The Failure of Italy's "Second Republic" and the Difficult Path to the Future.

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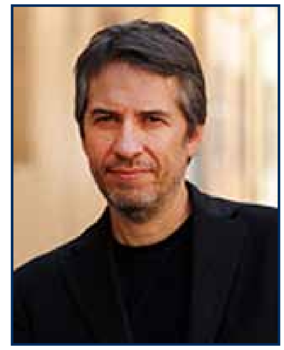

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In the last years, he has directed two large national research on urban suburbs and on italian working class and its transformation. He is the scientific coordinator of Genius Loci. L'archivio della generatività italiana focussed on a collection of "generative", a project based at at Istituto Sturzo in Rome, collecting and analyzing best practices among firms, associations policies aimed at identifying the institutional and moral elements for a realistic reformation of italian society.

Among his most recent publications: *Il potere istituente della società civile*, Laterza, Bari 2005; *I nuovi ceti popolari*, Feltrinelli, 2006 (with M. De Benedittis); *La città abbandonata. Dove sono e come cambiano le periferie italiane, (a cura di) Il Mulino*, 2007; *Libertà immaginaria. Le illusioni del capitalismo tecno-nichilista*, Feltrinelli, 2009, *The city of flows. Territories, agencies and institutions,* (eds, with L. Gherardi) 2010 and *La grande contrazione. I fallimenti della libertà e le vie del suo riscatto*, Feltrinelli, Milano, 2012

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The latest report from CENSIS, one of Italy’s foremost statistical institutes, remarks that the current crisis of Italian society is starting to hinder individual mental energies. Even desire – without which a collectivity can build nothing good or durable– appears to be lost in the present confusion.

The notion that Italian problems are related to this deep level is perfectly sound. Yet the crucial point lies in defining what we mean by ‘desire’. Because albeit we can (and should) speak of its ‘withering,’ we must also remember that precisely ‘desire’ – short-term individualized, trivialized desire – has, for decades now, been a chief lynchpin for the strategies of all the protagonists of the Italian public scene.

The analysis of CENSIS is therefore useful if read as a stimulus to rethink the terms of the question we are facing. The Italian crisis has revealed the inadequacy of the anthropological premises of the political cultures that have long dominated Italy. By enclosing every possible discourse within the tiny perimeter of an ‘individual right to prosperity,’ these cultures have progressively alienated the country from the historical challenges of our times. Hidden behind their rhetorical screens, and beyond their admittedly rich internal articulations, Italy’s two main political matrixes have come to foster the very ‘wicked alliance’ among state, market and large sectors of society which has led Italy into an implosive spiral. While more and more self-absorbed, Italy has seen its nastiest flaws grow. Its current institutional, economic and moral crisis is eloquent proof of this process. To break and invert the ongoing involution, already encrypted in large parts of the social body, is no easy feat. Yet, there is no other road if the country is to avoid sliding out of history.

Statalism and inequality

The Italian model represents a sub-case of the European one, which assigns the State a prominent role in driving modernization processes and granting conditions of equality among citizens.

Yet for Italy the accuracy of this statement is highly debatable, especially when referring to the last decades. The next paragraphs will deal with the first aspect. Regarding equality, available data paint quite a disheartening picture. If we consider the most synthetic inequality indicator – the Gini coefficient – for the OCSE area, Italy ranks just below the US and the UK – that is, two of the most *laissez-faire* countries. Further investigation reveals that the last two decades have seen a worsening of Italy's profile: since the mid-eighties, inequality has grown 33%. Today 10% of all households hold 45% of the total wealth, while 50% holds a mere 9.8%. And things are getting worse.

Inequality traces dividing lines not only between the affluent and the vulnerable, but also between the two main areas of the country. Per-capita gross income of southern Italy (an area struggling between its dependency from state subsidies and its submission to organized crime) is still 60% of northern Italy's (a rich area well-integrated into international circuits) – a gap which has remained constant since the 1950s.

