Abstract

Italy is currently the democratic world’s most underestimated European ally. Many commentators seem to have forgotten that despite its notorious institutional and debt problems the country remains one of the richest and most technologically innovative Western nations. While its politics are often theatric and superficial, its labour market inflexible and its bureaucracy opaque, Italy’s real economic basis remains one of the strongest in the world. The continuing paradox of systemic failure and coeval structural productivity characteristic for modern Italy originates in the very foundation process of the nation in the 1860s. It is thus deeply rooted in the socio-political culture and is not likely to change anytime soon. However, these challenges might be viewed as good news in times of crisis: Unlike other Western democracies, Italy’s economy and civil society are accustomed to functioning amid enduring institutional and political obstacles and crises. Disregarding alarmist voices, the country’s outlook remains positive after all: Its systemic weakness is balanced by structural strength. In order to assess the situation of countries more properly in the future, we need a more sophisticated system of indicators that takes into account a greater, more complex picture; and this presupposes a more diverse and multi-polar system of rating agencies.

Keywords: Italy, European Debt Crisis, Reforms, Finance, Economy, System, Structure, Global Change

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I. Introduction

“The future of the Euro-zone will depend on Italy.”¹ As correct as this analysis of the Chief National Economist of Deutsche Bank, Thomas Mayer, may be, as many alarmist voices concerning the economic and political situation in Italy have echoed in the past months across the international scene—both before and after the government change from Silvio Berlusconi to Mario Monti on November 12, 2011, which, ironically, instead of tempering the moods seemed rather to confirm the widespread alarmism. But too many of these voices have been based, intentionally and unintentionally, on psychology, fast-paced short term information and bias, rather than on solid facts and figures. The Italy the transition government of Mario Monti is in the process of taking over after 17 years of Silvio Berlusconi is hardly the country that has been depicted in the Anglophone debate these months.

Most observers would agree that any sound assessment of the situation and its inbuilt perspectives has to start not on all too everyday political outcries, but on the sound ascertainment of the average numbers of economic performance in the mid term, as well as of their interdisciplinary interrelation with the historic and socio-cultural backgrounds of the specific political culture in play. Strangely, there have been few such assessments in the English-speaking public debate during the now half-a-year European debt crisis. Yet any detailed overview over the empirical facts and figures on the economic and political situation, taken as a whole and seen in their causal interdependence with the surrounding contextual political factors, tends to counter a good part of these widespread prognostications of the Cassandra’s on Italy’s current crisis. Such an overview shows that the Italy of Mario Monti is on the one hand institutionally weak, but on the other hand remains economically strong—as it has over the course of its modern history.

The conclusion from a sober and realistic view, based on a concise overview over the current facts and figures and the historical background of the present situation, including its often undervalued, but deep-reaching causes in the history of ideas, is that the Italy of Mario Monti’s transition government is a two-edged sword: It is systemically weak, but remains structurally strong. Meaning: The core of the Italian economy remains one of the most solid and most productive in Europe, while the political, governmental and administrative dimensions of the Italian public system that originate in the very foundation process of the Italian national state in the 1860s, and its subsequent developments in the 20th century, are in need of major improvements. Against the blueprint of such a multi-layered assessment, many of Mario Monti’s planned measures are overdue, while others appear as a two-edged sword, and some long-term issues seem to be still undervalued. In essence, the outcome of a careful review of the situation is that Monti’s envisaged reforms should be centered not on the structural, but on the systemic dimension of the characteristic inner dialectics between the Italian nation-state, its economic performance and its political culture.

II. Facts and Figures

The case of Italy’s debt crisis is on a different level than the previous European crises, considering that Italy is four times the size of Greece, Portugal and Ireland combined, with a GDP of US$2.1 trillion, making it the eighth largest economy in the world and the third largest in the Euro-zone after Germany and France. This standing amongst the world’s largest economies is not likely to change anytime soon, in that the next European and global competitors remain fairly distant: Spain, the next largest Euro-zone national economy, registered US$1.4 trillion of GDP in 2011; and India, the next biggest global national economy, was at US$1.6 trillion. Thus, the mistrust of the international money markets against the performance and future perspectives of the country, even after the take-over of Monti in November 2012, although widely irrational, acquires a noticeable significance for the future of the global economy and the European project.

Italy holds the third-largest gold reserves in the world—not exactly a disadvantage in a situation when gold is at the highest levels in history. It enjoys a high living standard (according to UN integrative statistics among the top five in the world), with comparatively low private debts and is technologically innovative, as the recent takeover of parts of the U.S. car industry during the financial crisis of 2008-2011 underscored. Yet, it has been considered to be the most vulnerable national economy in the European debt crisis because of its large public debt, which reached 119 percent of the GDP in 2011. Although the country is considered “too big to fail” because it could hardly be saved by the European rescue funding programme due to its sheer size, there continue to be fears that a further loss of trust by the international money markets could trigger an unprecedented crisis.

Interest rates paid on Italian public debt rose to record numbers in the fall of 2011, due to the downgrading by leading rating agencies since summer 2011, peaking at the end of November 2011—notably after the take-over of Monti—at 7.3 percent, i.e. beyond the threshold risk zone of 6-7 percent that forced Greece and Ireland to slip under the umbrella of the rescue programme, inducing Italy to agree to independent national budget oversight by the International Monetary Funds and its European partners, beginning in the fall of 2011. Yet, unlike these countries, Italy features a strong, solid structural core in industry and services and above-average private wealth, second in Europe only to France and ahead of Germany, the leading economic power. These factors must be weighed alongside insufficient systemic dimensions, i.e., against the poor performance of institutions, public administration, the juridical system, the political culture and the government.

Italy features the second largest accumulation of private wealth in Europe (130,200 Euro savings per capita) after France (136,800 Euro) and well ahead of Germany (94,500 Euro), estimated at 9000 billion Euro (US$13,000 billion, i.e. almost the amount of the total U.S. public debt) overall worth. Private debts are well below US$10,000 per household (in the U.S. it is US$60,000); and the combination of private wealth and private liabilities puts Italy far ahead of the U.S. and most other Western countries in terms of per capita net savings (including real estate and landed property ownership, bank accounts, investment shareholderships and governmental bonds). One
result is that, unlike in the U.S., the Italian middle class—in the long term the single most important factor of economic performance in open societies—is more stable and altogether better off than in most other Western and emerging countries. Thus, the middle class is not as economically frightened as it currently is in the U.S., and much less ideologically polarized (though truth be told some degree of ideological division inherited by WWII’s civil war between fascists and the mainly communist resistance has increased since the formation of an overly-polar political party-scenery: center-right versus center-left since 1994, following the example of the U.S., a dualism that was meant to replace the chaotic, but much more multi-polar and “fluid” 20+ party scenery in place until then in the attempt to fight ungovernability and to create longer-lasting, more stable governments).

In his already famous speech at Osawatomie High School in Kansas on December 6, 2011 on the economic and social future of the U.S. and the threat that growing social inequality poses for the country, president Barack Obama pointed out that economic research “showed that countries with less inequality tend to have stronger and steadier economic growth over the long run.” Indeed, compared to the Anglo-American world, social inequality in Italy is moderate; while in the U.S. currently 50 million citizens, or 16 percent of the population, need governmental and other public assistance for food, shelter and medicare. In Italy, according to data of the governmental Italian Statistical Bureau ISTAT, it is around 2.9 million, i.e. 4.9 percent of the population. The middle class—the most important factor for any in-depth stability and continuity outlook—is broader than in the U.S. and the U.K. relative to the overall population, even if its medium income is somewhat lower. There has been no decrease in population like in other leading European countries, although the birth rate is only at 1.4 children per woman and thus among the lowest in the world, and the slight annual increase is exclusively due to immigration.

Italy’s economy remains based on small and medium enterprises. Unlike the U.S., the U.K., France and Germany, its banking and finance sector is largely centered not in speculative finance, but in the real economy, which in the current global transition process is decisively positive in terms of structural solidity and ultimately helped the country master the recent international financial crisis 2007-2010 better than most other global players. This remains true for crucial aspects of the European debt crisis. Italy’s banks are, unlike those of France and Germany, in comparison only negligibly involved in Greece, Portugal and Ireland lendings, and therefore less threatened by their failure; its industry continues to be one the strongest exporting businesses in the world.

These considerations prompted the 2011 push by outgoing Italian chancellor of the treasury Giulio Tremonti for a new international “aggregate debt assessment” of a country’s financial and economic reliability and credibility. Such a method of rating, according to its proponents, would include—besides the four basic factors of GDP, public debt as related to the GDP, annual growth rate and annual budget deficit—the structural basis of a country, among others its industrial facilities and performance, its hardware equipment and average grade of modernization and technological advancement, the

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quality and quantity of international involvement of its banking and finance sectors, the
size and interconnectedness of its economy, the percentual relation between middle
class, rich and poor (and thus social stability), as well as its private wealth as related to
private debt into a more complex overall picture. The G-20 agreement to consider such
an assessment method in order to avoid further downgradings and to limit the power of
rating agencies after February 2011 came decisively after Italian diplomatic pressure.
“Over the past few months, there’s been a tendency to ignore private debt and only to
focus on public debt,” Tremonti commented at a news conference. “Now the G-20
agreement to include private finance is a positive step for the Italian position ⋯ It’s no
longer an Italian invention but a position taken up by international governments”
(Tremonti, 2011). In fact, such a new method of assessment would immediately pull
Italy out of the default risk zone and noticeably lower the interest rates paid for its 10-
year governmental bonds.

It must be made clear, however, that such an “aggregate debt” assessment could,
in consequence, be an ambivalent, if not dangerous, method-less for a nation state as
such, but much more for the citizens and the general wealth basis of a country-because
it would de facto include private wealth in the overall strategies of indebtedness and
future anticipation of nation states, thus making private property, in essence, co-reliable
for the overall debt service, promoting a then truly all-or-nothing game which would be
inappropriate to stable economic advance. Additionally, as German chancellor Angela
Merkel repeatedly pointed out, it could weaken the resolve of states with high public
debt and high private wealth like Italy to undergo serious systemic reforms, and without
intending to subvert the Maastricht Growth and Stability Pact which foresees a national
debt limit for Euro-zone members of 60 percent of GDP. Since Mario Monti seems
aware of this triple ambiguity, it remains to be seen if his transition government will
continue to pursue lobbying the international community for new assessment methods,
or rather concentrate on improving the performance within the existing ones.

