

Why Can't You Fly Anymore? Italian and French Declining Creativity and Growth

A Comment on “What Is Wrong with the West’s Economies?” by Edmund Phelps

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Abstract Creativity has largely decreased in France and Italy, as in most European countries, in the last decades. Decline in economic performance paralleled the decline in creativity, although there is no strict, immediate ascending and descending relationship between the two trends. These comments to Phelps aim at contributing to the analysis of the link between creativity and growth by singling out policies that can enhance aspects of creativity most suitable to stimulate growth. Focus is on redirecting public spending for culture from fruition to creation, on less protecting education policies and, finally on mastering of today’s *lingua franca*, English, by most segments of society. In general, the young generations need to play a more decisive role in devising and implementing policies that challenge the untenable status quo.

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1 An Unending Decline of Western Economies?

Phelps’s *What Is Wrong with the West’s Economies* is one of those books and films I would like they never finish. I am constantly asking myself the questions the Phelps addresses in his paper: why the seemingly unending decline of most of Western

“Com’è che non riesci più a volare?” From a song (Summer Song) by the late Italian composer and singer Fabrizio De André.

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economies, notably France and Italy, and why governments and society remain largely passive facing the decline? I share most of the judgments by the Author, and I am literally hanging on the solutions he advances. I would like to read more of them, more detailed and more immediately applicable. I also would like to be able to contribute to debating the issues in a constructive way. This is why I accepted with enthusiasm *Homo Oeconomicus* invitation to provide my comments, although I am perfectly conscious of the limits of my contribution. Sharing the basic points made by Phelps, I will try to discuss additional features related to economic decline, particularly in Italy and to a lesser degree France, and suggest a few policies that can address them.

Creativity has largely decreased in most fields in most European countries in the recent decades. I am referring to creativity in arts and other cultural and social activities, where judgment derives immediately from personal experience and evaluation and not from measures (or indexes) of creativity directly related to the economy found in the literature, to which, however, I will come back later.

Italy and France were from the 1950s and through the 1970s in the top list of creative countries for the seventh art, i.e., films. They had, especially France, good writers and even, again notably France, important philosophers. Both countries produced important contributions to music, particularly “contemporary classic” music in Italy.

Visual arts were not outstanding, possibly because talents in this area were moving to industrial and fashion design, contributing to the blossoming of a number of economic sectors connected to it. Being a latecomer, Italy even surpassed France, or came very close to its performances, in sectors such as fashion and haute cuisine that were considered a French natural monopoly.

2 Loss of Creativity in France and Italy Despite Weight on Culture

Things have changed, both countries declined and very few, if any at all, of the previous peaks have been maintained. Sticking to Italy only, there is practically no activity, or sector, where the country is still on the leading edge. There aren't any new outstanding film directors, writers, musical authors, and even very few outstanding opera singers. Also in football that is a sport that relies on talents for success and which used to be an Italian stronghold, the ranking has plummeted: from 2nd place in 1992 to 15th place today.

A leading historian of Italian contemporary society and culture has aptly written: “The Italians are showing less success at reinventing the novel, the play, and the great painting. For some years now, Italian creative culture has remained at low ebb, and Italy still awaits the arrival out outstanding new talent among novelists, playwrights, painters, and even filmmakers. This is a time that favors individual creativity less than it does the disseminating of culture to the new audiences” (Mignone 2008, p. 362).

To some, or even a large, extent this is understandable. It is a frequent observation that countries pass through epochs, or simply periods of great artistic and scientific creativity that usually follow great crises with huge social distress and

conflict that, in turn, create a drive to renovation. In addition, the world has become less euro-centric; excellence poles in various artistic and cultural areas have emerged outside Europe. Also some activities were already thriving, but were somewhat kept in the limbo of our euro, or western-centrism.

I have the impression that decline in economic performance in the West paralleled the decline in creativity, but there is no a strict, immediate ascending and descending relationship between the two. Nor, it is easy to demonstrate empirically any of these assertions. As a matter of fact, the so-called Italian economic miracle of the 1950' and 1960' was mostly the outcome of structural change, i.e., a once and for all occurrence in the national economy. Structural change does not require creativity to propel growth, but once a country has exhausted the chances from structural change, creativity is needed to stay on the growth path. Why? Basically in my view, without creativity that implies the capacity to distance oneself from the current state of affairs, individuals and nations cannot stand the increased competition prevailing worldwide today.