The anomaly is that this is happening in a country where half of economic activity is mediated by the State. According to ISTAT, another prominent statistics agency, in 2009 fiscal pressure reached 43.2% - and once submerged economy is factored out, it jumps to 51.6%.
We know that a good part of Italy's issues derives from the size of its public debt - which is now reaching 120% of the whole internal gross revenue, having exactly doubled in thirty years (in 1980 it was just below 60%). Even taking this factor into account, it remains true that the State holds a pervasive role in most social, healthcare-related, educational or economic activities.

We argue that two main factors are behind those disappointing results.

a. First, state intervention has yielded much less than professed: according to OCSE, the effects of state interventions on income distribution inequality in Italy rank above those of Anglo-Saxon countries but much below those of Germany and France. Compared to EU countries, Italy ranks badly in terms of the distributive efficacy of its state intervention. The same OCSE data state that the progressivity of transfers – and therefore their redistributive impact –in Italy is far below average.
b. Second, the co-existence of high levels of state intervention and widespread tax evasion determine a robust distortion in resources. According to 2011 data 90% of income revenue comes from labor, only 0.81% from self-employment, and 0.24% from enterprise income. And while over 600,000 households hold patrimonies exceeding half a million euros, as of 2011 only 1% of taxpayers declare yearly incomes exceeding 100,000 euros.

The strong state presence maintains, therefore, large zones of ambiguity such as the weak upholding of legality - which nurtures organized crime, the spreading of corruption, inefficiency, and resource waste.

Therein lie the roots of what has been called ‘statalism’. If indeed conditions of justice cannot be granted, what is the rationale for such a massive recourse to state intermediation?

In reality since the 1980s public expenditure – and therefore debt – has been a political instrument directly employed, at both central and peripheral levels, to build consensus. This consensus has progressively alienated itself from any notion of national development, eventually reducing itself to the object of a mere power struggle. The argument of debt service has been at most wielded to repel the demands of society.

Yet, as the well-known Tangentopoli scandal demonstrated in the 1990s, the centrality of the national budget is not the expression of a conflict between political, economic, and social interest - but of their inextricable intertwining. In a country of recent modernization like Italy, public money has been the central resource in the building of many a private fortune. Indeed, by feeding the many self-absorbed power nodes infesting Italy’s public life, public expenditure has progressively marginalized Italy within the ongoing transformative macro-processes – while increasing the well-being of a large population quota.

The gigantic misallocation of resources and ever-growing social inequalities could but follow as necessary consequences.

Low productivity, profits, loss of the centrality of labour

For years Italy has been registering weak growth rates. Concerning the last decade, while the GDPs of EU27 and the US have grown 2.5% and 2.9% respectively since 2000, the GDP of Italy has grown only 1.5%.

While such lackluster performance can be explained by many factors, all analyses concur as to the importance of the insufficient advancement of national productivity – which decreased 6.4% in the 2000-2009 period while in the rest of Europe it grew 5.6%.

Indeed, productivity can be employed as a synthetic indicator to gauge the health of an economy – not the least because numerous factors converge to determine its course, including technological innovations, investments, employment and labor qualification, and the composition of economic sectors.

While all of these aspects are very important, in this discussion I will focus on a topic that I consider crucial: the relationship between capital and labor. My argument will start with some considerations about the distribution of added value among the various factors of production.

First, as surprising as it may seem, the last thirty years have seen a steady decline of the relative weight of labor, advantaging other forms of revenue (profits and unearned income): between 1976 and 2006 the incidence of added value of labor decreased from 68% to 53%. In this case the Italian data also accentuates a more general trend: if at the beginning of the mentioned period Italy ranked slightly above the OCSE average, in 2006 it ranked below the same average by two percentage points. According to the International Labour Organization, between 1988 and 2006 Italy's actual salaries decreased 16% in conditions of purchase power parity. On the other hand, the arrival of large quantities of unskilled immigrant labor (less than 10% of migrants below 25 years of age hold university degrees in Italy, against an EU average of 30%) contributed to driving the country towards a development model where labor does not constitute a precious resource on which to invest, but a quantitatively abundant one and, as such, to be used at whim. Although enterprises and sectors driven by the opposite logic do exist, large parts of the Italian economy chose an adaptive policy relying on de-qualified labor and low salaries. And in an advanced country, this policy cannot indeed lead very far.