The unemployment rate in Italy is currently at 8.1 percent; 10 percent in the
Euro-zone, 8.3 percent in the U.K., 9.5 percent in France and 9 percent in the U.S. This
is another indicator of the irrationality of the current assessment of Italy’s situation. The
picture looks bleaker, however, if a co-decisive future factor, youth employment, is
considered in a comparative way. Italy doesn’t perform well in the employment of the
younger generations with close to 30 percent youth unemployment; but neither do most
other Western countries after the financial and economic crisis of 2007-2010, with Spain
at more than 40 percent and other leading Western nations at well over 20 percent.

It bears noting that according to European Union 2010 statistics, the industrial
triangle between Turin, Milan and Genova in Northern Italy is the most productive
region in Europe regarding real economic production (goods and services), more
productive than the greater London area; due to its rich natural beauty and cultural and
architectural heritage, tourism is a stable factor of national income, accounting for more
than 25 percent of the total annual revenue of the nation, which was at about 900 billion
Euro (regional taxation included) in 2011, making it the sixth highest government
budget in the world, and more than a third of the national federal budget of the U.S.,
with the latter five and a quarter greater in population and thirty times in geographic
extension. Some of Italy’s regions and provinces with special autonomous status like
Trentino-Alto Adige in the Central European Alpine area, centered on renewable energy production, “green” tourism (year around) and alpine technology, feature no debts at all, but produce regular and stable surpluses in their autonomous budgets year after year, advancing to become some of the wealthiest and economically most flourishing regions in Europe between the 1990s and 2010, while constantly ranked among the top 25 of all bigger-than-municipality administrative bodies on the continent. The basket life quality index of Italy is constantly ranked among the top five in the world.

All things considered, Italy is, in the aggregate essence of all factors mentioned, better off than many other countries, when we view the overall picture of the given impact factors in their interrelated complexity. Italy may not be in the top ranks of any given single impact factor and performance issue measured by international standard if they are considered in isolation, but understood in combination and as a package, Italy’s economic and social standing, including its stability outlook, remains among the very top in the world.

Therefore, in regard to the structural basis of the country’s crucial “hard factors,” as compared to other Western nations, the reality is far from that voiced by alarmists, particularly in the Anglo-American world, often with undertones of a certain short-term sensationalism. We are, for example, far from William Anthony Hay’s (Mississippi State University) statement that “can states fail within the developed world? Italy suggests the answer is yes” (Hay, 2011). While Hay’s warning of a basic systemic failure of the West is valuable in its symptomatic identification of interrelated causes, its single emphasis on Italy is widely off track.

Another-more grave, since multiple-misunderstanding, is that of London School of Economics’ Jonathan Hopkins (2011), who misrepresents the Italian debt crisis as a Euro crisis. As Euro-zone-chief Jean Claude Juncker and the leaders of most other (directly or indirectly) involved countries have rightly and repeatedly pointed out, the European debt crisis is, as such, no Euro crisis, since it doesn’t regard the structural and performative essence of the Euro-zone productivity nor its interrelated overall weight in the globalized economy, although it could harm both on the medium and long term if not fixed. For a strictly economic viewpoint that doesn’t fall back in the notorious error of the “eoliberal” years to identify economic, financial and monetary issues with each other, it is right when former German Chancellor Helmut Schmidt (2011) says that “the Euro is more stable than the US$, which is highly overvalued, as compared to how much of it is around, and of how much Euro are around relative to the combined economic performance of its member states.” And right is former German chancellor of the Treasury Theo Waigel’s statement that “not the Euro is in crisis, but the households and debt burdens of some European countries” (Waigel, 2012). The same position was held by French President Nicholas Sarkozy in occasion of the bilateral summit with Mario Monti in Paris on January 6, 2011. Since the European Central bank, unlike the U.S. Federal reserve and the U.K. central bank (Bank of England), refuses to simply print more Euros in order to serve the liquidity and debt issues of its member countries and to buy up more government bonds of threatened countries, this is most likely to stay so. Italy, as constituent part of the Euro zone is no exception here. Although Mario Monti has occasionally asserted that he is not, in principle, against an “appropriate
“liberalization” of this practice, he is known as a conservative European faithful to the agreed principles which forbid a stronger role of the European Central bank and the transformation of economic and financial problems into monetary issues.

Second, Italy’s debt crisis is not primarily a financial crisis, as Hopkins asserts, but a crisis of political economy (liquidity problems are side effects of high interest rates on government bonds); it is not a structural crisis, as he suggests, but a systemic crisis (it does not originate primarily in the economic productivity or infrastructure of the country, but in the dysfunction of its institutions, which created a huge public debt and de facto hindered economic growth and expansion by inappropriate laws). It is symptomatic that the difference between monetary and currency issues on the one hand and economic issues on the other has not been received in the U.K. with its traditional tendency to solve problems of political and financial economy through monetary politics—which in most European leaders’ and my view is the wrong way, since issues of economy and finance should be addressed by economic and financial policies, and monetary issues by monetary policies, as it is still the European Central Bank’s credo against the respective advice of the U.S. and the U.K., who tend to mix these dimensions, not least because since the “neoliberal” 1990s they became used to seeing economic issues, including macro-economics, through the lens of finance. To such a misunderstanding also contributes the U.K.’s principal scepticism against the Euro and its overall poor understanding of the more complex—and in many ways necessarily more differentiated—Continental European socio-cultural realities. There are different financial and economic cultures and histories in play though, and when we compare the Anglo-American world (including the U.S. and the U.K.) and the Continental European realities, these cultural differences should be respected, since they work in different environments, both regionally and globally.

Eventually, it seems to be a rather unfortunate wording to blame “the Italian democracy” for these conditions, as Hopkins does, given that the crisis is no issue of democracy against authority. The more so, since there remain-allied or complexly interwoven with the still-unbroken Italian cartels and rope communities culture in general—many anti-democratic forces in the country, not counting the remnants of fascism, which are up to the present day organized as regular parties represented in the national parliament. Not least

1) the still unresolved case of the semi-secret “Loggia P2” which tried to assemble leading figures from politics, economics, military, culture, the catholic church and the higher educational system in order to forge non-public strategies of trans-disciplinary and meta-institutional vested interests; as well as

2) the case of the secret anti-communist armed organization “Gladio” which was a “sleeping” organization within Italian society controlled by Western secret services ready to launch a military coup against a potential communist Italian government in the 1980s and 1990s, with respective investigations and trials still pending up into the current Monti era, has shown that Italy is a particularly sensitive field when it comes to issues (and terms) of “democracy.” Hopkins may not be aware of it, but Central and Southern European ears bristle at the terms used here, not least for historic reasons.
Aside from these issues, I agree with Hopkins’ basic analysis that it is Italy’s system-again, not its democracy as such—that has been creating the crisis, and that continues to be the greatest problem for a sound developmental perspective of the country.

Last but not least, Paolo Manasse (2011) of Bologna University has proven speculative (at least so far) stating that Monti “finally [...] must reform the tax system by shifting the burden from firms and labor to consumption and rents.” In reality, rents have never been targeted since Monti took office, and are according to his programmatic statements, “out of the game.” As an experienced professional, Manasse also may know well that demanding “immediate reform” is a contradiction in itself. A reform that earns its name is going to take time. In contrast, every short-term immediatism would be bound to just repeat the errors of the past by re-engaging in populism, clinging to exaggerated expectations and thus negatively anticipating the unavoidable short-term disillusion—one of the main errors of the populist Berlusconi era. After the “lost decade” of Berlusconi, it is exactly the structural strength of Italy that should provide Monti the time to eventually carry out the in-depth reforms of the system which are needed.

I instead agree with Daniel Gros, Director of the Centre for European Policy Studies Bruxelles, that “Italy’s growth fundamentals are all in pretty good shape, except one-good governance. Worldwide Governance indicators show dramatic worsening during the Berlusconi governments, especially when it comes to the rule of law, government effectiveness, and control of corruption. Progress on improving these might in the end be more important for growth than the reforms the EU demands” (Gros, 2011). Similarly, Mario Monti himself rightly stated in his official presentation of “phase two” of his rescue and reform program at Palazzo Chigi in Rome on 29 December 2011: “All fundamentals of Italy don’t justify the interests rates paid on its debt” (Monti, 2011).

III. Italy’s Notorious Achilles Heel: Its Dysfunctional Public System, which Compromises Its Structural Strength

Gros’ (and to a large extent Monti’s) analysis indeed points toward the core point of any more balanced assessment: That Italy’s relative structural strength is continuously compromised by its dysfunctional public system—including the institutions, the party system and the state administration in the broader sense. The double achilles heel of Italy remains its immense public debt of 119 percent of the GDP, created by decades of over-spending by all parts of the party and government spectrum, with no exception; second, its poor growth rate of slightly less than 1 percent over the past 10 years, largely due to a paralyzing system of laws and an exaggerated public and private employee protection which hinders growth and prevents foreign investment. In contrast, a third crucial factor: the Italian budget deficit of slightly below 4 percent was better than those of most other European countries, in particular those of the big players, in the past years due to the comparatively efficient containment policy of Tremonti.

Nevertheless, critics like Hay, Hopkins and Manasse are right in blaming the systemic performative dimension of the Italian public institutions for much of the crisis,
not primarily the structural economic and social core of the country.

Italian public indebtedness has a complex history. It was accumulated not by the Berlusconi governments alone, as the triumphant Italian left now would have us believe, but in large part by the mid-leftist governments of Romano Prodi, Massimo D’Alema and Giuliano Amato since the 1990s. Currently at around US$2.56 trillion, with more than 300 billion Euro taxpayer’s money needed annually just for debt service, it has grown to become the third-highest in the world, and the highest in Europe.

More importantly: Although making progress in many sectors, and achieving in particular significant victories against organized crime, the Italian governments of the 1990s until November 2011 failed to deliver the liberalization of the public and private sectors of the country they promised over the course of 17 years—i.e. since the cases of “mani pulite” and “tangentopoli,” the series of corruption scandals that ended the existence of most previous parties and radically re-shaped the Italian political landscape, giving birth to the “second republic.” Also, the cartels, “parallel realities,” informal circles and complex web-of-friends interrelations of vested interests remain widely intact, harming the country’s effectiveness, the trust of investors and its credibility with international money markets; and the North-South divide still remains strong. Just one recent example of the combination of these factors was the trash crisis in Southern Italy (Naples), with garbage inundating the streets for months, partly burned by citizens in despair. That was not only the manifestation of a growing incapacity of the administrative bodies, but also an expression of the continuing vested interests and the still widespread shadow economy, which is more interested in creating artificial economies like the export of trash to be processed in foreign countries with subsequent re-import, than engaging in real production.

