

## Italy: Change needed, not in sight

Italian elites have a middling score across Sub-Indices, but their Pillar performances vary greatly. Whilst Italy comes 2<sup>nd</sup> in the Regulatory Capture Pillar (i.2), it comes 2<sup>nd</sup> to last in Giving Income (iii.7), dragged down by government redistribution, with the North-South divide being a textbook case study of divergence in development. As one of the most affected countries in Europe by Covid-19, with levels of debt and unemployment looming large, the ability of its economy and citizens to recover depends on the government creating incentives for Value Creation by small, medium and family businesses, reducing debt and unemployment, and rooting out extractive business models.

In terms of political elite dynamics, August 2019 saw the end of the government formed in 2018 between the 5 Star Movement (M5S) and the League. The change was the result of the League's leader Salvini's dash for a snap election to capitalize from an expected vote redistribution away from M5S and to the League, which was forecasted by pollsters. However, the gamble backfired as the M5S persuaded the Democratic Party (PD) to join a coalition government, which is still in force today (mid-2020). Hence the new populist elite, victorious in the 2018 elections, crashed, due to one of its 2 main parties attempting to increase its share of the pie. That enabled a comeback of the older elite (represented by the PD), now leading a semi-populist government. These dynamics are well reflected in the EQx, and in the State of Elites framework (Visual 16). Italian elites are shown as relatively weak and disinterested in Value Creation, being all too ready to capture rents as soon as the opportunity arises.

A Salvini-led centre-right coalition won the regional election in Umbria last November, a historically PD-dominated region. This attests well to *Political decentralization* (PDE, i.1), in which Italy ranks the highest in our Index. The political power of regions is strong, and indeed the League, in opposition to the central government, controls Italy's richest region, Lombardy. An important weakness of the system is the inability of the government to respond to change, which sees Italy ranking last at 32<sup>nd</sup> on this Indicator (GRC, i.1) despite the inclusion of much poorer countries in our EQx2020 sample. Its mediocre ranking at 19<sup>th</sup> in *Global Health Security* (GHS, iii.7) and in *Covid-19 safety* (COV, iii.7) is consistent with the exceptional collapse of the health system as a result of the pandemic. The dysfunctional *Administrative Decentralization* (ADE, i.1) in Italy is depicted by rank 22, which suggests why completely differently affected regions reacted the same way as Lombardy, resulting in several controversies.

Italy's inability to respond to change was unfortunately confirmed by the debacle experienced with the Covid-19 attack and the related economic crisis. Transformation in the transalpine country has proven elusive, making it likely that elite business models based on Value Extraction endure. Yet, a pain threshold was exceeded in 2020, so could this be the catalyst for the reform necessary to crush decades of inertia?

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**Visual 28:** Italy performance overview by EQx Pillar vs overall distribution