I am sticking to Herbert Simon's (1983) pragmatic definition of creativity: "From time to time, human beings arrive at ideas that are judged by their fellows to be both novel and valuable. The values discerned in these new ideas may be intellectual, esthetic, practical, or what not. It does not matter." Stressing novelty and social value may appear a very light and non-demanding approach to creativity. It is rather the contrary: producing creative ideas requires, according to Simon: "(1) willingness to accept vaguely defined problem statements and gradually to structure them, (2) continuing preoccupation with problems over considerable periods of time, and (3) extensive background knowledge in relevant and potentially relevant areas." Clearly, creativity is the result of a lengthy and costly individual and social process of accumulation.

As a matter of fact, French and Italian public policies have evolved recently along many directions that do not enhance those aspects of creativity that impact positively on economic growth. In a recent comparative study on (economic) creativity in Europe, Florida and Tinagli (2004) use relatively hard information, such as the number of researchers, of high-tech patents and attitudes towards minorities. (I mean "hard" in opposition to soft information derived from surveys of opinion.) Italy is at the bottom of the scale of the index Florida and Tinagli construct. It lies just above Greece and Portugal. France is not doing much better: it ranks 9 out of 15 on the same index. Italy has also one of slowest creativity trends: it does barely better than France and the United Kingdom that are at the bottom of the scale. Dismal performance of both Italy and France on this account of creativity brings at least partial confirmation of the pairing of the two countries in Phelps's paper.

France, in particular, but also Italy, spends considerable amounts of public monies on culture. Yet, the media and the establishment argue, supported by a debatable economic literature, that too little is spent in Italy on culture. This literature maintains that making works of art available to the large public creates a growth-promoting context. The main point to remark, however, is that expenditure for culture and art is mostly dispensed for "fruition" and not for creation, which

clearly does not foster creativity. Museums, not to speak of opera houses, are largely visited by elderly people and cannot be, by themselves, a cradle of innovation.

Also the idea, disseminated particularly by the UNESCO,¹ that cultural and creative industries generate high growth is very popular in Italy and France. In Italy the stress is on the direct contribution to growth and employment deriving from creative sectors. While in France the range of activities branded as creative is limited to the media, in Italy the list is exceedingly expanded to include also all the traditional cultural activities, such as libraries, museums and the performing arts.² Even following this all-including definition the share on GDP and employment remains quite low. Capone (2007) provides an estimate of size and growth of creative industries in Italy from 1991 to 2001. His definition includes: publishing; music, film and video; telecommunications; software and computing; advertising, graphic design and fashion; film and performing arts. Total employment is about one million people, corresponding to a mere 4 % of total employment.

3 Quality of Life For Almost All, But For How Long?

France and Italy are happily (still) performing well in terms of traditional (measures of) quality of life and are also highly reputed for that. Both countries are a preferred destination for rich, old and retired expatriates, for example. Tourist books and even fictions and movies praise them as extremely pleasant places where to travel and to live.

Live expectancy (even more, healthy life expectancy) is a very good proxy for traditional quality of life. Italy ranks third in the world on this account (France is very close).³ More remarkable is that Italy has also one of the highest increases in life expectancy in the last 25 years. While growth started to decline, Italians (and French people) started to live much longer. There is a substantial literature showing, and explaining, a negative relationship between ageing and growth in industrialized countries, where mortality rates are already low. This relationship goes mainly through increased saving at the expenses investment in human, and even physical capital, by both individuals and the state.

For young people increased life expectancy is a bonus; young generations definitely enjoy many features of traditional quality of life and the prospect of enjoying them longer is beneficial. At the same time, they carry most of the burden of the decline in growth. Unemployment is huge as it has never been before, while remunerations and perspectives of improving economic conditions are falling to dismal levels. It is up to young people to press for policies that stop economic decline and lead to growth, while preserving those features of the traditional quality of life that they enjoy, even though young people do not control the number of votes

¹ UNESCO Institute for Statistics, *Measuring the economic contribution of cultural industries. A review and assessment of current methodological approaches*. Paris, 2012.

² UNESCO, *Measuring* page 52. See also *White paper on creativity Towards an Italian model of development* W. Santagata (ed.) Ebla Center, Torino, 2009.

³ See *World Health Organization Statistics*.

needed to dictate change in the electoral process. Social attitudes and policy choices can render the impact of ageing on growth even worse, strengthening negative loops.

Increased expectations about surviving healthily through the very old age retard basic life choices, such as leaving parents' home, entering the labor market, getting in a stable relation with a person in the perspective of having descendants. Such retardations are particularly evident in Italy. Young people are staying longer in their parents' houses; they get married (or equivalent) later and have, consequently, fewer children. All these choices are a manifestation of an increasing risk aversion. Obviously, the decline of economic growth has made things worse: huge youth unemployment forces young people to stay home. But policies, on top of social attitudes, make things even worse, as shown by a few examples.