It is thus quite accurate when The Economist, on the occasion of the latest Italian government-change asserted that “if Italians cannot find a dry cleaner’s open on a Saturday; if they have to pay thousands of euros to a dispensable public notary to buy a house; if they are forced to accept the service laid on by a single, erratic (and strike-prone) local bus company, then it is because Mr. Berlusconi—and the others who have led Italy over the past couple of decades—have left in place a web of entrenched monopolies, vested interests and cartels that stifle competition and diminish competitiveness […] Social convention keeps too many married women at home, limiting the size of its workforce […] Italy’s justice system, in which the average length of a civil suit is nine years, needs an overhaul to reassure investors that contracts will be enforced and dodgy accounting punished […] In ‘Transparency International’s latest corruption perceptions index, Italy ranked 67th.”

But the most dangerous shortfall of the Italian public system in the long run could be elsewhere: it could be the chronic neglect of education, research and development by the previous government, and in general by the Italian nation state as such. The public higher educational system, including the research and development sector and the university system, remain strongly underfinanced with only 1.2 percent budget appropriation against the European average of 2.7 percent, and the respective financial commitment has been shrinking continuously if seen in real terms, i.e. adjusted for

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inflation and devaluation, thus contributing to the impending stagnation of innovation, research and development in the long term, as well as to the decline of the university system, with only a handful of Italian universities now left among the top 1,000 in the world (one of them being the Luigi Bocconi School of Economics Milan, whose rector and president has been Mario Monti, with interruptions, since 1989). The paradox consists in the fact that the Italian state jealously maintains authority for the university system, leaving its de facto management prey to a web of cartels within the university system, and although this neglects it to the point of failure, at the same time hinders the number and growth of private universities, due to poor consideration and slow administration. In addition, only 0.2 percent of the total national budget is invested into cultural and architectural heritage conservation, as compared with 3 percent of France and 8.3 percent of Sweden.

While most of this has been accurately pointed out by the analysis dedicated to assess the status of the country Mario Monti is taking over, most current observers and critics, while identifying the core issues, have failed to understand the deeper roots of Italy’s notorious systemic problems. But in order to understand why the given constellation (systemic weakness despite structural strength) is the case, an investigation into the Berlusconi government history is not enough. Instead, we have to understand first the causes of why the systemic dysfunction of the state is consistent, and second the basic dichotomy between the Italian nation state (including its institutions) and its citizens. Both are rooted in the conception of modern Italy as a “weak state.”

IV. Backgrounds: Italy’s Paradoxical Foundation as a “weak state” in the 1860s, the Effects on Its Public System, and the Results in Its Political Culture and Contextual Politics

Stanford scholar Francis Fukuyama in a recent essay for “The National Interest” wrote—in my view correctly—that the current dysfunction of the U.S. political system (as manifest in the paralysis of congressional politics, widely due to the radical blockade strategy of the GOP in most major issues, causing a stagnation of the country and a potentially costly “loss of years”) is not systemic, i.e. relies not in its system of checks and balances, in its bureaucracy or institutions, but is instead ideological, i.e. originating in an underlying polarization of American society (Fukuyama, 2011). In Italy it is the exact opposite: There is no serious ideological polarization among the citizenship, but a deeply rooted systemic problem.

Italy was one of the last major nation states unified in Europe in 1861. There is a kind of philosophical stoicism, dispassionateness or even sedateness with which Italians have viewed the state since the 19th century, which can only be understood by examining its founding history. As a presumption, it has to be pointed out that all political and ideological currents, which have dominated the 19th and 20th century in Italy, followed a vision which in its center was openly or secretly directed against the state, or at least suspicious of it, even if they were part of “strong” public approaches. Italian modern political ideologies were and remain in general deeply anti-statal, because they are always secretly convinced of a deep divide and principal difference between ideal and
reality. And this basic “divided” approach and gesture is omnipresent not only in daily practice, but also on the political and administrative levels in the more narrow sense.

As scholars like Antonio Giuseppe Balistreri have pointed out, immediately after the unification of Italy in 1861, a founding paradoxon took shape. The liberal political elite, which in other nations had represented the resistance and opposition against the power of the state in its monarchical constitution, Italy was forced from the start to identify itself with the state, because liberalism had to assume the task of founding and building the state. The paradoxon of this constellation relies in the fact that liberalism in Italy had the problem to build a state, while in other Western regions liberalism was dedicated to keeping the state and its—old and new—sovereignty pretenses within its limits, and to generally delimit the outreach of the state into daily public and private life. In Italy, the new liberal ruling class had to overtake two conflicting roles at the same time, which were clearly divided and differentiated in other European countries: it had to be state and society at the same time. Because of this, the productive dialectics (in open societies) between political and non-political spheres, which characterized the influence of liberalism in other Western countries, went missing in Italy from the very start.

This absence, as a consequence, led—almost necessarily—to a compromise within the Italian liberal mind: to conceive and put into reality a “weak state” from the start, in order to protect the citizenship from too strong an influence by public institutions; while at the same time making sure that the new, secular state would be strong enough to withstand the—until then overwhelming—influence of the Catholic church on politics, social issues, the public mindset and private life. Thus, instead of a strong state not interfering with the everyday life of citizens, in Italy a weak state was born out of the liberal paradoxon. If, in fact, liberalism—at least in its historical beginnings of unfolding in Europe—has been nothing else than a theory of representation of society within the state on the basis of a social contract between both, the long-term goal of liberalism always was to introduce mechanisms which were meant to hinder the state from becoming all-powerful with respect to society. And it was exactly that which in Italy was believed by the local liberals to only be achievable by creating a weak state. This means that, contrary to the basic convictions of what a liberal state should be, which in the basic liberal concept has to be a strong, but limited state at the same time, in Italy a weak state was born that, as it almost naturally follows, in turn had to disproportionately interfere with the everyday life of its citizens due to their “natural” contempt against its weakness, in order to be perceived, respected and recognized. In sum, the Italian nation state originated as a weak state by nolens volens liberal deliberation.

It must be remembered, secondly, it was already in a very early stage the Catholic Church co-contributed decisively to the enduring systemic deligitimazation of the national public state in Italy—both in the basic mindset of the citizens and in its own theoretical and practical logics and self-understandings. Initially, the church did not recognize the newly unified state founded by the liberals, because it feared that liberalism, which it saw as an “Anglo-American import,” extraneous to the mindset, the culture and the values of Catholic Italy, would weaken its influence, and of religion in general on public issues. Because of this original rejection by the “thought leaders” of the “ideological essence” (and thus at the given epoch, also of the cultural essence) of the country, the
conviction spread early among the catholic majority of the population that the new political reality of the new Italian national state was due to serve the interests of only a very small minority once again opposed to the habits and mindset of “the people.” And the basic bias (that later became a constituent popular myth) was born that the liberal elite who advocated the “risorgimento” of the national state in Italy would never be able to catch, preserve or integrate the deeply catholic mindset of the Italian nation into a modern state pattern. The reasons for this bias layed—and lie even today—in the decisively catholic mindset underlying the founding mythology of the country, to which the de-Christianized horizon of the imported liberal political system, created on the bases of, and for the sake of a protestant culture, had to appear to be deeply external. Catholics were never able to substantially (and sustainably) relate with liberalism, because liberalism has always been seen as protestantic in its nature; thus the inner contradictions and rifts of catholic liberals in Italy to the present day.

In short, the conviction spread early on in the history of modern Italy, that the unified nation state of 1861 had been born against the catholic church, and that its basic values went against the values of the church—thus against those of the majority of the people. The basic impression concomitant (and co-originary) to the roots of the foundation of the Italian national state was that in Italy such a state could never represent the majority of Italians, in whatever form: be it democratic, republican, semi-authoritarian or even authoritarian (though the latter another contradiction in itself). This conviction of a basic split between “the state” and its citizens soon became part of the constituent subconscious of the popular, “natural” approach of citizens towards the state, inherited by subsequent generations, and thus perceived as a “naturally” given divide. The state is simply not the people: that has been the predominant mainstream view of the modern Italian mindset since the 19th century.

In sum, Italy was born as a “weak state” from the start, because it was a state founded by liberals against the church. Paradoxically, both factions wanted, for different reasons, a weak state: liberals in their conviction that the state shouldn’t interfere inordinately with the life of its citizens; the church in order not to have its influence on the population belittled by a strong secular competitor.

Interestingly, the third main force in the political culture of modern Italy, communism, which rose in the first half of the 20th century, began to enter the Italian public discourse in the midst of the ongoing post-WWI fight between liberals and the Catholic Church. It thus, in many ways, took shape as a hybrid of both-unlike in other European countries. If the primary—or founding—systemic dialectics pitted liberals against the church, the 20th century expanded this bi-polarism into a trinity by the rise of the left, which, ironically, in Italy has always been a “third pole” participating both in the church (the mindset of sharing and dividing things, value conservativism) and liberalism (empowerment of the individual). The communists (and related ideological currents like the socialists) shared the communitarian principle with Catholicism, and they were sympathetic to the work and economy-centered ethics of liberalism. In fact, in Italy “socialism” (in the broad sense) and catholizism form an improbable, but practical unity in many, often paradoxical ways; until today, the borders between the left, the center and the liberal realm are less ideologically strict and divisive than in other Western nations. This is because leftists in Italy are Catholics and communitarians at the
same time, and this is not perceived as a contradiction. One effect of this “hybrid”
character of the left in Italy was that, in contrast to other “socialist” nations, the Italian
left was never able to establish a strong state, because it was unable to break into the
dominance of the basic systemic dialectics between liberals and the church, i.e.,
between secularism and religion, both of them being interested in a weak state.

