.

We have taken as reference the 'European Union we would like', described through diagnoses and proposals in the book '*Quale Europa*', edited by Elena Granaglia and Gloria Riva (Donzelli, 2024), with contributions from 16 authors, and now available in English on the web⁵. A Union consistent with its values - "respect for human dignity, freedom, democracy, equality ..." - and with its objectives - "to promote peace, its values and the well-being of its peoples" (as per Treaty Articles 2 and 3). A vision of hope with people at its core, that can rescue us from resignation and anger and revive engagement: 'A place for the promotion of universal welfare,' we write in the book, 'not penalised by austerity; where knowledge and data are accessible and available to communities; where ecological transformation is accelerated in the interest first and foremost of the most vulnerable so that they can achieve a just way of life and work; and where public policies and governance are democratised. A Europe that becomes aware of its fundamental role in migration processes and acts as a builder of cooperation and peace'. Such a Europe develops and is competitive in international markets by playing its own unique cards: social and technological specificities, high protection of competition, a strong fabric of medium-large innovative companies, of universities producing 'open science', of large European public research centres, as are outlined in the operational proposals of our book.

Starting from this reference, we then compared the assessment **of experts from the ForumDD itself, from different fields**, examining the Plan's analyses.⁶

Here is the view that emerged from our discussion.

Diagnosis: using the US as a standard and neglecting Europe's strengths leads the Plan astray

That Europe is challenged in its development on multiple fronts is beyond doubt. But it is indicative that the Plan dwells on only three of them - international trade, energy and the geo-political context (which, anticipating the remedy, it refers to as 'defence') - and not on three further challenges: the demographic

⁵ See <https://donzelli.cantookboutique.com/it/opds/products/9788855226721>.

⁶ Experts included particularly Fabrizio Barca, Vittorio Cogliati Dezza, Piero De Chiara, Giulio De Petra, Paolo De Rosa, Giovanni Dosi, Fulvio Esposito, Massimo Florio, Elena Granaglia, Salvatore Morelli, Ugo Pagano, Andrea Roventini and Lorenzo Sacconi.

dynamic and the related challenge/opportunity of migration; the extraordinary climate adaptation efforts needed in vast territories of the continent; the strong rise that has already taken place in inequalities and in the barriers of access to the welfare system. This rise is the primary source of the social resentment on which the neo-nationalist forces are blowing and of the consequent authoritarian dynamic underway. This distortion of the analysis is made worse by the reference to the US as the standard and sole model. While in some cases, such as public agencies promoting research and disruptive innovations, the US does indeed offer a useful point of reference, in the majority of cases, such as in the development of software innovations, it challenges the EU to find its own original solutions in a different direction. The dated and often omissive reference to the US model, despite the fragilities and weaknesses of that system, leads the Plan astray, right from its first steps. Let us see.

- *The claim that a "wide gap in GDP has opened up between the EU and the US" in this century looks unbalanced, nor is the evidence on the productivity gap unambiguous.* Look at GDP per capita, whose growth, compared to GDP, is not influenced by population growth, which is very different in the EU and the US. The appropriate comparison should not refer to market prices, influenced by the strong change in exchange rates between the two entities, but to *Purchasing Power Parity* (PPP): the Report itself identifies between 2002 and 2023 an increase in the gap "from 31 to 34 per cent", in reality rather modest, which does not motivate the central statement of the document⁷. As for the productivity behind this trend in GDP per capita, this is a controversial area where assessments differ widely, in some cases suggesting that the EU-US gap might have narrowed.⁸ Be that as it may, prudence would suggest not to make much of this comparison, while the events of the last two decades would rather suggest at least looking at China as well, by obviously taking into account its violation of people's freedom and its long-term demographic and growth problems.
- *An intrinsic feature of the US development model of recent decades is not only the generation of much higher inequalities than in Europe, but also a general, serious political fragility and economic and financial instability, most recently highlighted by the Great Recession of 2008 and its consequences on public finance and balance of payments: it therefore seems inappropriate to take the US as the standard of reference for the EU.* The Plan acknowledges that US inequalities are more serious than ours, but in fact accepts them in aspiring to that very model of growth (if anything, as we shall see, it is the welfare state that is called upon to remedy them ex-post, as far as it can). But there is more. Even if we set aside the extreme democratic fragility of the USA, a country split as never before between two coalitions that do not acknowledge each other's legitimacy, the Plan fails to mention its serious economic fragility⁹: that the strong concentration of the business system in a few conglomerates, or megacorps, is not only co-responsible for the aforementioned greater inequalities, but has reduced competition and greatly increased the conditioning of politics by lobbies, starting with those in finance, arms, and private health care; that the current account balance of the balance of payments, is in permanent deficit (3.0% of GDP in 2023, against the EU surplus of 1.7%) and has led to the accumulation of a net debt position towards the rest of the world that has reached 2/3 of GDP; that a relevant part of these US assets is held by so called "non-aligned" countries; that the extraordinary household and corporate debt is a permanent source of financial fragility and potential instability (which then affects the entire world, as in 2008). These are serious weaknesses that only US military superiority - do we aim to match it? - makes sustainable, through the hegemonic role of the dollar.