The reduction in labor's weight has been, in the last two decades, paralleled by an increase in profits. According to data from Mediobanca (the largest business bank in Italy), since 1995 - with the exception of 2004 - profits in Italy have been constantly positive and quantitatively substantial. However, this has only partly translated into increased investments: starting in the early 1990s, the quota of fixed gross investments on profits has decreased with respect to the previous phase, remaining steadily below 70%. This is also confirmed by the course of capital per hour, which grew only 0.7% between 1980 and 2007 while labor productivity grew 1.4%. ICT investments fared even worse: between 1980 and 1995 in this field the two aforementioned parameters amounted to 2.2% and 1% respectively, while between 1995 and 2007 both plunged to a meager 0.4%. If we add to this Italy's weak power of attraction of foreign investment (the country ranks merely 15th in the international list with most incoming flows concentrated in the commercial sector, which testifies to a perception of Italy as a large consumption market more than as an interesting place for production or R&D) and the limited public investments (which from about 3.5% of GDP in the 1980s have plunged below 2.5% from the mid-1990s), the overall picture appears quite discomforting.

Given this context it is rather unsurprising how wearing is for Italy to hold its positions in advanced sectors. In terms of high tech components of instrumental goods, in the early 1960s Italy still ranked above the OCSE average of 2.35 percentage points. Yet by the end of 2006 the country was suffering a severe lag (-25.64%). The same has happened for intermediate goods (from +0.38% to -10.14%) and consumer goods (from -7.73% to -14.41%). In the last decade, the sectors more exposed to international competition (extraction of energetic minerals, food, alcohol and tobacco, processing of non-metallic minerals, electric and electronic machinery) have suffered the most in terms of cost-effectiveness, crushed between the price competition of foreign markets and the increasing prices and tariffs of the domestic one.

There are, therefore, elements inducing us to think that the staleness of Italian productivity may also be due to the disengagement of the owner's class from mid-to-long terms investments. Faced by the alluring dividends granted by other kinds of investment – led by financial markets (the incidence of financial revenue on GDP has grown from 3% to 9% in two decades) - and by the advantages of delocalization (albeit still limited for Italian firms), the argument for investing in Italy's production loses much of its strength.

Deepening our analysis, we can see that what has really happened throughout the years is a redefinition of the very internal relationships within the capital sphere, which boosted oligopolistic revenues (since the start of liberalization politics in 1993, they have seen a 0.4% yearly increase in their average incidence on added value) and especially real estate ones (1997-2007 was an extraordinary decade for the sector as sales income doubled, production increased 40%, real estate value grew an average of 63% - 100% in Milan and Rome, and investments grew 13%, twice the rhythm of GDP growth).

With a fitting expression, the situation has been described as the struggle between the 'Luigini' (those who have been able to gain illegitimate extra resources from their socio-economical exchanges) and 'Farmers' (the real producers of wealth and, in general, the consumers) which has seen the former triumph – much to the dismay of the latter and of national development.

A last piece of the puzzle: Italy appears to have lost attractiveness for foreign investments, which are indeed at the lowest levels among EU countries. Many reasons are behind this: high fiscal pressure, bureaucratic complexities, slowness of the judiciary system, and labor market rigidity.

All in all, without a gravity center and a clear strategic logic – except for the almost-forced decision to adopt the EURO currency and to comply with the requests of the Stability and Growth Pact – the Italian economic system has taken a road leading to economic marginality, forfeiting any investment on its future. It was too strong a temptation for a country which had only just reached well-being while still being dominated by small family enterprises and centered on territories rich in history, sociability and quality of life.

It is plain to see that such an economic model could only survive thanks to the tolerance, complicity and compromises granted by a political system more than willing to use national debt to mediate conflicts and satisfy expectations. Around this model a game of mediatized and communicative illusions managed to conceal increases in social inequality, the middle class crisis, and the erosion of productivity. Eventually the model ended up hindering investments, labor, and development to the advantage of unearned revenue, consumption, and well-being.