The overall result was that instead of a strong state refraining from interfering in
the lives of its citizens (as the liberals elsewhere envisioned), Italy became a weak state
mistrusted by the majority of the people from the very start. In turn, this weak state
became (quite naturally) mistrustful of its citizens in its own ways, becoming notoriously
suspicious of rules to be followed, duties to be served and taxes to be paid. Because it
was born weak, the state in Italy bore the deep-rooted complex that nobody would take
it seriously, and that its own citizens would cheat it in every way possible—first and
foremost in terms of tax ethics. As a consequence, the Italian national state had to
penetrate everyday life as much as possible, across the spectrum, in order to secure its
survival and remain “in charge,” not least psychologically. Due to the wide mistrust and
lack of loyalty of its citizens it was bound to be interfering and omnipresent. Among
other results, a systemic bigotry developed within the elite: the state must be glorified
and celebrated in an exaggerated and public fashion, but was widely ridiculed in private
—which remains the case today. Because of the systemic mutual distrust between citizens
and state, the Italian national state established one of the highest densities of laws and
regulations in the Western world; and while Italy is just the 23rd largest country in
population, the Italian state created the sixth-largest national budget in the world by
setting tax standards over-proportionally high at an early stage, not least in order to
confirm its importance in the life of the country.

As stated initially, every philosophy of the public spirit in Italy since 1861 as of
yet has been the philosophy of a “weak state,” with little difference between the liberals,
the catholic parties and the left. In essence, from the first sentence of the Italian constitution:
“Italy is a republic founded on labour” is nothing more than mistrust in the political
dimension of the state, it being necessary to build the nation on an economic notion,
which is in principle neutral, like “labour,” instead of on “the will of the people,”
“liberty,” “equality” or “language, culture and habits,” i.e., on political categories. Labour
is not a political category, since any kind of state, be it a republic, a tyranny, democracy
or anarchy, can be built on labour. Thus, to choose “labour” as the foundation principle
of the nation reflects the basic mistrust of the founding fathers towards a strong state,
including its political institutions, and co-constitutes its political weakness right from
the very start.

Little has changed since. Not by accident is weakness still a dominant topic in
contemporary Italian political philosophy. Leading leftist political theorists like former
Venice mayor Massimo Cacciari or European Parliament member Gianni Vattimo, for
example, have developed “weakness” into a programmatic centerpiece of “postmodern”
socio-political thought. They have endeavoured even to extend “weakness” programmatically
to the self-image of European institutions. They imagine the future of Europe as
communitas analogiae, which in their view should be based exactly on the analogies of
the participating countries’ systemic weaknesses. For thinkers like Cacciari and Vattimo,
the concept of weakness should not only be further accentuated in Italy, evolving from an implicit to an explicit guideline for the relationship between state and citizens, but would also become the common bond of a specifically European political culture, thus preventing the European citizens from developing fears of a “super-state” that the European Union could become. It is no accident that such ideas are currently streamed into the developing European political identity mainly by Italian thinkers and politicians. They obviously are in direct contrast to much of what the U.S. elites, be them democratic or republican, believe; and at the same time, they indirectly confirm much of the biases against Europe, in particular by seminal conservative theses like, to take just one example, Robert Kagan’s “Power against Powerlessness, America against Europe in the new global order” (Kagan, 2003).

In my view, the misunderstanding of the Italian political philosophy of weakness, which indeed lays at the fundaments of the Italian national state and its institutions up to the present day, and continues to constitute the basic ratio pattern of its public sphere, consists in believing that the liberties in a weak state are more extended then in a strong state. Reality—and in particular the recent Italian political and institutional reality—has proven the contrary to be the case. It is exactly the “strong” state, which provides the most extended guarantee for the liberty of its citizens, while a “weak state” is forced to interfere with their interests. And it is a strong public system that can best sustain the structural core of a nation, while a weak systemic performance tends to undermine its structural strength—exactly what presents itself in the Italy Mario Monti is taking over.

V. Consequences: The Mutual Distrust between the Italian “Weak State” and Its Citizens-and the Systemic Results of Such Primordial Divide

To sum up, “strength” against “weakness” was the founding liberal paradoxon that constituted the modern Italian nation state. Distrust of the “weak” state and its institutions was imprinted right from the start in the basic mindset of Italian citizens, as well as in their basic understanding of “civil religion,” which to a certain extent has become a kind of de facto negative civil religion. Skepticism against the “weak state” and the resulting public-private bigotry became something of a national founding myth, an identity pattern for the Italian population, given with mother’s milk, and nurtured from generation to generation—to the present day. On the other hand, under the pressure of such a framework, the “weak state” became weak indeed, performing poorly and thus causing notorious institutional dysfunction.

The result is that if the Italy Mario Monti is taking over remains structurally strong, but is systemically weaker than that of other countries, this reflects exactly the dichotomy it has traditionally been, originating in the history of the Italian state itself. Political and social dysfunction in Italy is caused not mainly ideologically (as in the U.S.), but systemically. To mistrust the state is somewhat “natural” for Italians; state and nation remain separate issues in the view of most citizens. There is poor identification of the citizens with their public system; most Italians are proud of being Italians because
of their language, culture and history, as well as of the sheer natural beauty of the bel paese (“beautiful country”), but not—in contrast to “working” nation states like the U.S.—because of their democracy, its founding ideals and its institutional framework.

The effects are multiple. Tax evasion “against the state” has long been seen as a chavaliers delict, and was at 120 billions per year in 2010, or 18 percent of the total tax revenues, a record for Western countries. Bureaucracy has been chronically dysfunctional, and corruption remains at high levels. Rope teams, vested interests and cartels dominate the university system; the public and private economy is heavily overregulated, with licenses needed for not just highly specialized professions like medical doctors or architects, but even taxi drivers. Suffering from one of the highest law densities in the world, decision processes in the Italian economy and political sphere are conspicuously slow, causing over-proportionate costs. In addition, the strong influence of the left added one of the most rigid lay-off regulations in the world to the labour sector, with every enterprise over 15 employees finding it more or less impossible to lay off any employee, thus triggering one of the most inflexible labour markets in the Western world. The extremely slow juridical system scares off investors, not least for its regular unpredictability, with one and the same case often decided in total contrast by multiple instances, as the recent murder trial of Amanda Knox has shown, where Knox was found “totally guilty” by one court and “totally innocent” by another (the next higher ranking). And this is no exception, but rather the practical rule in the Italian courts—which in addition are highly politicized, following in most cases leftist (and thus socially equalist, i.e. “innocentuous”) patterns.

The result of this systemic dysfunction is that many firms, while structurally strong and able to expand, refuse to grow, even if they could, among other reasons because of bureaucratic hurdles, high tax burdens and increasing inflexibility related to growth in the number of employees.

Another outcome is that Italy already holds one of the highest tax burdens in the world—well over 40 percent on incomes and enterprises; and a sales tax rate raised one percentage point to 21 percent, enacted in the midst of the current crisis by the Berlusconi government (as compared with 0-10 percent in the U.S.). Because many evade taxes, citizens who cannot evade them have to pay for those evaders as well. Additionally, to fight the black economy in the country, according to conservative estimates, would increase the revenue for the government budget by up to 30 percent, since the black economy is estimated to account for such a percentage of the overall Italian economic activity. Due to high taxation and governmental overregulation, gas and energy prices in Italy are higher than in many other developed countries and more than twice those of the U.S., with one gallon of fuel at US$8.80, as compared with US$3.80 in the U.S. as of May 2011. Italian fuel taxes alone are higher than what the U.S. citizen pays for a gallon of gasoline altogether, thus weakening competitiveness and real economic output; and shortages in electricity, which was until recently controlled in large part by state agencies, remains a recurring problem for many firms.

A further indication of the—not epochal or transient, but enduring and systemic-mutual mistrust between state and citizens is that in Italy up to 1 million phone calls are monitored by governmental agencies per year, as compared with a couple of thousand in the U.S., with every Italian family having been monitored at least once during the past
ten years by state authorities without their knowledge. This practice even includes the elected political leadership of the nation. When the prime minister says something about his country in a private phone call at midnight in his private home, it is found in newspapers word for word the following day, as happened when then acting prime minister Silvio Berlusconi said that Italy was “a shit country” in a private phone conversation in June 2011. Imagine the same happening to U.S. president Barack Obama in times of terror! Trial and courts protocols (not only of Berlusconi) are regularly published, and often even anticipated in newspapers. In such ways, a covert culture of tax evasion and vested interests is flanked by a false understanding and practice of public interest and transparency.

In the educational system, the systemic weakness of the state and its sub-institutions led to a situation where most faculty competitions are decided behind closed curtains as a web of exchange of favours, and the widely typical practice of trading posts leads to a situation where academic job assignments are decided behind those curtains long before the job announcement takes place. This practice is not limited to the south, but is so common all over Italy that it is carried out relatively openly, with candidates receiving phone calls of presidents of commissions that they should withdraw independently of their merits, by threatening a negative written judgement published in the internet; and where candidates are not infrequently also members of their judging commissions. The trade with paid guest lecturing hours is wide-spread and embedded into webs of corruption, leading to situations where regular professors usually bearing a teaching load of 120-140 hours per annum are assigned 200 more hours at another university by their friends, thus lowering the teaching quality. The consequence is a notorious lack of connection between industry, innovation and universities; a disconnect between public and academic sectors, where a record in public service is seen as a grave disadvantage for an academic career (i.e. the opposite of the Anglo-American world); more importantly, a notorious opposition between university intellectuals, institutions and politics in a deconstructive way, instead of cooperation on the basis of a mindset of duty and service to the nation, as is still widely common in the U.S. academic sphere, arises.

Last but not least, what Monti is inheriting from his predecessors is, though often underestimated, a still widely unbroken, 150 years-old informal salon culture where politicians, public attorneys, solicitors, academics, economists, entrepreneurs, judges, military and media representatives meet privately and create non-written trans-field webs of friends dedicated to the exchange of favours and interests, thus subverting the institutional check and balance and the division of legislative, executive and mediatic powers. Although there remains a strong North-South divide in this sense, the practice, in principle, stretches across the nation. The result is in some cases direct, in many more cases indirect corruption, due to the unholy alliance between public institutions, including the security and secret services, party and ideological interests, the press and the jurisdictional system.

Perhaps most important of all, there is a lack of basic communitarian mindset among Italians, which, as a consequence of the history of its nation state, the grand signeur of Italian journalism Indro Montanelli once called “the most anarchic people in the world. Italians are radical individualists in their hearts, and just naturally unwilling,
or unable, to form and run a state. They can do and become everything, except citizens."

Since the 1990s that led not least to the rise of separatist political movements which later became parties like the “Lega Nord” which fights for an independent Northern Italian state disconnected from the central state in Rome and the South, notoriously blaming Roma ladrona (Rome, the thief) for hindering the development of the country.

VI. The Reaction: Mario Monti’s Reforms

All these aspects may certainly be music to the ears of those who, all too easily, see Italy at the brink. None of these issues are unfixable though. As experience teaches, it is in most cases much more difficult to create a sound structural economic basis for a country than to fix a (although culturally and socially deep-reaching) problem of systemic performance. And in fact, the latter is what most of Mario Monti’s envisaged reforms are aiming at.