⁷ This is, among other things, a measure influenced, as always, by the choice of base year. See, for example, the results in Z. Darvas, *The EU remarkable growth performance relative to the US*, Bruegel, 2024.

⁸ See Darvas (2024) again.

⁹ The following points and others are presented, with ample documentation, by P. Ciocca, *Del capitalismo. Un pregio e tre difetti*, Donzelli, 2024 (chapter ix).

- *Research and new technologies: a real lag.* Here, the EU-US gap exists and the comparison proposed by the Plan can be of help, but only if well used. The gap concerns Research and Development (R&D) expenditure. There are two facts that the Plan gathers from a recently released report, "*EU Innovation Policy*"¹⁰ :
 1. While the amount of public R&D expenditure is 0.7 percent of GDP in both the EU and the U.S., in the EU 90 percent of that public R&D spending is carried out at the national level, so it is fragmented among the Members States. Furthermore, despite important examples of European public research infrastructures such as the European Space Agency and CERN, or with smaller budgets such as EMBL (European Molecular Biology laboratory) and the EuroHPC (European High-Performance Computing Joint Undertaking), the budget and capacity to promote 'disruptive innovations', even by agencies such as the European Innovation Council, is minimal compared to the capacity of the corresponding US federal public agencies.
 2. Private business expenditure on R&D is significantly lower, 1.2 per cent of GDP in the EU compared to 2.3 per cent in the US, and is particularly weak in the field of software development, where US companies cover 75 per cent of the international market.
- *The cause of the delay: an unproven diagnosis that overlooks Europe's strengths.* Once the Plan addresses the causes of the gap in research and new technologies, it goes astray again. Although it picks up from the aforementioned Report (Fuest et al. 2024) a recommendation to strongly relaunch European public research (cf. under Remedies), it does not make it the driving force of the European private enterprise system. Instead, again chasing the US model, the Plan attributes the cause of the technology gap mainly to two factors: the fact that European companies do not reach the large scale of production of those in the US, because they are held back by regulation in the field of digital technologies and a competition policy that hinders the formation of dominant positions; the fact that universities and research centres do not sufficiently commercialise their research results. In support of these theses there is no analysis, but a value judgement. There's nothing wrong with that (if one recognises it), but the fact is that **those theses set aside values proper to Europe, on the basis of which - not by demolishing which - its competitiveness can be strengthened**:
 - the mission of universities in the EU to implement their mandate using the public resources with which they are funded in order to produce open science in the collective interest;
 - the unique approach with which the EU has tackled the impact of digital technologies and Big Data by putting people's rights at the centre: a regulation that requires reform in order to better achieve that goal, not to betray it;
 - the choice of a strong anti-trust policy, as a requirement both for consumer protection and for the prevention of concentrations of control and power that hinder the entry of new companies into the market and condition the whole of society and public action.

The paradox is that these last two features of the European system are precisely those towards which the US government has been trying to move since 2020, expressly taking the European regulatory and antitrust framework as a reference, especially in the area of digital technology. A decisive point curiously omitted in the Plan. We return to it when looking at the remedies¹¹.
- The comparison with the US, however, is again **convincing** on the *decarbonisation and energy cost* front. The much higher cost of energy borne by people and businesses in Europe compared to the US is in fact attributed not only to the unavailability of fossil fuels, but also to the obstacles preventing

¹⁰ Institute for European Policy Making (Bocconi University), Report edited by C. Fuest, D. Gros, P.-L. Mengel, G. Presidente, J. Tirole: https://www.econpol.eu/publications/policy_report/eu-innovation-policy-how-to-escape-the-middle-technology-trap .

¹¹ See S. Wallsten, '*The Narrowing of US-EU Tech Policy Divide*', Sept. 2024 (<https://www.bertelsmann-stiftung.de/en/publications/publication/did/the-narrowing-us-eu-tech-policy-divide>).

the lower costs of renewable energies to be passed to the final prices, namely the fragmentation of the grid, the inadequate bargaining power exercised by the EU and the existing price formation mechanisms (partly due to taxation but also to policy failures in the 'liberalisation' of the markets, on which the Report is silent). Furthermore, the Plan rightly stresses that, although the EU is strong in green technologies (solar, wind, transport), the actual achievement of its decarbonisation objectives and the acceleration they require in the installation of solar energy, the supply of batteries, and other measures are not at present achievable at reasonable cost without turning to the supply of China and other countries: an issue that requires coordination between industrial and trade policy and that is reflected in the Plan in a move away from the US model (see Remedies).

Objective: the development model implicit in the Plan is not in Europe's interest

We have just recalled the limitations of taking the US as a model. But **it is in the qualification of 'growth' with reference to the three dimensions 'environmental', 'security' and 'social' that the traits and serious weaknesses of the objective emerge even more clearly.**

For the environmental dimension, the overall objective of accelerating growth positively incorporates the current and reconfirmed EU objective of rapid decarbonization. Therefore, the Plan searches for appropriate technological, economic and commercial ways by which growth and rapid decarbonisation can go hand in hand even in the short term and energy costs can be reduced. This results in some interesting proposals, which need to be evaluated (see Remedies).

