

Matteo Renzi's Italy: The Italian Reform Agenda 2014-2018 and the Perspectives

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Abstract

Under its new young Prime Minister Matteo Renzi, who took charge in February 2014, Italy has started an ambitious reform agenda encompassing all sectors of politics, economics and society. In addition to constitutional reform aimed at modernizing the country in crucial sectors of politics, institutions and public administration, Renzi seeks to liberalize the economy by taking advantage of favorable European framework conditions such as the European Central Bank's Quantitative Easing Program 2015-17, which will pump billions of Euro into the Southern nations of the Eurozone. The question is whether Italy's systemic faults will allow the government to seize the moment, or if the propitious situation for reforms that are urgently needed will once again be wasted because of Italy's notorious "culture of unsystematic change." This essay is a follow-up to the author's piece on the constellation in Italy during Renzi's predecessor Mario Monti's tenure, published in KRIS 2/2011. It provides a full picture of the current state of the Eurozone's third-largest national economy including its problems, opportunities, tasks and perspectives within the greater European context.

Keywords: Italy, Reforms, Matteo Renzi, Economy, Politics, Finance, Systemic Innovation, European Union, Eurozone

I. Introduction

The approbation on January 27-28, 2015 of the new electoral law "Italicum" that sets new rules for forming governing majorities, and the election of new President Sergio Mattarella, a member of the Constitutional Court, former minister for Parliamentary Affairs and former Minister of Education, with the convincing majority of 665 votes (only eight less than a two-thirds majority) in the fourth round of the ballot on January 31, 2015, were perceived as two important intermediate victories for Italy's premier Matteo Renzi. They were indeed a promising start to the second year of Renzi's

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leadership, and thus of Italy's ambitious reform program.

Forecasts by the national statistics agency (ISTAT) give Italy a modest chance of recovering from recession in 2015 following an increase in domestic demand, for the first time since March 2014, accompanied by a fall in unemployment from 13.4% in January to 12.9% in February 2015, with youth unemployment sinking from 43.9% to 42%. In addition, the 1.4 billion Euro quantitative easing program 2015-2017 announced somewhat surprisingly by the European Central Bank (ECB) on January 22, 2015 was good fortune for the premier, since probably no other country will benefit more from this measure over its planned pluri-annual course (until at least March 2017) than Italy. In response to this boost, in February 2015 Renzi stated that "2015 will be a *felix annum* for Italy that will allow us to recover and to run again for competitiveness in the years ahead" (Renzi, 2015).

Encouraged by this, Renzi is now announcing "deep-reaching" reforms, "maneuvers" (*manovre* is a term used in Italy for important political actions which willingly or unwillingly also express the ambiguity and trickiness of Italian party and institutional politics) and innovations on an almost daily basis. Nevertheless, the economic, social and political situation of the nation which has been in recession three times since 2008 remains precarious, and its future course will depend on how fast and efficient fundamental reforms that were promised for decades but regularly postponed or canceled by previous governments will actually be implemented.

II. "Italicum" Replaces "Porcellum," or: New Rules for Becoming an Italian Lawmaker

The new electoral law, dubbed "Italicum," was debated for years and eventually forged in 2014 in an informal agreement between Renzi and former premier Silvio Berlusconi. Beginning in July 2016, it will replace the highly disputed law "Porcellum," named by political philosopher Giovanni Sartori of Florence University after its "father" Roberto Calderoli of the anti-centralist party *Lega Nord*. Calderoli, despite being its author, defined the law as *swinishness*. His poor opinion of it was based on the fact that "Porcellum" forced political parties in parliament to build large coalitions to govern, making governments extremely prone to instability due to exaggerated demands by small parties and independents. Exaggerated instability has been a problem for Italy since WWII and led to a record of 62 governments since 1945, with the average government failing to reach even a third of its projected five years in charge.