Monti should be well prepared to reform the Italian system, while not compromising its structural strength (and the art will lie exactly in achieving both these goals simultaneously), since he has proven to well understand the difference between socio-political system and economic structure. A former economics professor and president of Italy’s elite business school Luigi Bocconi Milan and member of the ideologically conservative Bilderberg group, he has twice been European commissioner with responsibility for the Internal Market, Services, Customs and Taxation from 1995 to 1999 and then for Competition from 1999 to 2004, and has since been known as an advocate of a “strong” liberal real-economy statefare.

Accordingly, his new government has envisioned reforms that include the reintroduction of the fee on the first house (ICI), abolished by Berlusconi, the reintroduction of the inheritance tax (idem), the abolition of tax benefits (most likely unfortunate for green issues), an overall spending review of the governmental budget as well as the noticeable reduction of the costs of politics, a.o. by reducing the number of parliamentarians, currently at the astronomical number of over 600 (the U.S. has a congress of similar size, though its nation is five times that of Italy), by the abolition of sub-level administrative bodies like provinces (except those with special autonomous status like Trentino-Alto Adige) and by the reform of municipalities and their related bureaucracies. Monti also plans to reduce the numbers of public employees on all levels, albeit with sensitivity. These measures go along with the introduction of a binding debt limit into the Italian constitution according to the Maastricht Growth and Stability Pact, which prescribes a maximum public debt of 60 percent of the GDP, as adjacent Austria exercised (as a binding law proposal) in November 2011; the binding commitment of Italy to strive for a balanced national budget by 2015 and for a reduction of the overall debt as related to the GDP until 2020, depending on the growth rate; and the intensification of the fight against corruption and tax evasion a.o. by the enforcement of electronic money transfer for every amount over 2500 Euro. Another measure is the creation of an

independent national budget oversight agency according to the model of the U.K.’s “Office for Budget Responsibility,” along with a stronger cooperation with the European partners in containing the deficit.

Monti also plans large state owned assets sales, most likely entailing the unfortunate inclusion of part of the national cultural and architectural heritage (Settis and Benedikter, 2011). The main problem with the sale of state owned assets, though, is that Italy does not yet have exact numbers for its state-owned property. As of summer 2011, 1.3 million pieces had been listed, estimated to be 50 percent of the overall number of state property including buildings, parcels of land, cultural and architectural heritage, with a worth of up to 3 trillion of alienable property. The completion of the listing process is still underway, and Monti plans to speed the process up. Revenues of at least 2 trillion for sales of state-owned assets are expected for 2011-15. If we add this to the general annual revenue of the national budget of slightly below 1 trillion Euro, Italian national revenue is still high when compared to the national budget of the U.S. which was at US$2.2 trillion in 2011, with the U.S. being five times larger in population then Italy.

Additionally, the reform of the licensing order for regulated professions should lead to the abolition of many licensing laws in order to create more competition and a general wave of deregulation. In this framework, Monti plans to make it easier for companies to lay people off, and to create a more flexible labour market, bringing more women and young people into the active working force of the country through special incentivation programmes. The changes planned for the retirement system consist of the increase in numbers of years needed to retire–now 42 for men and 41 for women–with an average age of 67 and 68, along with abolition of the existing privileges for a few professions. A retro-active tax of 1.5 percent on money expatriated to foreign countries and brought back to Italy in the framework of Berlusconi’s latest “tax shield” *(scudo fiscale*, i.e. paid amnesty) of 2010-2011 will be imposed *una tantum*. Last but not least, a reform of the juridical system is urgently needed, since its currently slow and unpredictable pace is a considerable financial and time liability that costs Italy billions every year in loss of work time and international investments. After the approval of most of these measures by the Italian cabinet on December 4, 2011, Monti’s Vice minister for finance, Vittorio Grilli–clearly the new key figure in Italy’s government–says that 13 billion Euro will be saved by the cuts, while there will be 30 billion Euro of new revenues in 2012.

But the most important change envisioned by Monti to reform Italy and move it towards a functioning public system and a “strong state” is a general shift of the center of gravity of taxation from labour, income and enterprises to consumption and private wealth: the introduction of a so-called *patrimoniale* or tax on private wealth in bank accounts, built and landed property, parcels of land and infrastructure. To ensure transparency during this “painful” process, Monti also plans to completely abolish the banking secrecy in Italy, enforcing banks to regularly report every single movement on every Italian citizen’s bank account to the national tax authorities.

The patrimony tax (and the accompanying measures) remains, in my view, the most ambivalent endeavor of Monti’s planned reforms, though, because in the mid term they could harm consumption and privacy, and thus, unavoidably, trust in the basics of the national economy. It is indeed the sheer, already enormous tax pressure taken
together in the different fields, which is a threat to Italy’s performance; thus to center it now, in addition to one of the highest income taxations of non-socialist countries in the world, also on the existing private wealth in order to fix this performance and to pay off the public deficit seems a rather questionable idea. This results because of the trespass of the borderline between system and structure, and the structural core is compromised in order to fix systemic failure. But private wealth is a constituent part of privacy, and privacy creates democracy, as the saying goes. So, to tax private wealth instead of income, i.e., wealth achievements instead of wealth creation, is in principle always psychologically and economically dubious because—in a natural way—it is seen almost always as rather voluntary disappropriation; the more so by the state-skeptic Italian population. This policy could then destabilize the basics of democracy and further weaken the already endangered middle class, which has been shrinking in the entire Western world (including the U.S.).

This is even more the case if the overall employment situation is taken into consideration. With youth unemployment currently at 25 percent nationwide and at more than 40 percent in the South, the best incentive program will not be able to guarantee new generations a pension, given that they now need 41 and 42 years of employment to qualify for one. Most of the current unemployed youth are unlikely to amass such an amount of years, and are thus threatened in their very basic pension rights by every year in which they can’t find work. In addition, today’s “post-modern” labour world, which is always less centered on lifetime or tenured positions, it is improbable even for the most fortunate to find employment for 40+ years without interruption. Ironically, all that is particularly true for those who undertake college and university studies, and on average are ready to enter the work force at age 26 to 27, not least due to the slow and over-bureaucratic administration of the university system. Italy has presently the highest proportion of young people under 30 who live with their parents, staying at “Hotel Mama” much longer than their age peers in most other European countries, due to this already precarious situation. Therefore, if Monti does in fact cut pensions by increasing the requests at which they are received, he cannot at the same time take the achieved wealth of these generations away, i.e., their inheritance, which would be targeted by the property tax. The necessity to tax the new creation of wealth, and thus the present and the future, is not in dispute; but to then additionally tax achieved wealth seriously risks producing new youth riots, much like the violent ones the world witnessed during the late Berlusconi months across Italy’s major cities, and which many Italians feared would presage a new “generational civil war.”

The question is: does the present situation allow alternatives? Monti’s options are indeed restricted. A viable option, though perhaps painful, would probably be a modest wealth tax for only the 30 percent of the richest citizens, as proposed by former prime minister Giuliano Amato; or a tax on profits of real estate speculation between 5 and 15 percent, as proposed by influential economist and banker Pellegrino Capaldo; or a general one time tax of 0.1 percent on official wealth records as proposed by Luigi Abete, president of the Banca Nazionale del lavoro (BNL), in order to avoid harming middle class, consumption and the young generations too much. A more productive middle course could be a tax on international financial speculation, already co-authored
and proposed by Berlusconi. Even then, when it would have to be done unilaterally, with opposition coming from the U.S. and China, such a tax will not hurt the European economy in a meaningful way because financial players cannot abandon Europe, it being the most important economic and financial zone in the world (just ahead of the U.S.). The downside of this, though, is that Italy most likely wouldn’t profit financially as much as other nations, since its financial and banking sector is much less centered on financial speculation than those of other European countries. Other options include following the model of France’s current reforms, one of Italy’s traditional role models and historic examples: A stronger taxation of international conglomerate enterprises, cuts in the salaries of politicians and the introduction of a “national debt day,” on which everybody who gets a paycheck has to work without being payed. Eventually, another alternative was brought forward, primarily by Italian conservatives, echoing the current U.S. Republicans: to tax Chinese (and other South-East-Asian) imports instead of imposing the speculative transaction fee. Indeed, like most other Western countries, Italy has a large trade deficit with China; but such an option could evoke a trade war with China, which the pragmatic and prudent Mario Monti is unlikely to risk, even in close coalition with his European partners.

In any case, as experience shows, a patrimonial tax will not, as such, fix the systemic problems; sustainable reform and liberalization will. A one-time tax on the patrimony of citizens was put into place una tantum in 1992 by the then government of Giuliano Amato, raising 6 per mille of every Italian citizen’s bank account, with almost no long-term effects on the overall debt amount and much of the money lost in the beaureucratic process.

In addition, the Italian public system must be liberalized in order to create more competition and encourage foreign investment, as well as breaking the power of cartels in the economy and in the higher education system. The fight against black and side economies will be a crucial task for the new government. Though widely underestimated, it will be co-decisive for the medium and long term sustainability of all other measures undertaken to increase spending on higher education, research ad development, and to introduce a new academic appointment and career system based exclusively on merit, which will help to break the web of “friends procedures” that have come to almost completely dominate the Italian university sector, thus lowering the standards of the upcoming generations of Italy’s elites.

Last but not least, Italian intellectuals have to take increasingly concrete responsibility for the modernization of public dialogue and systemic rationality. The most educated segment of the population must be better utilized in a potentially crucial systemic function, which it does not currently engage. Since the universities are currently more an expression of the old system than of innovative social players, they have been refraining from attempts to earnestly influence the political and social dialogue in the country. In order to restore its potentially progressive systemic influence, Monti has promised to break the power of the cartels in the university system, although some question his own role as a former long-time exponent of this very system.

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VII. Unintended Implications of Mario Monti’s Reforms: Towards a New Conflict between Systemic versus Structural Dimensions?

Is the centerpiece of Monti’s reforms: the shift of taxation from labour and enterprises to private wealth and consumption, thus, at least potentially heading towards stoking new conflict between the systemic versus the structural dimension by making the latter at least partially responsible for the shortfalls of the first?

That could be the case. Since Monti intends to establish a direct causal connection between the public and private sphere with regard to the national debt burden, he is making a choice of potentially ambivalent influence on the social tissue and the basic wealth patterns of the nation. And it is exactly here, at the overlapping point between system and structure, where the historic core of Italy’s problems lies, not in the amount of the national debt as such.