But unfortunately, the Plan does not seek the opportunities of higher productivity and a better quality of life that can result from the energy transition and other environmental transformations. The Plan, by assuming technological neutrality, does not investigate how these transformations and the large investments needed for climate adaptation throughout Europe – the climate adaptation being overlooked in the Plan (with only one minor mention in Part B) – could not only avoid social opposition, but be turned into an opportunity for productive and social innovations and less inequality. Compensatory resources are rightly called for to cushion the short-term negative social effects of decarbonisation, but the attitude of looking at things not from the point of view of people and their possible collective demand but of the supply objectives of existing companies precludes the Plan from investigating the opportunities for a drastic *switch* from individual to collective mobility, for a rapid progress in monitoring and preventing environmental disasters, for speeding up decentralised community energy production, for adapting urban settings (not just housing), and for a long-term visionary planning of the territorial reallocations of population required by climate change. An industrial policy that adopted these objectives would actually be 'on the side' of citizens.

As for the security dimension, it is definitely incorporated in the objective, as mentioned above¹², as Europe's independence from countries that are not 'strategically aligned'. Here again a double mistake is made. First, the lack of attention to people's perspective come again to the fore. For people, 'security' primarily concerns other aspects: from workplace safety, to feeling safe walking on the streets, to preventing and countering climate-related events, to being able to deal with financial and health contingencies. The way new technologies are developed and implemented has a strong impact on these features: it should be a concern of industrial policy.

But even within the Plan's chosen meaning for the term security, there are serious issues. **To freeze, in this rapidly changing world context, international relations into 'aligned' and 'non-aligned', to ignore the**

¹² "Security is a precondition for sustainable growth, as rising geopolitical risks can increase uncertainty and dampen investment, while major geopolitical shocks or sudden stops in trade can be extremely disruptive" (p.19).

fragility of the Euro-Atlantic relationship itself, is unjustifiable in a Report that looks to the future. Similarly, failing to evaluate, in a proposal for a European industrial policy, the option of a new strategic relationship of peace and cooperation with China¹³ or of new relations with Africa (mentioned only twice in the entire Report) and with the Global South, or ignoring the vital issue of migration (also mentioned only twice¹⁴). On the contrary, the Plan transforms, without any analysis, the security objective into the sharp increase in defence spending, repeatedly cited as a driver of growth and technological research (see Remedies).

The social dimension is where the lack of attention to people manifests itself even more strikingly. This dimension is, in fact, precisely expunged from the objective, even in the albeit modest and ineffective form used in the EU in the past, that of 'inclusive growth', i.e. growth that is associated with an increase in social inclusion. No, **social inclusion is considered a constraint in the sense that, it is argued, it must be "preserved" (esp. p.15), while the contribution of welfare is ancillary to growth, because it must prevent it from producing more inequality.**

In fact, the Plan does not even argue that social inclusion should be preserved, but rather that the public needs to be convinced that it is the case. It is necessary, the Plan argues, to learn from the lessons of the past when "the notion that globalisation has exacerbated inequality *infiltrated* public perceptions" (p.15, our italics), and it is then necessary to ensure that now "the state is seen as on the side of citizens". What should convince them of this? The main answer is clear: not that it will reduce inequality, but the threat that if growth slows down, the European social model can no longer be financed, i.e. the threat of increasing inequality.

Never mind that poverty reduction targets have been consistently missed; that since the 1990s every measure of income and wealth inequality and regional disparities have grown visibly and sometimes dramatically in Europe. Nor that access to and quality of basic services are denied to a very large and often growing number of people, failing the ultimate goals of cohesion and well-being of the Union and causing the rise of resentment and distrust and a detachment from democratic institutions¹⁵. Never mind that it is precisely inequality and poverty that dampen people's support for the environmental and digital transition, especially by the most vulnerable. **Never mind that it is possible to design industrial policies in Europe that, by increasing efficiency and creating opportunities for companies, improve the living conditions of those who are worse off:** developing AI to reduce labour risks and promoting a radical rebalancing of the time and quality of jobs (à la Rodrik)¹⁶ are just two examples. No, none of this. On the contrary, the Plan once again uses the comparison with the US, this time to stress that the EU is better off - true, less worse off - and to draw the conclusion that **maintaining the current situation in the social sphere is the maximum outcome to aspire to.**

¹³ After reasonably arguing that in EU-China trade both sides have no interest in accelerating de-globalisation, because one needs components and materials and the other needs to sell them, it points to the 'immediate risk to Europe that dependences could be used to create an opportunity for coercion, making it harder for the EU to maintain a united stance and undermining its common policy objectives'. It is appropriate to point out the risk, but why not address it by also considering - at least in a Report, if not where? - a sustainable strategy of cooperation with China, without being constrained by volatile US strategic choices? On this issue, the mandate assigned to Commissioner-designate for "Trade and Economic Security", Maros Sefcovic, is more subtle, in calling for an engagement "in existing fora of dialogue [with China] to ensuring balanced economic relations based on reciprocity".

