

Italy on Trial: The Cat Eating Its Tail

Judith Harris (August 08, 2011)



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ROME – Questions about Italy pour in from all sides, but let's face it: no one has the answers. So let's pretend this is a press conference and, with the humility owed to such a difficult moment, attempt at least tentative replies to some of the pressing questions.

Q. Italians may have public debt, but they have relatively little private debt because, unlike in the US, the Italian banks are notoriously cautious about making loans. Is it really so dangerous that



Italy's public debt is 120% of GDP? (GDP—PIL in Italian—is the European version of Gross National Product.)

A. It's true that the banks have been cautious, but the Italian government owes outsiders 20% more than the total which the whole country earns in a year from its production of goods and services. The worse things are, the more servicing that debt costs citizens because interest rates rise according to the damage. To pay such a high rate of interest simply makes Italians poorer, and the debt bigger. The cat is eating its tail.

Q. Who cares?

A. Everybody. The global economy is a series of communicating vessels, and, as the current crisis shows, what harms one country harms another. If the Euro has a cold—and it does—the US stock market sneezes. If Germany agrees to help Italy with a bail-out, the German politicians, who answer to their tax payers, know they will pay at the polls. In ordinary households in Italy, resentment of the government for the current mess translates into alienation from the political class and from the government—and this in a country whose tradition is that people are subjects rather than citizens, an attitude which legitimizes the national sport of tax dodging. According to the 2011 edition of the independent social research institute EURISPES, the political parties command the esteem of barely 8% of Italians, the combined polling result for “maximum confidence” and “enough confidence.” This means no confidence on the part of 92%.

Q. But Greece was helped.

A. With a population of under 11 million, Greece is a small country by comparison with Italy, population around 60 million. If Greece was too small not to save, Italy may just appear too big to save.

Q. Who's to blame?

A. Sloppiness on the part of the political class which has been governing for the past two decades. From 1975 until 1983 Italian public debt hovered below 65% of GDP. At that point the debt began to creep up slowly but inexorably under a series of governments headed in turn by Christian Democrats, Socialists and temporary caretaker cabinets run by non-political experts. By 1992 it had bounced up to 105% of GDP. Under the Silvio Berlusconi government, in power from May 1994 through January 1995, public debt continued to advance, reaching almost 122%. Since then, despite efforts of both rightist and leftist governments, it has never gone below 104% of GDP.

Q. Anybody who's ever gone into a public office or post office knows that the Italian bureaucracy is bloated. Why not just fire them?

A. In all fairness, at the end of World War II, Italy inherited a tough situation. Fascism left the state involved in half of all Italian corporations, and half the industrial capacity had been destroyed. Unemployment was therefore tragic, and the state hired tens of thousands more employees than it needed in order to keep people off the dole. This was aggravated when farm laborers abandoning the countryside for the city needed work. A tradition of working for the state sank in, generation after generation.

Q. But today the bureaucracy is bloated, and civil servants are in unions that have been slow to catch up. Why doesn't somebody do something about it?

A. Many have tried, but vested interests prevailed. Today one of the discussions turns on cutting out the provincial governments, there being local, state and national as well. But no one dares, and in



the latest version of the emergency budget this rather obviously desirable reduction of a needless bureaucratic layer is not mentioned. Twenty years ago a cabinet minister charged with reducing the bureaucracy tried to install a merit system for promotions, starting with teachers. He was simply blocked by the unions. I also recall a demonstration down Rome's Via del Corso where signs read, BANK EMPLOYEE POWER.

Q. That was a long time ago. So today what is the way out?

A. Three possible ways out are under debate. The first is to keep the present government in charge on grounds that it is unwise to rock the boat in the midst of such a serious economic crisis. The second is to kick the government out and hold new elections as soon as possible under the current election law, which hands a huge premium of members of parliament to the front-runner and beefs up the powers of the political party bosses because they, and only they, choose all the candidates. The third is to install a caretaker government of non-politicians to tend the store (and revise the particularly nasty election law). Candidates mentioned as desirable to head such a caretaker cabinet of experts are the reputable Mario Monti or even Mario Draghi, both distinguished economists.

Q. What about the vote for overseas Italians?

A. Until and unless the right to vote is challenged under an hypothetical new Italian election law, the right to vote remains extended to overseas Italians. This Spring's referendum votes were warning bells, however. The votes of overseas Italians were at risk of not being counted because, between the time the referenda were voted overseas, and the time when the vote took place in Italy, the wording was changed. This time it did not matter because the referenda were passed by a huge turnout, and there was no chicanery. But such a situation should be on watch for the future, as should the possible (if not yet probable) revision of the current law.

Q. Does the Vatican have a say in any of this?

A. Yes, and talks are underway about reviving an openly pro-Church party. Reliable sources report that Pierferdinando Casini, who heads the Unione di Centro (UDC) has just had talks with high Italian Church officials, who are now opposed to early elections. Casini had been calling for Premier Berlusconi's resignation, but has now reversed his position, saying in effect, "They're the government—let them go ahead and govern." The Church, it would seem, is now in the don't-rock-the-boat camp.

Q. Well, Ms. Smarty-pants, where do you stand?

A. I would like to see a technical government put in charge to handle the crisis, and rewrite the election law – while protecting the right of overseas Italians to vote—followed by elections next Spring. And may the best man or woman win.

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