The crux of Italy’s Berlusconi years was indeed the permanent interweavement between and mixture of the structural and systemic dimensions. Berlusconi came to politics in the 1990s and took over the state in large part to protect his private interests, notoriously mixing private (structural) and public (systemic) dimensions. It is exactly this connection of public and private interests which has led to Italy’s paralysis and a good part of its current problems. The difference is that in the Berlusconi years this was carried out in mostly informal ways; Monti intends to formalize and officialize these relations in certainly much different ways.

Nevertheless, my plea in view of the long-term development of the Italian national economy is for a clear differentiation between the two spheres; and for making the one directly liable for the other as little as possible (if at all). Its potential causal interrelation is the most dangerous measure Monti envisages, and it makes only sense if the institutional, governmental and bureaucratic system is reformed first, not afterwards. Otherwise most of the money raised on private wealth will again disappear, as happened in 1992. The motto should be: First things first-reform the system first, then address the structure, not vice versa.

As an EU banker and commissioner, Monti tends to put both system and structure into the same pot and see them as an inseparable unity. Although such a view may seem “integral” or “holistic,” and therefore tempting, it may not lead to sustainable development. On the contrary, although some one-time measures of such an interconnection may be necessary and should be undertaken, Monti should once again decisively separate the two dimensions, in principle and in the medium term. Second, he should deliberately focus his reforms on introducing a clear performative and systemic division between the four system logics and discoursive patterns of politics, economics, culture and religion, as opposed to their intertwining in the populistic “unitarism” of the Berlusconi culture.

Third, Monti has to take into account the media dimension, which has become the main interface between system and structure. Departing from the case of Italy’s Berlusconi-created “media-democracy,” he will have to include contextual political factors in his overall reform effort, because such factors are increasingly impacting the destiny of modern, Western, open societies.
In fact, the Italian debt and economic crises are interwoven with the contextual political crisis the country is undergoing, and which is one main heritage of the Berlusconi era. In the age of media democracy, contextual political factors like social and cultural psychology, public appearances and symbolic events are increasingly impacting the trust of the international money markets on the one hand, and the “civil religion” of the citizens in ambivalent ways on the other. Today the public imaginary has become kind of a natural bridge between the systemic and the structural dimensions; and thus it can mediate, mitigate and interrelate between the two (Steger, 2008). The contemporary embodiment of the public imaginary is media perceptions, reputations, and public events. Because the mediatonic dimension has become the main bridge between system and structure in the 21st century, its decline during the Berlusconi years damaged Italy much more than could be foreseen when his era began.

In the end, Berlusconi cost Italy billions, largely because of his poor international perceptions, a.o. caused by his alleged “politics of sex” (be them justified or unjustified), and for letting the trust of the Italian citizens in their government sink to an all-time low, due to his personal behaviour, thus demotivating an entire country from the commitment to work hard to get back on its feet. Berusconi’s legacy is not only a matter of poor economic growth and of the overall national debt, but also of an ongoing crisis of the perception of his office and in general of the representants of the state, adding to the already chronic crisis of legitimacy of the institutions and the government. It is, besides the objective structural problems, a problem of trust not only of the international markets, but-much more importantly-a problem of domestic trust: of trust of the citizens in their leaders and in the system generally.

As a result of the mediatization of politics since the 1990s, public political debates in Italy, up to the Monti era, are dominated by polemics, hysteria and theater, much more so than elsewhere in Europe, and this hampers rational debate—though some similar symptoms are currently visible in the U.S., mainly in the framework of the radical Republican presidential campaign against Barack Obama. After the decline of the quality and content of contextual politics in the Berlusconi era due to countless scandals and misbehaviour, Monti must rehabilitate the field, restoring the trust of the public in the public climate and thus creating a new flanking mindset of communitarian responsibility, which as we have seen has become at least as much a psychological as an economic issue. This has to be taken into account, though we should always bear in mind that a good part of the behaviour of the international money markets remains based on speculative psychology, and thus, is in itself, highly doubtful and questionable.

VIII. Conclusion: Is Italy at the Brink? Most Likely Not—If It Succeeds in Conserving Its Structural Strength by Fixing Its Systemic Weakness. Ten Core Proposals for the Coming Decade

Taking together all the facts and arguments articulated in this reflection, there seems to be an urgent need for a more rational, balanced and considered view of the complexity of layers that constitute the present Italian situation. We should be realistic
and not lose sight of the key fact: Italy is still the eighth strongest economy in the world, well ahead of its next competitors. Overlooking all factors in play, Italy is not at the brink. And it will not be, if it succeeds in conserving its structural strength by fixing its systemic weakness. That is the delicate task ahead, and Monti’s government will achieve its goals if it properly addresses the systemic dimension without harming the structural core. That will be the case if the reforms are precisely conized to the systemic dimension from the first. An underlying analytic differentiation of and active striving for balance between system and structure will be critical.

Overall, I agree with Protesilaos Stavrou that “Italy is the living proof against the narrative that large fiscal deficits are the problem in the eurozone […] What Italy (and the Euro area as a whole) needs is growth, and this will never come from austerity, especially when such policies are applied by all member-states simultaneously, effectively leading to a disastrous fallacy of composition, where no one spends and everyone cuts. Only growth will push the Italian and the European cart out of the mire of self-fulfilling recession […] For me the real problem of Italy is not its outstanding debt. What worries me most about Italy is the annual real growth rate, which has been on average less than 1 percent for the last decade” (Stravrou, 2011).

Similarly, François Godement (European Concil on Foreign Relations) in his macro-overview of the European situation in my view rightly stated that “debt figures are not the whole story. Japan has a debt to GDP ratio of 220 percent, but sells 10 year bonds at interest rates under 1 percent. The difference in Europe is the failure of politicians to deal with the increasing rate of risk of a catastrophic collapse” (Godment, 2011).

And as Barack Obama in the occasion of the U.S.-European summit on 28 November 2011 in Washington stated, the European debt crisis is an issue “that the European countries can solve, both financially and politically, and that they have the capacity to solve […]. The United States and Europe remain at the heart of the world economy, each other's most important market for goods, services, capital and ideas” (Reuters, November 28, 2011). That is, of course, also the case for Italy.

The outlook of all these voices and factors combined will in my view be tending positive, against the odds, if the relative structural strength of the country is weighed against its chronic systemic weakness. But in order to succeed with the reforms needed, a view of the bigger, more complex picture of the overall development into which Italy is embedded must be taken into consideration. In which sense?

We live in an age, when the so-called “hermeneutic circle” becomes a political and social reality: Everything now starts to interfere and to be interwoven with everything else. Thus the hermeneutic circle originating in the 19th and 20th century Continental European philosophy becomes a quite concrete political and socio-economic reality today: In the age of globalization, we can understand the whole less without understanding the singularity, the concrete practical case which is always unique and has to be understood in its many synchronic facets and from its rich historical background; and we can understand the meaning of the singularity always less without knowledge of its interdependence with the whole. That is valid also for the interconnection between the structural and systemic dimensions of modern nation states, both domestic and foreign-at least for those nations based on open, pluralistic and globally interconnected societies like Italy.
Such a “bigger view” was badly neglected by the previous Italian governments though—not least because of the ubiquitous fallacies of its higher educational system, centered on connections instead of merit, and on bureaucratic instead of intellectual intelligence. But it is objectively necessary to avoid alarmisms and not to underestimate Italy’s stand and situation, but it remains important not to neglect an array of crucial reform and innovation factors which are currently still underestimated or not yet taken sufficiently into account. In this I refer in particular to the following 10 core proposals for the coming decade.

First, the departing point of Monti’s reforms is, as he stated in his inaugural speech, indeed quite clear: Italy has simply spent too much compared with its real revenue in the past decades. Thus, its national debt has grown over-proportionate to the point of becoming a serious threat for the standing and the future of the nation. It has reached a point, where it must—and still can—be fixed. Monti’s reforms are necessary. While most of them make sense, some remain ambiguous. If these reforms remain centered on the systemic issues of the country in the first phase, and only subsequently include the structural core of the country, as far as absolutely unavoidable, they will aim at the right dimension and follow the right sequence. But if they, instead, confuse systemic and structural dimensions from the start once again (though in their own way), as Berlusconi’s government did in other ways, a.o. by making private wealth reliable for public debt (Berlusconi instead made the state a kind of representant of his private wealth), Monti’s transition government could soon find itself in troubled social waters. As part of forging a new beginning after the Berlusconi years, it is essential to soberly and precisely differentiate these dimensions—systemic and structural—before interconnecting them in a manner that is, hopefully, only temporary, and only so far as it may be absolutely necessary.

Second, given their doubtful practices, the restoration of trust by the international financial and money markets in Italy’s economic and financial standing remains important, but in the long run less crucial (because less deep-reaching) for the incentivation of economic (and social) growth—particulary of the real, productive economy, not the speculative financial industry—than the restoration of domestic trust in the Italian institutional and administrative system: in meritocracy, upward mobility and fairness of rules and practices. It will be absolutely crucial to restore the faith of Italian youth in a just public system where hard work is rewarded equally, and where vertical and horizontal labour and career mobility is possible and functions according to standards of objectivity and transparency. Once belief in justice, meritocracy and in the public social organization, as represented and guided by the state, are improved and the corruption of the educational system is eliminated by the introduction of new, internationally open quality standards, the gap between the needs of the real economy and a youth currently unprepared for a globalized working environment—one of the main causes of high youth unemployment—will close noticeably.

Third, it will be a decisive touchstone for Monti’s performance to see what extent he can lower the high youth unemployment rate, including, particularly, the inclusion and further social emancipation of young female Italians. If the majority of young women in Italy simply trust their beauty and their charm in striving to achieve, as current surveys suggest, and the prevalent dream is to become a velina, i.e., dancing
half-naked in shallow tv shows where only the men are allowed to talk, then something is seriously wrong with the mindset of Italian media-democracy, and the dreams young people in Italy have been instilled with in the 17 years of Berlusconi.6

Fourth, together with his European and Western allies, Monti must reform the habits and practices of the international money markets themselves. In disregarding the teachings of the global financial crisis of 2007-2010, they continue a tendency to create partly unnecessary psycho-economic instabilities. The current international financial and monetary system, established in “neoliberal” times, has proven to be unsustainable and has proven to be unworkable. What the international community has to engage in is correcting a distorted system of finance, including what Joe Klein rightly called the worrying primacy of finance over manufacturing. What the West must do is break this very primacy of finance over manufacturing.