¹⁴ The quotes occur in a statistical table and to say that the issue is often turned into a geo-political weapon or *weaponization*.

¹⁵ Cf. S. Morelli, "Inequalities. The many socio-economic fractures", in Granaglia, Riva (2024).

¹⁶ See D. Rodrik, S. Stancheva, *Fixing capitalism good job's problem*, Oxford Review of Economic Policy, Volume 37, Number 4, 2021, pp. 824-837

Actually, the choice of 'imitating the US' does not guarantee even that. The more market inequalities grow, the more difficult it becomes for the welfare state to ensure adequate responses. On the one hand, market inequalities (the oligopolies) are associated with changes in power relations that extend to politics: the risk is that both the winners, due to their strength, and the middle classes, hit by changes and frightened by the closure of many opportunities, will be less willing to redistribute resources. On the other hand, the welfare state would be faced with increasing and complex demands.

Finally, the Plan's vision fails to take into account that social justice is the core value of *welfare* as of all social institutions. *Welfare* cannot be reduced to mere support for growth, since it is primarily a tool for the satisfaction of social rights and a device for enhancing the value of care and social work. Furthermore, social justice cannot be the task of *welfare* alone: markets and enterprises, as social institutions, cannot ignore justice. Failure to recognise this entails both an unfair division of responsibilities between the economy and the welfare state and unfair penalisation of those who are losers in the economy and who would not be in that condition if the rules were different. Extending economic democracy is a qualifying element of development. **The Plan, in the few times it mentions social dialogue, considers it merely as a mean to ensure the Plan's acceptance.**

Remedies: serious risks and need for public debate

The Plan puts on the floor many proposals, which deserve to be carefully examined by engaging also experts and stakeholders, including civil society actors, in the various fields. We hope this will be done in a public and transparent manner, turning the Plan into an opportunity for an intense debate on the future of Europe. Having this in mind, we present some remarks on the broad thematic blocks tackled by the Plan, pulling the strands of what we argued on diagnosis and objective.

Research and technology: competition, universities, research centres, rules

The strategy suggested by the Plan appropriately invites Europe to undertake a unified and coordinated industrial policy. In some cases, this translates into proposals that deserve consideration. This is, for example, the case for the automotive sector, where the Report adheres to the view that the current serious threats to EU leadership should be countered, by promoting infrastructures for recharging batteries and investing in the digital component. Other sections, especially in Part B, are interesting. But the general design is marked by the distorting aspiration to "copy" the US model, while overlooking the potential inherent in the European model of development, despite the interest that in some cases the US policy-makers themselves pay to this model.

The Plan proposes, first and foremost, to **promote large-scale 'European champions'** through extensive subsidies and a resolute weakening of anti-trust in order to ease mergers, with particular emphasis on defence, pharmaceutical and digital industries even at the cost of altering the definition of 'reference markets'. **How this path can in fact lead to disruptive innovations in the collective interest is not explained:** this is significant, given that the acquisition of strong market power through increased scale often produces a positive effect only in the short term, while being followed in the long run by a depressive effect due to the reduced diffusion of innovations. But there is more: what is the point of focusing on 'European champions' when, given the unlimited mobility of capital, the 'European' origin of these champions is no guarantee that they will stay rooted in Europe when faced with fiscal or other advantages? (Unless the 'champion' is a state-owned enterprise led by a EU-wide strategy, an option not considered by the Plan.) **Nor does the Plan consider the negative effects of this path both on consumers and prices and on the access to the market by medium and medium-large enterprises, that in Europe are often at the forefront of innovation.** What could help many of these innovative companies are not mergers but stronger and more autonomous growth. On this front, requiring easing and supporting their access to financing, the Plan's suggestions are much less clear.

Furthermore, **the Plan does not address at all the issue of how irreversible the creation of strong market power can be and its capacity to condition public and political choices.** The US experience, especially in the digital sector, makes it clear. Even once the initial patents have expired, megacorps manage to maintain and strengthen their market power by obtaining a 'pyramid' of secondary patents, creating links between different products, exploiting accumulated data for better training of artificial intelligence and, indeed, massively acquiring other companies to suppress alternative technological solutions and enrich their own.¹⁷

The main way to counter all this is antitrust policy. It is no coincidence that, precisely in the US and with regard to the core of the digital revolution, a shift has taken place since 2020 in the overall direction of economic policy. **"The US,"** summarises a Bertelsmann Foundation Policy Brief¹⁸, using ample and well-known evidence, **"is increasingly aligning itself with the EU's stricter approach in tech regulation"**. In the case of antitrust, this means precisely a shift from the exclusive focus on consumer welfare to the typically European focus on market concentration. The results of this change have so far been decidedly limited, partly because they have been held back by the "contrary thrust of the courts" - continues the Policy Brief - called upon to judge the cases instructed by the federal agency, but they signal an awareness that the Plan ignores.