Demographic block and social mobility

Between 1945 and the end of the 1970s, Italy had been a country rich in opportunities. Combining economic growth and inequality reduction, its society went through one of those 'magical' periods in which individual effort actually appears to be proceeding alongside collective development. 70% of those born between 1900 and 1987 managed to reach a higher social class than that of their parents.

In reality, this result was obtained thanks more to the upward movement of the entire social and occupational structure than to the introduction of meritocratic criteria and adequate recognition of individual merits. Even during the better years, the probability of attaining higher education or of reaching the higher social positions remained conditional to class membership. The Italian model of social mobility, more than on the good functioning of its selection mechanisms, relied on the ability to maintain satisfactory levels of economic growth.

This model experienced a rupture in the 1980s as it started to lose dynamicity. Perhaps we haven't reflected enough on this passage: after quickly reaching the historical objective of diffused well-being, Italian society started to stall. Not only, as we have seen, economically – but also socially and demographically.

The demographic block has been caused by population ageing and fertility reduction. The first phenomenon is consequent to the success of the Italian model, which has fostered an extraordinary increase in the life expectancy: currently male and female LEs amount to 78.3 and 83.8 years respectively, some of the highest in the world. In 2050 average LE could reach 86 years, exactly 100% more than in 1950. Between 1981 and 2007 average LE increased over 5 years and the quota of individuals over 70 years of age grew 5%, reaching 14% of the total population. In this period, LE grew at the rhythm of two years every decade. In 1974 a twenty-year-old could expect other 52 years of living; thirty years later the same twenty-year-old can count on 59 more years. Today one in five is over 65 years of age and even the ‘super-seniors’ (over 80 years of age) represent 5.3% of the population.

Albeit in absolute terms it has increased, the ratio of employed individuals in relation to the overall population has been diminishing. So has senior involvement in the labor market: while in 1986 40% of males with 15 years of expected life were still employed, in 2006 senior employment rate was next to zero. Implications are far from slight: compensation for the expected 14-to-20% reduction in per-capita product during the next 40 years would necessitate a yearly increase of labor productivity of 0.6%.

Concerning fertility, between 1960 and 2007 the fertility rate in the EU area shrunk from 2.59 to 1.5 children per female; in Italy it almost lost 50% (from 2.41 to 1.29). Only in the latest years could a slight improvement be registered: in 2007 the fecundity rate of females residing in Italy has grown to 1.37 children per female, the highest in recent years. The causes of this have been hotly debated for years now. It is probably true that the apparent paradox of the complete lack of a comprehensive family policy in a Catholic country is but the most evident symptom of a (still ongoing) cultural conflict over the notion of ‘modernization’. Yet beyond this, this impressive reduction in fertility cannot but relate to the sudden well-being reached by Italians. This well-being impacted expectations, life-paths, and lifestyles, and on the rapid transformation of the male/female relationships inside and outside the family. Family, in particular, has undergone rapid change: from being a core of stable relationships associated with strategies for economic growth (such as small family enterprises) and social mobility (such as the attainment of educational degrees), it became first a relational-affective nexus centered on consumption and on access to individual satisfaction, and subsequently a system for the management of relational needs (especially relative to elderly people).

In any case, the demographic block tells us one thing clearly: the gravity center of social life has moved from inter-generational ties to the immediate well-being of the individual.
The combination of economic slowdown and demographic block could but traduce in a block of social mobility. This is precisely what happened. Indeed, the elasticity of intergenerational income levels – which measure the probability of maintaining the same income level between children and parents – has reached very high levels, marking a clear break with postwar generations. Since the beginning of the 21st century, relevant quotas of the population have started to experience downward instead than upward mobility: the outlook for children appears, at the moment, to be grimmer than for their parents. Having quickly reached well-being, Italian society implicitly chose to protect and stabilize established interests, disregarding mid- and long-term consequences. In the labor market this translated into favoring insiders (adults, especially male) over outsiders (youngsters, especially female). In the Italy we know today the probability of working in an unstable or temporary position more than doubles for those below 34, while their unemployment risk is twice that of the 35-54 age cohort and five times that of 55-64 cohort.

