

Old Italy: no country for young men

*By Valentino Larcinese**

The Italian economy is in a bad shape. In the last 15 years Italy has had a GDP growth rate which is half that of the other EU-15 countries. More warnings on poor expected growth and productivity performance have recently come from the IMF and the OECD. With an economy disproportionately dependent on low-tech manufactures, Italy is increasingly exposed to the competition of emerging countries with an abundant and cheap labour force. With the introduction of the euro, devaluing the lira is not an option anymore: Italy finally needs to face the structural limits of its economy if it intends to maintain its prosperity in a globalized world. Poor infrastructures, high public debt, an inefficient public administration, an inadequate legal system, strong corporations and lobbies that can successfully impose huge costs to the general population, not to mention widespread organized crime: Italy has postponed all its problems for too long and is today a sad place to be young. Not sad for everybody in the same way, though. In Italy "*la dolce vita*" is more often inherited than gained through work and merit. Professions are transmitted from father to son, like any other asset. Social mobility is low, effort and skills are often not rewarded, and the best jobs regularly go to the "*figli di papa*", people with the right family connections, no matter how dumb and unprepared.

The recent saga of Alitalia is emblematic of the Italian economic and political troubles. Alitalia is a company that, once no longer protected from external competition, has been incapable of facing the market. Most Italians barely care, since the prices of flights have, as a consequence of competition, fallen dramatically. Nevertheless, Alitalia remains an important company with some valuable assets (e.g. the airport slots) and it would probably still be possible to bring it back from its coma and save most jobs, as Air France proposed to do. But one day Berlusconi arrives in defence of national pride, using the usual rhetoric that disguises the usual favours to the usual families: nationalism in Italy appears only during the world cup or to protect Italian capitalists from real competition. He is soon joined in singing "*fratelli d'Italia*" by the radical left. The trade unions know that they can now bargain harder, not for a more efficient company but for an old style oversized Alitalia. The consequence is the withdrawal of the Air France offer, a much more uncertain situation and the serious possibility that Alitalia goes bankrupt or, the least desirable outcome of all, that it will still be the taxpayers who keep paying its losses.

The temptation to postpone again the solutions to Italy's structural problems is strong: this is essentially the plan of Berlusconi and his neo-mercantilist economic minister Tremonti, with their proposals of reducing taxes and imposing tariffs on Chinese imports. If they had a chance they would probably even abandon the euro (whose introduction they "blame" on Prodi), officially bringing Italy into the Third World. Let's pretend that the last two centuries of economic research never happened: even David Ricardo and his battle for the repeal of the corn laws in the early XIX century would be enough to show us how confused, and possibly dangerous, some Italian politicians are today.

The Democratic Party has a more articulated programme to rescue the Italian economy and to tackle some of its more urgent structural problems: reforms in the public administration, a more efficient legal system, more investments in the

education system and in research. Above all, the Democratic Party is today much more credible for what concerns fiscal discipline and competitive markets. Probably the main achievements of the brief Prodi government have been to fight, quite successfully, an endemic tax evasion and to try, less successfully, to liberalize parts of the Italian economy. It remains certainly not easy to explain to left-wing voters that, in an almost feudal economy, they should not be afraid of free markets and that you need a Margaret Thatcher before you can blame free markets for inequality. This is also one of the reasons why it is hard to say whether Veltroni would manage to deliver his promises. But in his programme we can at least see a clearer understanding of the urgent and dramatic problems that Italy needs to face in the near future.

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