But there is more. The Plan's recommendations, by explicitly aiming at a special antitrust focus on 'European companies', can distort the action of antitrust, exposing it to challenges and ineffectiveness even against non-European companies. It is remarkable that Commissioner Teresa Ribera Rodríguez, in the mandate assigned to her ("Clean Just, and Competitive Transition"), has already been asked, with explicit reference to the Draghi Plan, to encourage an increase in the scale of companies and to "review the Horizontal Merger Control Guidelines [to] give adequate weight to the European economy's more acute needs" with regard to some key words clearly aimed at creating the ground for a relaxation of intervention, among which, as always, "the changed defence and security environment" stands out.

The effects of such a path in the field of defence (see further on in the text) are particularly alarming precisely for the reason the Plan itself cites as justification for its choice: the propulsive role that defence plays in digital research. The introduction of artificial intelligence into military systems can have uncontrollable and devastating costs, as ForumDD notes in a contribution that also makes reference to Henry Kissinger's latest paper.¹⁹

Equally objectionable is the proposal to **increase the propensity and capacity of public universities and research centres to commercialise their research results**, i.e. to privatise knowledge. Here, again, there is no analysis supporting such a shift in terms of promoting innovation and of its consequences on knowledge concentration, balance of power in society and inequalities. **Neither does the Plan consider the alternative path: that of exploiting the value system that defines, historically, the whole design of much of the European university and research system, namely open science, despite the pressure of the US model.**

Nor, finally, does the Plan attempt to exploit the radically different approach employed by the EU in addressing the digital revolution, seeking, despite the difficulties, rules to protect the rights of individuals.

¹⁷ See M. Kurz , 'Market Power is Permanent, and Technological Competition Does Not Remove It', Project Syndicate - Longer Reads, December 2023 (<https://www.project-syndicate.org/onpoint/technology-innovation-how-monopolization-and-anticompetitive-market-power-work-by-mordecai-kurz-2023-12#:~:text=Market%20Power%20Is%20Permanent%2C%20and%20Technological%20Competition%20Does%20Not%20Remove%20It,-Dec%201%2C%202023&text=Contrary%20to%20the%20longstanding%20conventional,pay%20for%20the%20associated%20benefits.>) .

¹⁸ See Wallsten (2024).

¹⁹ See U. Pagano, 'Europe-world. Roots and international missions of Europe', in Granaglia, Riva (2024).

In the Plan, those rules are mentioned as obstacles²⁰. On the contrary, as the ForumDD argued²¹, if suitably revised to incorporate forms of collective protection and data sharing, those rules can also promote EU competitiveness. In various fields, including today's top priorities such as health and territorial monitoring and protection, it is, indeed, possible to foster the use of the growing mass of data, including those coming from interconnected physical devices (from satellites to sensors) for socially useful purposes, rather than as sources of profit. And spur artificial intelligence in this direction. It is important to note that **here, too, we are witnessing attempts, in the US, at federal and state level - especially in California, impacted by the industrial and cultural presence of Silicon Valley - to move in the direction of Europe, albeit with limited results.**²²

The weaknesses of the Plan also become evident regarding the topic of **cloud systems**, i.e. the provision of on-demand services through the network based on remotely available resources. "It is too late for the EU to try and develop systematic challengers to the major US cloud providers" the Plan argues (p.30). This is probably correct, but only if one refers to 'static' market competition, given EU delay. However, it is certainly indispensable to develop a European Public Digital Infrastructures which would allow, independently of the US, to host experimentation, research, and applications in fields of collective interest (health, public administration, science itself) such as those mentioned above. The Plan vaguely mentions these infrastructures and proposes an EU Cloud and AI Development Act – mentioned in the mission letters to Commissioners-designate - but we would have liked to see this avenue explored having in mind the interest of people and discussing the risk of passively accepting the dependence on US oligopolies.

The distortion induced by the Plan's reference to the US model is compounded by the existence of an alternative. As already noted, it is certainly imperative for Europe to exploit its scale to make a leap in innovation capacity. Certainly, a strong increase in research spending is needed, as the Plan calls for. But this can and must be achieved above all in sectors that are fundamental to foster living conditions and health and to support the digital transition and the environmental transformation and should be pursued by building and investing in **public centres, 'supranational technological hubs' for research and for the development of innovations.** This is the way to ensure the widest dissemination and application of the innovations produced, in a logic of open science and competitive markets, benefitting both the strong system of European medium-sized enterprises and citizens' activism.

This is the alternative path to the Plan suggested by the ForumDD since 2019. On the health front and after the pandemic, it was translated into the detailed proposal of a "CERN of Health", with a budget of 7 billion euros per year, for research, production, distribution of drugs, vaccines and other knowledge-based biomedical goods and services. This proposal was endorsed by the European Parliament in the post-Covid Recommendations; was then discussed and voted by a robust minority of MEPs in the approval process of the Report on the Review of Pharmaceutical Legislation. The discussion on it will soon resume.²³

Neglecting people's wellbeing, which should be the yardstick of technological development, prevents the Plan from expanding on important ideas that the Plan itself has brought to the fore. Here are some examples. The positive evaluation of CERN and its non-bureaucratic model based on a leading role of researchers. The proposal to increase the role and capacity of the High-performance Computers, devoting them to the training and development of AI, but with no concern for the need to ensure that this is done in citizens' interest and rights. The proposal to promote the European Health Data Space, but with no concern

²⁰ Part B of the Plan, for example, states: "The EU now faces an unavoidable trade-off between stronger ex-ante regulatory safeguards for fundamental rights and product safety, and more regulatory light-handed rules to promote EU investment and innovation" (p. 79). It is the very idea of an 'inevitable trade-off' that reveals the Plan's short-sightedness.