4 Reversing Policies to Restart Flying

The Italian government policy on tertiary education in last decades of the previous century has multiplied the number of universities with the creation of new universities in areas that were previously devoid of them, particularly in the backward regions of the South. The idea behind this policy was to improve access to tertiary education and to contribute to the economic growth of these areas by attracting talents and more qualified personnel. The policy turned out to be almost a disaster. The small funds available were completely absorbed by salaries leaving little to support and promote research and research institutions, such as laboratories. To divert students from existing universities with better reputation, the new entities lowered the standards for exams and getting titles, instead of stimulating investment in human capital. Moreover, students that previously had to move out of their hometown are induced to continue to stay home with their parents and are lacking the stimuli from the cultural and other activities usually provided by the bigger universities located in the larger cities. Students are now increasing realizing that closeness to home is, in the reality, an impediment to, and not an asset for, their career. They started migrating increasingly to the big northern universities. However, instead of recognizing the failure of the experiment, the government is presently considering to increase funding of the smaller and more inefficient universities to allow them to close the gap. It may take a long time to close this gap and it will take longer before reinvigorated small universities of the South can become catalyzers of local growth. Evidence, although scanty and debatable on this kind of issue, suggests caution. A study on creative local systems in Italy areas characterized by high density of creative industries shows that the top twenty local systems are all located in the Center North regions of the country (Capone 2007). Also Florida and Tinagli (2005) have replicated for the Italian provinces the index of creativity they built for Europe. Again, one has to go down the list for a while before coming across Southern areas.

Education is not fostering the creation of growth-friendly skills neither at the primary and especially secondary school levels. Pedagogical inertia in Italy (but also in France) still creates student backgrounds and skills that run counter the needs

of a technologically advanced society. Curricula at all levels of pre-university education are still mostly based on classical disciplines and were created to serve the needs of the small elite of a traditional society. This traditional school education turned out to be reasonably suited also to the needs of an emerging industrial society by providing to a large majority of the population a general uniform cultural background that facilitated communication and mobility across firms and sectors. This background still contributes to pleasantness of life, but has become largely unfit to the needs of a technological/digital society, where science, mathematics and all sorts of communication skills, in particular, are required. Also uniformity of curricular choices across the country is, in a perspective of change, a liability.

A substantial overhaul is needed, but it is strongly opposed, particularly by teachers and their unions. Even modest attempts to reform curricula are resisted. Last spring that happened in France with a timid reform that aimed at increasing the weight of sciences and modern approaches to human capital building in high schools curricula at the expenses of Latin and other classic disciplines. The government was forced to revoke the reform by assigning only an experimental character to it. Rather than being just experimental, the reform of curricula should indeed be spread out much as possible. Given the resistance of teachers, families and students, wherever possible, could be made responsible for the choice of what and how to study through school-based management. This appeal to subsidiarity is particularly to recommend to Italy, where trust in political institutions is very low.

Finally, one of the biggest limitations not to creativity itself, but to the economic exploitation of creativity is language. France and Italy are rather provincial on this account. Mastering foreign, languages and especially today's *lingua Franca*, English, is still reserved to a rather small percentage of the population. To be more precise, the knowledge of English does not represent a constraint on the supply side of the economy. There are now enough people with enough knowledge of English to allow the insertion of the national economy into the global one. The lamented brain drain is also evidence of this. The constraint operates rather on the demand side. The general public does not know English, which requires that all consumption items with an explicit linguistic component have to be presented in Italian (or French). It is the case of films, of plays and, more importantly now, of all services made available on the net, be it travel, home restaurants, or financial investment advice. This means that local producers/providers have to express themselves into the national language, which is easier, but becomes a handicap because it shifts the focus on satisfying the tastes of the national public. By definition, this entity is smaller than the global one. There is possibly in France and Italy enough talent to generate the national (slightly inferior) equivalents of Bill Gates, Elon Musk, or Jack Ma, but the barriers to fully take advantage of their talents are much stronger because of the limited size of their primary market imposed by the linguistic barrier. Overcoming this barrier is not a problem that can be solved by school policies, although they can help a lot. It is a societal problem, requiring an outward looking, and more curious audience for all what is produced by different cultures. From the linguistic point of view, France and Italy have the wrong size. Their market is big enough to protect local production, but not big enough to provide economies of

scale that allow easy access to the global market. Maybe France, still enthralled in the dreams of the *Francophonie*, will have more problem to recognize this reality.

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