That is true also with regard to its impact and specific influence on the current Western debt crisis. Just one example of the irrationality of this system is that Japan, with an indebtedness of more than 200 percent, is still paying 1 percent interest on government bonds, while Italy must pay more than 7 percent; or the U.K., which pays slightly over 2 percent, while having almost no structural, i.e., real industrial core anymore, with its all-decisive greater London area centered on the global financial speculative transaction system, whose time is most likely over. The indebtedness of its private households is similarly out of bonds, as in the U.S., due to the same irresponsible financial behavior of its banking system, which was far worse than the case of Continental Europe. While in the U.K., under David Cameron, there is a comparatively broad societal unrest due to the grave disadvantages of its tax and burden system for the middle and lower classes, coming at the advantage of the rich and the still strongly influential aristocracy, in Italy the unrest is (still) widely limited to the youth. The differences in yields of governmental bonds of these countries, including the questionable inflation politics of the U.S. and the U.K., with those of Italy, are widely unjustified, if the bigger, more complex and precise picture is considered. They can be explained only by a lense of observation that has become used to judge economic processes through the lense of finance. In the end, the fact that the U.K. pays 2.2 percent and Italy 7.3 percent on government bonds demonstrates that the bankrupt financial system has not changed its center of gravity on speculative finance toward the real economy much since the crisis of 2007-2010, and that the rating agencies and the overall ratio of the international politico-financial complex are still in place with a mindset that, aside from promises, hasn’t been modified. If the teachings of the crisis would have been put into practice, the margin between Italy and the U.K. would be most likely minimal, if not inverse.7 These irrationalities in the system of rating and assessment are urgently in need of fixing, not primarily for the sake of Italy, but for the health of the international economic system.

Fifth, in order to achieve such an ambitious, but in the middle term, probably

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6 “Che velina! The sad state of feminism in Italy,” Suzanne Edwards Wordpress, October 12, 2009.
unavoidable development, it will be crucial for the Euro-zone leaders to reduce the exaggerated influence of the three dominating U.S. rating agencies, which today can affect the destiny of entire nations, those agencies being private for-profit firms located in the U.S. and certainly biased against Europe.

Eventually we must ask some unpleasant questions: How can just three, all U.S.-based private, profit-oriented firms, which are in their majority financed by international profit-oriented investors directly dealing with currency issues and the money markets which are influenced by these very rating agencies, formally “threaten” –basically, on a daily basis–whole nations, give them “warnings” of downgrading, as if to warn them of a declaration of war–de facto threatening the whole world indeed, and co-decide upon the destiny of states and peoples all over the globe? If these agencies were meant as the “natural wardens” of international economic and financial soundness, as they have claimed to be at their very core (and we would certainly be inclined to believe that very much!), how has it come about that they have become the biggest problem makers of the 21st century?

To avoid further crises and to anticipate their very build-up in the realm of the anonymized, at least the potentially collective, hysterical, socio-psychology of the given stock markets, the contextual influence of the rating agencies on the international money markets must be contained. In reality, their unprecedented private influence on public issues has become an unacceptable situation, as it became obvious during the great crisis of 2007-2011. Rating agencies have been factually making economic and social politics without electoral oversight and legitimacy. Nevertheless, there seems to be a kind of persistent general amnesia that the rating agencies were originally meant to serve, not to threaten the international good. We have to realign the respective loss of collective memory. Italy must contribute in order to counter the influence of the three exclusive agencies by the foundation of a semi-public, autonomous European rating agency, currently underway, and by the general liberalization of the rating sector in Europe, in order to create greater competition and a wider range of practices in the field.

Sixth, the international systemic problem, in the end, is not mainly about rating agencies, but about adjusting the respective lense and method of observation and assessment. The financial lense that, since the “neoliberal” years have been applied to economic issues, in the meantime, has begun to threaten the very core of the future of the leading Western nation itself, the U.S. Their future is questioned by a faulty financial system where billions are made by elitist speculation, while the middle class has to pay the bill for the mistakes of the richest, and the lower classes are kept quiet by Rupert Murdoch’s Fox-News-Corporation “tittytainment” (Zbigniev Brzezinski). Thus ironically, the main host of the present system of the current assessment methods of economic soundness, the U.S., in the meantime suffers the most by becoming itself “threatened” by dubious assessment standards; and even more so by becoming structurally torn apart by competition between the interests of the one percent and the 99 percent–the framework of a financial system which allows ratings agencies to overrepresent the interests of the one percent, whether intentionally or not. Ultimately, the primacy of finance in economic issues has become an end in itself, and thus deeply anti-societal.

One of the first conclusions of this state of affairs is: The international community requires a more complex assessment mode of the economic soundness of a country in
the era of globalization. That can most probably be achieved only by creating a variety of rating agencies, and by incentivating international rating competition. New, more multi-polar assessment methods must be forged in order to build an objectively more complete picture than the one assembled by the existing standards, which are mainly based on the five classical factors: GDP, national debt as related to GDP, annual growth rate (including a ten-year average measurement), annual budget deficit (idem) and unemployment rate, as well as on their respective interrelation, their average development over a given period and future projection.

A new, internationally competitive plurality of assessment methods-on which several European countries are already working-has to transcend this fivefold method, because the latter does not reflect sufficiently the complexities of the 21st century, particularly not contextual political factors like social psychology, the social effects of economic and financial practices, and the long-term economic “value” of (communitarian) trust and not-for-profit cooperation, which decisively co-describe the “depth” of economic stratification and diversification of a country. In response, new, more precise assessment methods of the liability of a given economy must include a.o. the interrelation of paid and unpaid work; the level, quality and specifics of interrelation of a given national economy with other economies; the relationship between real economy (manufacturing) and speculative economy (money markets, speculative finance); the level, quality and specifics of its “social finance” and, more broadly, its “social economy” sectors; the involvement of its domestic banking sector in failing or crisis states; its technological rating (based on a mix between existing facilities, i.e. hardware, and public and private investment into future issues, i.e. software); the quality of its export sector and its development; and its domestic consumption (which in Italy, for example, hasn’t dropped significantly since 2006, despite the slow growth rate). Other indicators now in need of inclusion are social inequality as a decisive factor for any mid- and long-term developmental outlook, with particular focus on the stand and perspective of the middle class as compared to the rich and the lower classes within an economy; the general population development and demography; the quality of energy provision and its price, including the difference between average international prices and the real prices paid by the citizens; the level of democratization of an economy (corporate democracy); and the level of development of the economic infrastructure, including, in particular, future key sectors like high tech industry, manufacturing and ICT. Such a new, more accurate mix of assessment factors is needed in order not simply to mirror economic standing and development, but also to steer it in the right direction: towards stability, participation and sustainability. The respective need is, of course, not only the case for Italy, but for other countries as well. But if applied to Italy in particular, the resulting picture of such an improved assessment would be different than the one produced in 2011.

In contrast, the assessment system of the rating agencies that we have seen at work at the fore of global attention and fear was clearly established in the so-called “neoliberal” era in the bacchanal of financial speculation and of the supremacy of finance over economics. It was, at least, as a side effect, inclined to legitimize, reflect and give structure, to global injustice in order to keep it upright. Not by chance did the rise of the three leading rating agencies to their current, unprecedented power occur during the “neoliberal” years since the 1990s; not least for this reason, they have
become used to overvaluing factors of and connectivity with speculative finance, rather than the real economy. It was exactly this short-sighted assessment mode that we now know decisively co-triggered the global financial and economic crisis of 2007-10 and was doomed to lead to systemic bankruptcy.

In sum, the case of Italy (but not Italy alone) shows that the center of gravity of the international measurement methods has to be shifted from speculative finance to the real economy—i.e. from finance to manufacturing, and from psychology to basic production.

Seventh, (Continental) Europe, including Italy of course, should continue to withstand the attempts of other financial cultures to influence its own, generally more conservative, slow and prudent habits, which were generated by history and context-ultimately to the benefit of all partners involved. In particular, Italy and Europe should resist being convinced, and pressured by the Anglo-American financial culture and its representants to monetarize the national debts problem in order to (allegedly) “immediately” solve it by transforming the financial issue into a monetary one. Monetarizing the debt, for example, by letting the European Central Bank print new Euros in order to lend them then out to crisis nations at interest rates much below those paid on the international money markets, or at no interest rates at all, would greatly increase the overall amount of the currency. It would then create inflation pressure and, therefore, would unavoidably hit the middle class-as has happened today in the U.S., where the partial monetarization of debt by the Federal Reserve Bank through printing hundreds of billions of US$ in its real effects and in the long run helps only the richest class and harms the greater population by reducing the purchasing power of the middle class through prospective inflation. The highly questionable inflation politics and monetarization policy of Ben Bernanke’s Federal Reserve Bank could de facto preparing the soil for an inflation wave, thus putting the burden of rescuing the financial system and of the national debt almost solely on the middle class, whose money is devalued by the resulting direct and indirect inflation. Although the U.S. is currently at 3.8 percent inflation and Italy is at similar levels with 3.2 percent, with the Euro zone at 3.0 percent, this overall picture could change soon.

It is of course proper that Federal and National Banks can freely print money at their discretion, and as a consequence may re-collect it afterwards and destroy it when the time is right, to the same extent as they created it. So the interventions of the Anglophone banks are, in principle, indeed only the expression of a greater flexibility, by creating and distributing money when it is needed, and then recollecting and destroying it (i.e., deleting it off the books) when it becomes inflationary and if there is (sic!) an inflation threat (Josef Baumgartner). But obviously the German, Italian and European politicians and Central bankers have no trust in the capacity of Central or Federal Banks to recollect and destroy excessive money at the correct time, and to the appropriate extent, once it has entered circulation. In fact, it is not only Deutsche Banks Chief National Economist Thomas Mayer’s conviction that “the monetarization of debt burdens only serves the purpose to melt down some part of them over one or two decades by inflating them” (Mayer, 2011).