²¹ Cf. G. Resta, 'Digital technology. Fra protezione e condivisione dei dati', in Granaglia, Riva (2024).

²² See Wallsten (2024) again.

²³ See <https://www.forumdisuguaglianzediversita.org/impres-pubbliche-europee/> for all materials produced in this research and proposal chain. See also M. Florio, "Health. European public good", in Granaglia, Riva (2024).

for the need to ensure that the new drugs developed do not give rise to monopolistic rents. Or the proposal to set up an US ARPA-type agency (Advanced Research Projects Agency) devoted to high-risk projects. **The question is whether these structures are aimed at creating a favourable wind for big oligopolies, with the associated social and economic costs, or for a system of competing small, medium and large-sized companies and for citizens' well-being. These are two very different paths.** The ambiguity of the Plan is reflected in the mission assigned to Commissioner-designate Henna Virkkunen with the “Tech Sovereignty, Security and Democracy” portfolio.

Decarbonization and Moderate Protectionism

As we have seen, the Plan overlooks the extraordinary life transformations that the energy and environmental transition calls for. It fails to consider their implications for technological and social innovation— which are increasingly intertwined— and how much a commitment in this direction would speak to the interests and aspirations of European citizens. This is one of the Plan's missed opportunities. However, **within the boundaries it has chosen, the Plan advances some relevant proposals addressing the high cost of energy in Europe and a critical issue in the development of green technology.**

As for energy, the Plan proposes several paths that deserve attention and discussion, as they address the tension between environmental objectives and growth. Let's mention some of them:

- To reduce energy prices and ensure that the lower costs of renewable energies are passed on to consumers, the Plan suggests setting a European joint procurement system, decoupling from the spot market (a major mistake of past EC-backed liberalization), and, above all, exercising a stronger negotiating power and constantly supervising intermediaries.
- It calls for joint investments in the European electricity grid network.
- It recognizes the need to cushion the social impact in sectors where decarbonization is particularly challenging.
- It raises, as already noticed, the need for European coordination in the automotive sector.

The Plan also tackles the issue of European dependence on the rest of the world, primarily China, for the import of green technologies and it **acknowledges that in this matter Europe cannot imitate the US by rising widespread barriers.** Instead, the Plan proposes a mixed strategy: no tariff protections for technologies, where the gap appears unbridgeable; tariff protections and regulated foreign direct investment, where labour needs protection and no geopolitical risks are perceived; tariff protection and direct investment only in joint ventures, where a risk of dependence is assessed; tariff protections, where nascent domestic industries exist.

Beyond the details, a coordinated definition by EU Member States of a strategy on this issue would be of utmost importance, as it would address and dismantle nationalism that leads nowhere. However, for this coordinated approach and the implementation of the Plan's four options to be successful, the Union's entire geopolitical-economic positioning should be tackled without prejudice, especially in its relations with China (and Asia in general) and Africa—an area where the Plan appears to freeze. Which leads us to the next topic.

Security and Defence

We have previously noted that, in addressing security issues, the Plan takes the current configuration of friendly and enemy states as a given. It does not consider the fragility and malleability of the geopolitical framework, starting with the US itself. It tackles the issue of dependence on raw materials and technological inputs, while ignoring the risky dependence on cloud computing, primarily US-based. It does not assess the advantages, disadvantages, and risks of pursuing different relationships with China and Africa, especially in light of the territorial distribution of strategic critical materials. Finally, it does not address one of the few certainties of the coming decades: the strong demand and supply of migratory flows to Europe, primarily from Africa.

These failures are coherent with the choice to accept as given the "urgent need to increase overall defence investments" (p. 57), ignoring, among other things, that, as noted in the report "*Much More than Market*" by Enrico Letta, the necessary coordination of European defences would in itself increase their effectiveness by 40%, and could therefore, if anything, bring down military spending, which already stands at around USD 350 billion - considerably more than Russia's military budget. The fact is that **in the Plan the increasing defence investments, and within them the share allocated to research, is considered, together with the creation of European megacorps, the driving force behind the revival of competitiveness in Europe: no less than 90 mentions, 8 in the Foreword alone signed by the editor Mario Draghi, use defence as an exemplification.**

The risks of this approach for Europe and for the people who should feel the Plan 'on their side' are obvious. **The choices envisaged in no way address the vicious circle created between intellectual property and military secrets²⁴, nor do they consider the effects of introducing artificial intelligence into military systems,** as mentioned above. Shifting public expenditure towards defence and halting disarmament are presented as inevitable, as in the interests of arms companies.

