

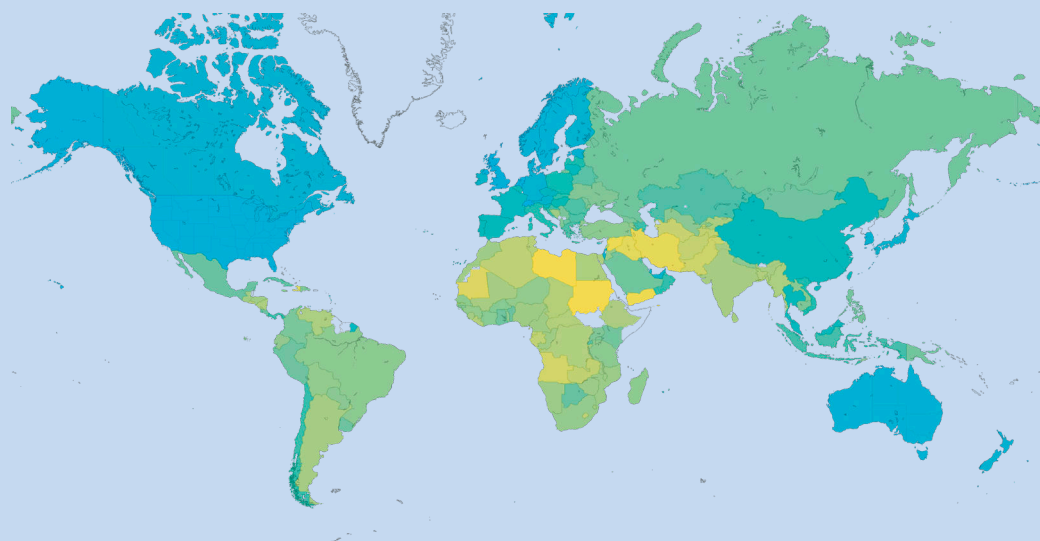
This PDF includes a contribution from the following book:

ELITE QUALITY REPORT 2021

Italy: Unity after the storm?

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Cite as:

Cozzi, G., & Persico, N. (2021). Italy: Unity after the storm? In T. Casas i Klett & G. Cozzi. (Eds.), *Elite Quality Report 2021: Country Scores and Global Rankings*. Zurich: Seismo. doi: 10.33058/seismo.30795

Published by Seismo Press AG, Zurich and Geneva in partnership with the Foundation for Value Creation.

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Italy: Unity after the storm?

Italian elites faced huge challenges in early 2020 when the COVID-19 pandemic hit the country before any of its neighbours. Their first reaction, to downplay the virus as a type of flu, was tragically wrong. As the pandemic worsened, Italy suffered an extraordinarily high first-wave death toll. The resulting nationwide lockdown was a late overreaction, but at least guaranteed a relatively COVID-free summer. The re-opening of the economy and a general belief that COVID-19 had been vanquished left the Italian government unprepared for the second wave, to which it reacted even more slowly. As a result, Italy's cumulative *COVID-19 mortality rate* is appalling, even after adjusting for the higher share of over-65-year-olds affected (COM, iii.8, rank # 105). Restrictive import measures went far beyond those of other countries, plunging Italy to a lowly rank of # 135 in the *Percentage of imports targeted by protectionist measures* (IPM, iv.10) and a rank of # 119 in the *Share of discriminatory government interventions as % of total interventions* (DGI, iv.10). All of these failures are manifested in the country's ranking for *Government's responsiveness to change* in which Italy ranks among the worst in the world (RTC, i.1, rank # 116).

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During 2020, the country's GDP contracted by 8.9%, while *Government debt as % of GDP* shot up 155% (DBT, iii.9, rank # 139) in order to avoid worsening an already massive tax burden (DTR, iii.8, rank # 100). The crisis increased the *Youth unemployment rate* to among the world's highest (YUN, iv.12, rank # 131), which suggests that Italian elites do not care much about the younger generation or, for that matter, the future. This lack of concern for the young is also apparent in the data for *COVID-19 lost schooldays* (CLS, iii.7, rank # 91) and in onerous lockdown rules that, for instance, allowed dogs to be walked in parks but excluded small children from playgrounds. School closures and lockdowns imposed a heavy burden on women, who became the primary victims of increased domestic violence.

Female employment dropped, in a country where the *Gender wage gap* (GWG, iv.12, rank # 119) was already high and the *Labor force participation ratio - male vs female* (LFR, iv.12, rank # 103) told a sorry story for women. Italy's position in the *Labor force participation rate* (LFP, iv.12, rank # 129) is likewise disappointing. Elite business models that incentivize the creation of more jobs for women and the young should be urgently developed, especially considering the country's poor ranking in the *Labor dependency ratio* (LDR, iv.12, rank # 100).