Beyond a waste of human capital, this mortifies individual expectations and in the long run exhausts the best energies of the country. The female question is, in this respect, never stressed enough: while Italian females constitute the best-qualified part of the younger labor force, they continue to suffer strong discriminations in terms of career opportunities and salary levels. Moreover, females appear more exposed to poverty risks. The female component of the Italian population appears to be the one that invested the most in its future but reaped the least in terms of recognition and opportunities.

Disinvestment in the future is also evident in the contradictions of the educational system. The number of dropouts remains very high: 117,000 or 7% of 14- to 17-year old youngsters dropped out of the educational system in 2008; it gets even worse – 12% – for the children of migrant parents. It is rather saddening to see that in a country where few children are born, almost one in four minors lives in conditions of relative poverty, and that families with three or more minors run a doubled poverty risk.

Even ignoring its most problematic aspects, the Italian educational system does not give particular signs of brilliance: TIMSS data on 9-to-13-year-olds rank Italy below Serbia and Hungary; PISA data on 15-year-olds ranks Italy in the lower half of the list (below Greece and Portugal). The rate of university graduates is among the lowest in advanced countries, while Italian universities are permeated by a diffused dissatisfaction about the selection criteria and career opportunities for young researchers. According to OCSE the problems of Italian universities are due, much more than to the lack of public funding, to mismanagement and to the lack of a proper system of rewards and incentives.

Altogether these aspects paint the picture of a country that appears to have renounced any investment in its future and is no longer able to destine the necessary resources – not only monetary but also human and affective – to enable its children to meet the demands of their times. In two generations, Italy has transformed into an ageing, static country where the young are by and large excluded from the few available opportunities.

Paradoxically, the only sign of vitality is the robust migratory flow which began in the mid-nineties. In fifteen years foreign residents have reached 4.5 million or 7% of the total. The 488,000 units population increase registered in 2007 (the year of the inversion of demographic decline) is entirely due to the positive migration balance (+494,871). Yet it would be naïve to consider immigration as a solution for all national problems: notwithstanding integration tensions, to maintain in 2050 a 30% ratio between the over-65 cohort and the 14-16 one (a value in line with the present one) would require an average yearly immigration exceeding one million units.

The failure of the Second Republic and the difficult task of the Monti Government

We can now see the failure of the Second Republic. Born on the ashes of fifty years of Democratic-Christian rule, it was the expression of two non-Catholic modernization projects: the one of Silvio Berlusconi and the one of the former-Communist now-Democratic Party. The former used its relationship with the Church opportunistically; the latter never solved the issue of its relationship with the diffused Catholic culture.

The advent of the Monti government –strongly driven by international pressures and by the President of the Republic, Giorgio Napolitano - has ended this phase, while re-establishing Italian credibility on international markets. Yet to cure the flawed lifestyles which brought about this phase is an entirely different task.

The Monti government is trying to win an impossible challenge: to contain the explosion of the national budget and to re-launch economic growth. To attain the first objective, it will be forced to either cut expenditure or raise taxes – producing, in both cases, recessive effects. To stimulate economic recovery, on the other hand, it should do the exact opposite, hindering the national balance. Under these conditions the equation is insoluble - with the very real risk of breaking the balance that, albeit perversely, has been keeping Italian society together.
There is no way out of this trap – unless the temporal variable is introduced. Indeed, the contradiction can be solved only if we give ourselves the time necessary to go through a period of sacrifice in order to foster the resource re-allocation that is needed to reduce dissipations, sustain the export of our enterprises, boost the country's attractiveness, and invest in research and on the young. Such a program clearly exceeds a "technical" stance and is primarily political.

Yet precisely here lies the point: who will be able to give spirit and time to a society that is so accustomed to "seizing the moment" and dissipating itself in instant satisfaction?