Additionally, **the Plan neglects the long-standing threat posed by 'the disastrous rise of misplaced power'** of the 'military-industrial complex' - as **US President Dwight Eisenhower** put it in his famous farewell address on 17 January 1961, after both recalling the need for a strong defence system and voicing disappointment over the lack of progress towards disarmament²⁵. The threat – he argued - is that the 'military-industrial complex' acquires an 'unwarranted influence, whether sought or unsought', such as to "endanger our liberties or democratic process", a **"threat" fuelled by the "total influence - economic, political, even spiritual - [of the conjunction of an immense military establishment and a large arms industry] in every city, every state house, every office of the Federal government";** a threat 'we must guard against'.

It is important to dwell on that diagnosis today, especially from a US President who was a great general, when the language of war is once again becoming natural and investments in defence are once again becoming the guiding star of a growth plan. But there is another message in that speech that the Plan should have considered, a second 'threat' signalled then as new to the US people: it concerns research. 'A steadily increasing share [of research]', Eisenhower observed, 'is conducted for, by, or at the direction of the Federal government' and so 'a government contract becomes virtually a substitute for intellectual curiosity'. **In this context, a double risk rises: that scholars get dominated 'by the Federal government, project allocations, and the power of money'; that 'public policy could itself become the captive of a scientific-technological elite'.** These threats are even greater today, when single individuals controlling those very megacorps so coveted by the Plan can influence the research and aspire to influence military conflicts, taking even the monopoly of violence away from states.

Dealing with this complexity is very difficult: we are well aware of it. But ignoring it and presenting the proposed path as inevitable cannot be justified. History has already witnessed other temptations to boost growth through military spending, improperly referring to the name of John Maynard Keynes. This serious vice is known precisely as 'military Keynesianism.' Let us avoid it today.

Social and Welfare

We have seen that the Plan treats the social dimension as a constraint to growth, namely to ensure that there is no worsening in the current level of inequality. It also conceives the role of welfare in essentially ancillary terms, as an instrument of risk compensation and investment in skills. We also argued that market inequalities

²⁴ See again Pagano (2024).

²⁵ We can listen and watch the dramatic and historic speech here:
<https://www.youtube.com/watch?v=mHDgsh6WPyc>.

themselves could jeopardise this role. But even leaving aside this problem and the underestimation of social justice, **the proposed measures run into problems.**

Consider the proposals regarding training with the aim of adapting *skills* to the new needs of business. The suggestions offered seem not to take into account the experience of recent years: the speed of change often makes these training methods obsolete, while it has become increasingly clear that only a more general and critical training, especially with respect to the new digital technologies, allows labour to cope with sudden and unpredictable changes. And, again, can we really support the education of the most disadvantaged by targeting public intervention on the most skilled – this is the proposal of the Plan, as if abilities were purely natural and could be identified at given moments? Moreover, it is striking that the Plan does not mention the other important ancillary contribution of welfare to growth (as well as to equality of opportunity): **supporting women's work** with a serious investment in care services and a serious policy to counter the gender stereotypes that still hinder women in the workplace.

By assuming technological neutrality, according to which the choice of technologies should be left to the market place in spite of their different social impact, **the Plan also fails to consider the inequalities resulting from its own proposals.** This is the case with the concentration of control over knowledge, the weakening of anti-trust and digital and data regulations, and the push to commercialise the knowledge produced by universities. Among other things, the call for a rise in the size of firms and a greater concentration of control should have prompted the Plan to promote further steps on the route of Corporate Sustainability, reviving issues that have been the topic of discussion and decisions by the European Parliament²⁶: **the “European champions”, with their greater power to influence economy and society, should also become champions in social and environmental responsibilities.** But this issue is not tackled by the Plan.

Still, let us assume for a moment that we share the ancillary view of the Welfare State. **Should we go so far as to defend, as the Plan does for the sake of growth, a second private pension pillar channelling private savings into productive activities (again based on the US model)?** Should we forget the shifting of financial market risks onto workers as well as the unfairness of the tax breaks advocated for the promotion of the funds?

Finally, **the Plan never explores the positive effects on the reduction of inequality and on job quality that could come from alternative proposals.** This is the case, for example, of the investments already mentioned in large public research centres that would produce open science and would support both the growth of a vital and competitive system of firms and the quality and accessibility of services. Or, imagine AI being used to reduce risks at work; or Big Data being used for land protection and for enhancing social and environmental innovations, including frontier research on clean energy, that could go hand in hand with environmental transformation.

Of course, in this field too, some proposals made by the Plan are of interest. It is the case of the proposals aimed at passing on to users the lower cost of renewable energy: the target are business costs, but it also drags with it a positive effect in terms of household costs. It is also worth stressing the Plan's call for cohesion policy to promote technological renewal in territories where it may well not occur; even though the Plan looks unaware that such objective requires both a simultaneous improvement of fundamental services of those areas and a participatory process place by place, building on the lively network of citizens and labour organisations that characterize the EU.