The North-South productivity gap – which is worsened by the existence of *Organized crime* (OCR, iii.8, rank # 116) predominantly afflicting Southern regions – partly explains the disastrous ranking obtained for *Regional redistribution as % of government budget* (REG, iii.8, rank # 136).

In February 2021, following a conflict within the semi-populist government coalition led by Giuseppe Conte, the Italian political elites suspended their traditional ideological divisions to form a national unity government headed by former European Central Bank President, Mario Draghi. Hopefully, this concerted effort to overcome political differences will open a new path forward leading to structural reforms and improved *Institutional quality* (DBI, i.2, rank # 53) and a less stifling *Regulatory framework* (ECR, i.2, rank # 113). The currently drafted Next Generation EU Recovery Plan, focusing on digitalization, green infrastructure, mobility, education, and research may also enhance Italy's mediocre performance in *Internet access* (INT, iii.7, rank # 53), *Venture capital availability* (VCA, ii.6, rank # 121) and *Patent applications* (PAT, iv.10, rank # 56). However, there is a real risk that a divisive and divided elite system will seek to take advantage of Draghi's EUR 191 billion Next Generation EU budget. This process could plunge Italy into yet another electoral campaign and distract elites from the future-oriented reforms that are needed.

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Italy

EQx2021 Country Scorecard

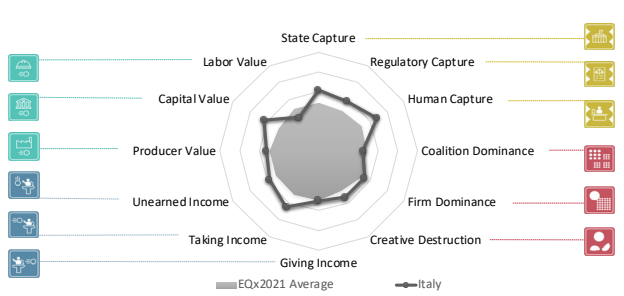
Population **60 million**
 GDP (nominal) **2004 billion USD**
 GDP per capita **33'228 USD**



Level 1 - Index	EQx Rank / 151 37	EQx Score 54.3	Quality Elites
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Level 2 - Sub-Indices & Index Areas	EQx Sub-Indices				EQx Index Areas							
	Power		Value		Political Power (i)		Economic Power (ii)		Political Value (iii)		Economic Value (iv)	
	Rank / 151	Score	Rank / 151	Score	Rank / 151	Score	Rank / 151	Score	Rank / 151	Score	Rank / 151	Score
	36	55.3	41	53.8	28	62.1	43	51.8	31	57.5	52	51.9

Level 3 - Pillars	Pillar	Indicator	Rank / 151		Score	
			Rank	151	Score	Score
Political Power (i)	State Capture	State Capture	31	61.9	46	58.0
		Regulatory Capture	14	68.0	98	44.7
		Human Capture	66	53.4	43	53.9
Economic Power (ii)	Coalition Dominance	Coalition Dominance	72	50.1	8	65.0
		Firm Dominance	40	57.5	57	53.2
		Creative Destruction	13	63.9	114	39.8
Political Value (iii)	Giving Income	Giving Income				
		Taking Income				
		Unearned Income				
Economic Value (iv)	Producer Value	Producer Value				
		Capital Value				
		Labor Value				



Level 4 - EQx Indicators	Indicator	Rank / 151		Score	
		Rank	151	Score	Score
State Capture (i.1)	COR Political corruption	38	75.1	69	41.4
	MOB Social mobility	4	87.1	64	46.7
	PDE Political decentralization	3	90.4	40	64.6
	ADE Administrative decentralization	116	22.2	40	70.1
	PGL Political globalization	33	68.8	44	60.1
	WPI Women's Power Index	53	65.4	12	61.7
	RTC Government's responsiveness to change	48	64.8	113	15.9
	EPR E-Participation Index	22	53.8	30	74.7
	PFDP Press freedom	40	64.3	7	80.3
	COC Control of corruption	28	74.8	64	59.9
Regulatory Capture (i.2)	DBI Institutional quality	82	51.4	5	78.1
	CRO Crony capitalism	11	92.4	1	56.2
	PMI Protecting minority investors	4	77.9		
	ECR Ease of challenging regulations	22	53.8		
	EDB Digital institutional quality	30	74.7		
	PRI Property rights	40	64.3		
	GSI Global Slavery Index	7	80.3		
	WBL Women, business and the law	28	74.8		
	LIN LGBT+ Inclusiveness	64	59.9		
	GRI Religion - Government Restriction Index	82	51.4		
Human Capture (i.3)	SHI Religion - Social Hostilities Index	5	78.1		
	WSB Women self made billionaires	11	92.4		
	HRI Human Rights Index	1	56.2		
	FDP Forcibly displaced population as % of population	4	77.9		
	AFI Academic Freedom Index				
	IEE Top 3 industries exports as % of GDP				
	ECI Economic Complexity Index	22	53.8		
	IVA Top 3 industries as % of VA	70	35.4		
	CON Construction as % of GDP (dev. fm optimum)	31	51.3		
	MIL Military expenses as % of GDP (dev. fm optimum)	66	57.5		
Coalition Dominance (ii.4)	UNI Unionization rate (dev. fm optimum)	57	30.1		
	CBC Collective bargaining coverage	50	15.3		
	BSN Barriers in service & network sectors	38	31.0		
	PRO Top 10 firms profitability	45	57.4		
	SME SMEs per 1,000 people	43	44.8		
	BIW Billionaires' wealth as % of GDP	118	40.5		
	FKG Top 10 firms market cap as % of GDP	47	49.1		
	FRG Top 3 firms revenues as % of GDP	32	57.2		
	FRR Top 30 firms revenues as % of GDP	15	64.2		
	TUL Listed firms turnover, long run 15 years				
Firm Dominance (ii.5)	TUS Listed firms turnover, short run 3 years	37	60.0		
	ENT Entrepreneurship	47	43.5		
	VCK Venture capital finance	21	68.7		
	RND R&D as a % of GDP	43	63.0		
	ENR Firm entry ratio	15	44.2		
	EXR Firm exit ratio	8	71.4		
	BCD Billionaire's creative destruction	40	42.3		
	IWE Index of Women Entrepreneurs	121	20.8		
	VCA Venture capital availability	45	38.7		
	Creative Destruction (ii.6)	GSE Governmental support to entrepreneurship			