In fact, monetarizing the debt, at least in Europe, would mean nothing more than postponing the problem and its burdens into the future, potentially without the necessary reforms. This may be a viable option for the U.S. and the U.K., with their different
cultural mindset, much more centred on using money for the anticipation of futures than for funding the present, thus more inflation-friendly like “Helicopter-Ben” Bernanke (who famously said he would fly a helicopter over the city and throw out money by its windows if inflation was too low), and much more used to mixing issues of political economy, financial politics and monetary policies together, by seeing them as an undivisible unity. But for Europe and Italy, while being in urgent need of serious reforms, a mindset sweep in that direction could bring fatal results, as exactly the failure of the European “anticipation of futures” through the accumulation of the existing huge debts has proven. Instead, the European Central Bank wants its countries to feel the need for structural reform, but does not print money to help them, and in my view she is right in not doing so.

In addition, we have to consider that the U.S. can only print money ad libitum, because the Dollar is the world’s de facto reserve currency (although it is in reality twice overvalued, if its value in use is compared to the total amount of US$ in worldwide circulation); Europe cannot, because the Euro has not reached such a special status, and that is one main reason why Monti, Sarkozy and Merkel, especially, are rightly more conservative in this regard and reluctant to embrace monetarization options.

And, although some experts have pressed the European Central Bank, who already holds more than 200 billion in governmental bonds (allegedly most of them of Italy, although the ECB never publishes which bonds she buys), to print fresh money in order to buy unlimited governmental bonds of its crisis member states, the main two issues: systemic reforms and the institution of a concerted economic and financial governance in Europe, would not be touched.

Eighth, unlike his predecessor, Monti should take care of green, sustainable and socially responsible economic innovation factors-such as social finance, social banking, community-oriented trade and “postmaterialist” economic theories, and diversify the Italian economy through their systemic incentivization. He should institutionally require, on a national and European level, a framework to further broaden the capital basis of alternative financial models like Social Banking and Social Finance by sustaining them with special measures, and to introduce binding standards of corporate democracy into the Italian and European business and enterprise laws. In doing so, Monti could undertake systemic measures towards the further differentiation, multi-polarity and ethicization of the Italian economic, banking and finance sectors, as well as broaden the ethical basis of his “unpopular reforms” discourse. As a technocrat, however, Monti has, so far, widely neglected these factors.

Ninth and more Italy-centric, a new electoral law for the Italian parliament is needed: one with a proportional electoral system, instead of the current, widely restrictive majority law. The new law should allow the voters to choose persons again, instead-as installed by Berlusconi in order to ensure stable majorities-an exclusive party voting system with the elected party then determining the persons to get the seats gained. But prohibiting the election of persons and only allowing the election of parties is not

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8 A concise introduction into the topic and its main features for contributing to the concrete performative renewal of the Western (open societies) financial system can be found in Benedikter (2011), available at http://iis-db.stanford.edu/docs/526/social_banking.pdf.
appropriate for a civil society in the 21st century. That reform should go along with a focus by Monti on the systemic differentiation of the unholy interweavement of politics, economics, culture and religion in Italy in any way and in any occasion possible.

Tenth but not least, Monti should place a much stronger focus on improving social psychology. In principle, he should not have many troubles improving the global perception of Italy after the poor image the late Berlusconi years left. The image of Italy can only improve, and the psychological self-esteem of the state and its citizens only rise. Still, Monti should invest more effort in this regard, even if he rightly conceives himself as a technocrat opposed to the glamour-politics of his predecessor. He should continue to remind European partners and the world not to look at Italy in terms of black and white, and not be fixated on public appearances—not even with regard to the partially circus-like Berlusconi years. Official polls of November 2011 illustrate that most Italian citizens, unlike their Greek, Portuguese and Irish Co-Europeans, and disregarding the international media alarmism, do not believe in the failure of their nation and do not shift large amounts of money into foreign bank accounts, was also publicly demonstrated by—alas! an important symbology in the country—one of the most respected and wealthiest professional associations in the country, the Association of Italian Football Players, which officially adhered to the national “government bonds acquisition day” starting November 28, 2011 by buying governmental debt bonds. If nothing else, this could be an encouraging signal for the build-up of a new self-esteem of the country, badly needed for a new beginning.

IX. Open Questions, Tentative Outlooks

Italy is without doubt going through tough times. But it will eventually make it—because its structural economic core in the real economy is relatively intact, while other crisis countries and the Anglophone world suffer from structural crisis due to the heavy involvement of their national economies with the purely speculative financial transaction business.

One of the main problems of the past two decades for the Western world was the growing importance of finance over manufactory, and of speculation over the real economy, combined with growing public debts which were not only due to over-consumption, but also to the increasing necessity of global outreach of a vast variety of the main Western nations’ activities. Most of these policies of the past years must be revisited in order to master the debt crisis, and this is indeed a great chance for Europe and the greater good of its citizens.

There remain many open questions, though, including how efficiently and to what extent Monti can and will implement the envisaged reforms and in what timeframe; whether Italy can keep the narrow time schedule that together with his European and global partners it has given itself to balance its budget and to lower the public deficit with respect to the GDP; and to what extent the autonomous regions and provinces with

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special status like Trentino-Alto Adige will have to take part in the overall reform effort by institutionally adhering to the national rescue measures. Another question is to what extent the existing amount of Italian private wealth can be kept if the pressure of the public deficit continues. Additionally, political, sociological, and mediatic issues will strongly interplay in the public reception of Monti’s “unpopular measures,” and could trigger the likelihood of elections after a relatively short period of time. One of the certainly most pressing questions is that of the basic political consensus that brought Monti to power: being expressively a “transition government,” the impossibility of a government of national unity, as in Greece, will he endure until the regular end of the present electoral period due in spring 2013, as he has announced, or will he come under pressure by the left and the right once the greatest period of crisis is over, given that Berlusconi has announced he will not support him for more than 6 months, and since the left is keen to add him to its ranks?

And there remain of course many interconnected open-ended questions, which make Italy’s case even more complex: should China buy more of the European debt, and what the implications of those purchases could be in the long run in terms of the security and independence of Europe and Italy, as key U.S. allies. Does every attempt of rescuing the European debt nations require China, as some in the European Council on Foreign Relations assert, and if so, at what cost? Another grave factor of concern is the unprecedented isolation of the U.K. in the current European debt and household debate, especially after the process of decisions of the Euro-27 assembly on December 9, 2011. On this occasion, Monti, acting as a kind of representant for the Euro-zone members stated that Britain would no longer be “in the heart of Europe” as it was during the Blair years. “Cameron made demands that were unacceptable, even to me. Britain has shut itself out. It will be in certain isolation. This will have an impact on its influence” (Monti, 2011). As well-founded as this statement may be, it is certainly not good news in the greater framework of the already complex European perspectives.

In the end though, Europe can and will go on. What can be our tentative outlook? It is fourfold:

First, Italy’s systemic weakness is still balanced by structural strength. Italy is not as bad off as it has been depicted in the Anglo-American world. As former U.S.-Ambassador to Italy, Robert Spogli, recently, and accurately assessed, “Italy is by all measures one of the richest nations in Europe, and in the world (Gorlick, 2011).” That means that there is a certain well-based reason for hope. It is thus somewhat embarrassing to hear French Prime ministers François Fillon’s analysis of November 2011 that the financial and economic crisis of 2007-2010 and the subsequent debt crises of Europe and the U.S. have factually consacrated an epochal global systemic shift from the West towards the East: “The years 2008-2012 will mark the end of the dominance of the West and the shift of the global economy towards the east” (Fillon, 2011). I don’t believe the analysis should be as easy or fast as that, and the hard facts and numbers don’t back up such a generalized statement when the different layers of Eastern development are unfolded with greater care. So, such a self-fulfilling prophecy of one of Europe’s leading statesmen is likely not going to be realized anytime soon in the dramaticality he
renders it. European leaders should abandon their chronic pessimism, which is in itself harming the economic recovery, and instead cultivate Monti’s sober and balanced “medium way.”

Second, although I am in general no friend of technical governments because they are not legitimized by the people (with the restriction that strictly formally speaking in Italy the government is elected by the parliament and not by the people, so formally Monti is legitimized according to the democratic rules existing in contemporary Italy), I do currently see no alternative to the technical government of Mario Monti. Berlusconi, who continues to control the center-right alliance, had 17 years to lead the country, which should be quite enough; while the left is notoriously split and unreliable. Be it under Massimo D’Alema or Romano Prodi, it has proven to be highly fragmented; and its 10 different stripes and currents (at least) remain at permanent odds with each other. In its rather disillusioning performance since the start of the second republic in 1994-1997, with the only exception of the Pier Luigi Bersani reforms (2006-2008) that tried to liberalize the economy and open up the institutions, it has proven that it is capable of one thing only: increasing taxes without cuts of public employees, and with a debt mentality toward spending officially camouflaged as “stimulating the economy.” Prodi’s “politics of the open doors” were a textbook example of what not to do: he invited immigration to increase the economic performance without any accompanying measures like reform of the labour market and the institutions, integration, re-education and collocation.10

Third, Italy is in much more need of reform in the systemic than of the structural dimension—including a sober and clean dis-entwinement between the systemic and the structural dimensions, and of private and public interests, as well as the systemic differentiation between politics, economics, culture (media) and religion. Monti should be entrusted to re-order this constellation in a new liberal spirit (which of course is the opposite of “neoliberal”).

Fourth, Mario Monti’s technical government, which we shouldn’t forget, is still enjoying broad consensus, will not be able to accomplish wonders. Monti needs time. Improving the situation through the “unpopular measures” Monti announces will include a thorough public debate, perhaps even unrest. And that, in essence, means that the though times for Monti are yet to begin—since he will have to implement unpopular measures which are already contested by many, who can certainly be located on, but not limited to, the right wing. Not everything of the Berlusconi era was bad, and not everything in the future will be bright. Berlusconi’s resignation was not the whole story, since Italy’s problems are systemic, not personal. But it could turn out to have been helpful, paving the way for a new beginning.

It may yet come to pass, as French President Nicholas Sarkozy put it, “Europe has proven to be weaker than expected in the debt crisis, and thus has to undertake serious reforms which will take years to be accomplished” (Sarkozy, 2012). Nevertheless, when it comes to Italy in particular, too many observers and commentators have been joining an irrational alarmism, and have been overly concerned about market psychology.

That has made Italy the currently most underestimated European ally of the democratic world. But taking everything together, Italy’s leverage as a partner of the free world has not suffered greatly. It should not now be suddenly underestimated or even devalued by its most important allies and their intellectual elites.

In the end, Italy’s outlook remains positive after all: Its systemic weakness is balanced by structural strength. The new Italian government thus must endeavor to undertake reforms in a balanced and sustainable way between systemic and structural dimensions. Its citizens will then be sure to follow up with (new) conviction.

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