Overall, it cannot escape our attention that the overall neglect for the social and labour dimensions is consistent with the decision of the re-elected President von der Leyen to delete the key words '*Jobs and social*

²⁶ See <https://www.forumdisuguaglianzediversita.org/consigli-di-lavoro-e-di-cittadinanza/>. See also L. Sacconi, 'Social responsibility and economic democracy', in Granaglia, Riva (2024).

rights' from the missions entrusted to Commissioner-designate Roxana Mînzatu replacing them with '*People, Skills and Preparedness*'.

Governance and Democracy

We have already seen how the entire framework of the Plan, especially by concentrating entrepreneurial control and prioritizing defence and its technological investments, tends to disrupt the balance of powers within society. **These concerns are further heightened by some Plan's assessments of EU governance and by the logic with which the Plan itself proposes to be implemented and is actually about to be implemented.**

The Plan strongly emphasises the need to shorten EU decision-making time. This is reasonable in a volatile environment where the context changes often and abruptly. But **the Plan fails to assess and appreciate a trait that makes the EU better able to cope with rising complexity and uncertainty than other, older, institutional arrangements: the process of negotiation between the Commission, the European Council and the European Parliament, through which decisions are largely taken, then scrutinised by the Court of Auditors and the Court of Justice.** It is a mechanism that, with the (unfortunately often marginalised or inadequate) contribution of the Economic and Social Committee and the Committee of the Regions, makes it possible to extract and produce knowledge and to seek a balance between a number of perspectives. Regarding this process, the Plan (p.65) observes that there is a lack of methodology to measure the impact of the proposed amendments within the process. We agree with this observation, but only if the goal is to induce self-assessment and self-monitoring on all sides. We would disagree, if the proposal were to assume that there can ever be an 'objective' technical assessment of what is useful or useless in a negotiating process, and if the true aim were to inhibit the negotiating process. Alternative ways can be investigated to streamline the process.

The concern is accentuated when, in unravelling the mantra of 'simplification', one discovers that three further examples given in the Plan all concern rules aimed at protecting people's rights and ensuring corporate social and environmental responsibility²⁷. **Is simplification, as often happens, a way to dismantle processes in which different agents are given the opportunity to participate in decision-making? Is this the aim of the mission "Simplification" entrusted to Commissioner-designate Valdis Dombrovskis by President von der Leyen together with "Economy and Productivity" and filled with several propositions taken from the Draghi Plan?** If so, it would be yet another sign of the risks of the Plan for the very democratic governance that underpins the EU.

Which leads us to the last alarming signal: **the de facto exclusion from the whole process designed by the Plan for revitalising Europe of the political institution with the greatest democratic legitimacy, the European Parliament.**

The Plan, in order to implement its strategy, calls for the creation of a 'Competitiveness Coordination Framework,' outside of the European Semester. This framework would contain the priorities approved by the European Council in its conclusions and would incorporate the coordination of all policies relevant to achieving the agreed objectives. In the first seven-year cycle, the Plan itself would become the backbone of the Framework, directing all financial flows, including the upcoming Multiannual Financial Framework. The implementation plans, managed by the Commission, would arise from discussions among Member States, experts, the private sector, and EU agencies. Without delving into further details, it is evident that the European Parliament would be called to deliberate only in the implementation stages – and with its wings trimmed by 'simplification' – when the strategy requires recommendations and directives, but it would be

²⁷ "The sustainability reporting and due diligence framework, the General Data Protection Regulation (GDPR), and the EU's waste and packaging waste legislation" (see B, p. 318).

excluded from the strategic choices. Many punch lines of the Plan are already incorporated – it must be stressed, once again – in the mission letters of individual Commissioners, which the European Parliament will implicitly subscribe to in accepting their appointment.

Coming to the end of these comments, the Plan's strategy looks clear. We Europeans must recover the growth and productivity deficit that distances us from the US, taking as a template, albeit with some limited changes, the US model, centred on big corporations and the extreme commercialisation of research results. **This strategy, as we have tried to highlight, overlooks both the many weaknesses of the US model and the many strengths of Europe, offering us a vision of growth that is insensitive to people, neglectful of social justice, focused on defence and lacking in the pursuit of an autonomous geo-political and economic role of Europe suited to the instability of the world balance.**

The Plan's discretionary and political choices, which we have analysed and critiqued, are designed to become the Union's strategy straight away. This step is already embodied in the mandate to the future Commissioners, will involve Member States and will be implemented by Brussels' techno-structures, namely by those who have engaged with the external experts and companies acknowledged in the Plan. The European Parliament and European citizens essentially stand by and watch. Following the same copybook as, at least in Italy, as the Next Generation EU and the NRRP that implements it.

“Europe’s goals – President von der Leyen writes in her mission letter to Commissioner-designate Stéphane Séjourné with the “Prosperity and Industrial Strategy” portfolio – [...] all depend on starting a new era of productivity, innovation and competitiveness”. “This was the message – the President carries on - I outlined in the Political Guidelines [...] and also reflects the vision laid out in the Draghi report. We have a lot to draw on that”. This is why discussing the Plan now, honestly and frankly, as we have started doing ourselves, as well as bringing an informed debate into the public arena are so necessary and urgent. This is our contribution to that debate.



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