Indicator	Rank / 151		Score	
	Rank	151	Score	Score
SNT Subsidies and transfers as % of expenses	69	41.6		
REG Regional redistribution as % of government budget	136	0.0		
EDU School life expectancy	29	64.9		
GPS Expenditure on general public services as % of GDP (dev. f	53	30.5		
INT Internet access	53	65.2		
NRI Network Readiness Index	28	72.1		
LEW Life expectancy women	5	82.7		
LEM Life expectancy men	5	86.4		
FSQ Global Food Security Index - availability, quality and safet	24	73.6		
COV COVID-19 excess deaths, age-adjusted	23	54.8		
COF COVID-19 fatality rate, age-adjusted	42	59.5		
CGD COVID-19 growth differential	142	42.0		
COM COVID-19 mortality rate, age-adjusted	105	30.8		
CLS COVID-19 lost schooldays	91	39.5		
OSI Online Service Index	35	73.0		
DCT Corporate tax rate (dev. fm optimum)	1	82.7		
HOM Homicide rate	9	79.6		
INE Top 10% share of pre-tax national income	15	84.8		
FDE Fiscal decentralization	30	50.3		
DTR Tax revenue as % of GDP (dev. fm optimum)	100	16.3		
BRD Battle-related deaths per 100,000 people	1	53.8		
GCI Global Cybersecurity Index	26	78.8		
SUI Suicide rate per 100,000 people	74	56.1		
SUB Death rates from substance use disorders per 100,000 pe	13	70.0		
OCR Organized crime	116	20.7		
DUT Dutch disease propensity	13	80.7		
EPI Environmental Performance Index	18	87.7		
DBT Government debt as % of GDP	139	0.0		
TRF Trade freedom	13	75.8		
FDI FDI net inflows as % of GDP	108	41.5		
BTF Barriers to FDI	30	61.4		
EGL Economic globalization	22	81.8		
HEI Health Efficiency Index	11	70.4		
OFB Open for business	29	47.5		
ESG ESG company scores	19	62.0		
RDR R&D as % of revenue Top 10 firms	33	42.5		
FSA Global Food Security Index - affordability	23	72.5		
PAT Number of patent applications per 100,000 people	56	41.8		
IPM Share of imports targeted by protectionist measures	135	25.9		
DGI Share of discriminatory government interventions as % of	119	26.9		
DNI Neutral interest rate (dev. fm optimum)				
DOI Inflation (dev. fm optimum)	62	59.2		
GOL Gold demand as % of GDP				
DMA M&A as % of investment - 3 yrs. rolling average (dev. fm. c	20	58.0		
DKI Delta capital gains tax vs income tax	1	78.1		
UNC Unicorns per 1 million people	28	42.8		
BSG Billionaires self-made number per 1 million people	21	49.6		
BSM Billionaires self-made as % of total billionaires	38	44.5		
FMI Financial Markets Index	10	98.4		
UEM Unemployment rate	86	32.6		
LFP Labor force participation rate	129	18.6		
WLP Delta real wage vs labor productivity increases	8	68.3		
LDR Labor dependency ratio	100	47.9		
YUN Youth unemployment rate	131	17.4		
GWG Gender wage gap	119	13.0		
BRN Net brain drain	18	63.5		
LFR Labor force participation ratio - male vs female	103	46.5		

The Elite Quality Report 2021 (EQx2021) provides Country Scores and Global Rankings for 151 countries
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