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Italian Futurism, or European Castles in the Air

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It is mid-October now and the volume of unfinished EU business is staggering. The Brexit deal to avoid a Brexit no-deal is hanging in the air and nobody knows when it will materialize and if at all; no sign as yet of a modus vivendi under which Britain will regain the full economic sovereignty for which it opted. On immigration and asylum, everybody pretends to be waiting for Germany to come up with a plan that everybody, including German voters, can accept; nothing like that is in sight and how could it be? And as to the „Recovery and Resilience fund“, aka „Next Generation EU“, advertised as the European answer to Corona, it has not even passed the so-called European Parliament. Moreover, its legality under the Treaties remains nebulous; there is no news on how the money will be raised, let alone how the new pan-European debt will be repaid after 2027 (probably with new debt); and, more importantly, it remains unclear how the projects on which member states are supposed to spend their allotment will be vetted and by whom, and most importantly, when the fresh money will finally hit the ground in national capitals.

And now, on top of this, the „second wave“. France and Spain are the hardest hit, but don‘t forget the Czech Republic, and Germany catching up. With the EU money available no earlier than a year from now, how will countries save themselves and their economies if the disaster of the first six months of the year was to repeat itself this fall and winter? National budgets are vastly overspent already; it seems impossible that there can be a second wave of debt-making to fight the second wave of the pandemic. In any case everybody wants to avoid this, also because it cannot be ruled out that there will be a third wave in 2021. Without massive government handouts, a second wave of lockdowns might finally break the back of the small-firm service economies that have emerged out of the industrial societies of the 1970s and 1980s. Insolvencies will proliferate, and banks will collapse under bad debt: economic Armageddon.

What do governments intend to do, mindful as they must be of the enormous protest potential that might erupt if they cannot protect large segments of their societies from disaster? In this context it is as interesting as it is depressing to read an interview that the Italian Prime Minister, Giuseppe Conte, gave the *Frankfurter Allgemeine Zeitung* on October 8. Two points are particularly ominous. First, how Conte reassures his German audience of the technocratic nature of his national recovery project, when he vows that Italy „will repay the confidence Europe placed in it with the investment and structural reforms that Italy needs now. If Italy becomes more productive and competitive this will benefit everyone in the common European market...“ After indicating that part of the European money might be used to replace Italian high-interest public debt with European low-interest public debt, Conte proceeds to promise „fiscal reform" by way of a „complete digitization and simplification of our unwieldy tax system“, accompanied by a digitization of payment systems generally and a full integration of public data banks: „We must wire up the whole country“. This, Conte claims, is the only way to end, not just the shadow economy, but also „regional and even social inequality": „We must invest in our material infrastructure, our motorways and train connections, modernize our airports and harbors" and move toward „a sustainable economy and renewable energy“. Nothing about the underfunded health care system, about a woefully inadequate public administration, about the worker skills and the kind of firms one needs for public investment to create jobs domestically rather than destroy them and recreate them abroad. And only at the end does Conte mention the „small and medium-sized enterprises that form the backbone of the Italian economy" which, he admits, require „targeted measures", which he leaves unspecified, "to improve their financial basis“.

Second, Conte proudly reminds the interviewer that the Italian state had for two decades been running a primary budget surplus, spending less than its revenue, apart from debt service. This of course was exactly in line with European Union demands for austerity, compliance with which was, what Conte doesn't say, a principal reason for the low Italian spending on public services including health care – two percent of GDP less than Germany – and so for the devastating impact of the first wave of Corona. According to Conte, it was the high public debt that dictated austerity, not a common currency that denies Italy an independent monetary policy and puts it at the mercy, not just of the financial markets, but also of "European solidarity".

What will that solidarity achieve? With less to pay to its debtors, Conte suggests, and higher revenue from digitized tax collection and the fiscal conquest of the shadow economy, Italy will be able to spend more, not just on airports and harbors but, according to him, also on education, job creation and „a farsighted family policy ending population decline". But when will that be? Can a one-time injection of cash, however much, compensate for the Italian economy living with a notoriously overvalued currency? Or does the Italian government expect that the "structural reforms" (Conte) the money is supposed to buy will make the Italian economy productive enough to justify having the same exchange rate as the economies of Northern Europe? As of now Italy can expect 209 billion euros from the Recovery and Resilience Fund, which may begin to arrive in 2021 if things go well, and which it needs to spend in the seven years until 2027. This is equivalent to 1.9 percent per year of Italy's estimated molten-down GDP of 2020, less than what would be needed year by year just to maintain its health care system on Northern European standards. Who expects that the technocratic toys on which most of the money will be spent will increase Italian economic productivity so that the country will be able to do without European cash injections once its European bonanza will have run out, when it will again be home alone with that insatiable beast the euro? Unlike bridges and airports, schools, universities, hospitals, local public transportation, economic planning offices and other social rather than just physical infrastructures are not one-shot affairs but need to be paid for on a recurring basis. They require a fundamental departure from the tenets of neoliberal economics ("primary surplus" over twenty years!) with their celebration of markets and private property over government and public institutions. Nothing of this is in sight, neither in Brussel nor in Rome.