Although "Porcellum" was in place for eight years, it was declared "anti-constitutional" in 2014 (sentence of the Constitutional Court No 1/2014 of January 15, 2014), an act seen by many international observers as typical of the "fluid," (i.e. dialogical and political rather than legal and juridical) nature of Italian lawmaking. It was viewed as characteristic of a country that is used to implementing rules not as solutions to problems or social changes, but rather as temporary compromises to be "further developed," "adapted" or withdrawn partially or as a whole whenever necessary or desired by a sufficient number of groups or actors. As a consequence, Italian political culture has been inclined to change things, even retrospectively, therefore failing to contribute to

legal certainty, reliability, and predictability. Reflecting this, Italian journalist Paolo Palombo wrote, “Italian politics is capable of everything, and of the contrary of everything” (Palombo, 2015).

III. The Background: A 50 : 50 Society Represented by an “Abnormal” (Renzi) Political System

The background to this political culture was that Italy over the past decades was a society characterized by 50 : 50 draws between leftist and rightist coalitions, producing the shortest average lifespan of governments and therefore the most pronounced political and institutional instability in the Western world. Extraordinary volatility has characterized Italian post-WWII politics throughout Italy’s role between the *Skylla* of a strong right-with Neo-Fascism regularly represented in parliament-and the *Charybdis* of its function as the centerpiece of “Eurocommunism” and the respective counter-movements and follow-up effects-from the 1970s to the 1990s (Benedikter, 1978). The situation hasn’t changed in principle since the corruption scandal *Tangentopoli*, or *Mani pulite* (*Clean hands*), of 1991-1995 that involved most established parties and profoundly changed the political landscape. Never ending instability combined with the “countermeasure” of an exuberant bureaucracy is one reason why most intellectuals and commentators in Italy speak of the country as an “abnormal nation within the democratic world.” Or to put it in the more direct words of Renzi himself, “Italy will never be able to be a normal country (*un paese normale*) ... because we have a much too complicated bureaucracy, and to be honest a very irritating political system. We have twice the number of members of parliament of the United States. We pay the presidents of some regions more than the president of the U.S. is paid. I want to make Italy a more normal country, at least concerning its political system” (Renzi, 2014).

In this light, the new electoral law “Italicum” is Renzi’s key to “normalizing” the political culture of “the beautiful country” (*Il bel paese*) as Italy calls itself. The decision-making process concerning the law was obstructed for months by parliamentary opposition, with 47,000 modification proposals, including comedian Beppe Grillo’s populist “Five Star Movement” (*Movimento cinque stelle*), the second most voted list in the general elections of 2013. Eventually, it was agreed by Renzi in a bipartisan manner with other parties, most importantly with former long-term premier Berlusconi, the leader of center-right party *Forza Italia*, partly on the basis of personal sympathy and behind closed doors. “Italicum” foresees awarding 55% of the seats to the party that achieves 40% in parliamentary elections, i.e. 340 out of 630. It therefore tries to ensure that a stable governing majority is created. The new electoral law also states that if no party or coalition achieves 40% in the first round of elections, a second round must be carried out in which only the two parties with the most votes can participate. The party with the relative majority in this second round is then automatically allocated 55% of the seats in parliament. This is intended to stabilize the basic political mechanisms of the country and thus also change its political culture over time. In a compromise made to secure the approval of small parties, Renzi lowered the minimum percentage required to obtain a seat in parliament to 3%. This is considered too low by many international

observers, and a potential source of further fragmentation and instability. In most well-functioning democratic nations, the hurdle to access parliament stands at around 4-5%.

IV. Renzi's Three Goals: Stability, Predictability and Simplification-and the New President

The three core goals of “Italicum” under Renzi are to create greater *stability* and *predictability* for Italy in a medium and long-term perspective, and to *simplify* in the affairs of parliament. The groundbreaking importance Renzi ascribes to this measure, making it the basic pillar of his reform program and the prerequisite of most subsequent planned measures, is derived from the fact that parliament is crucial for the future of the country. This is the case because in Italy, a bicameral multi-party constitutional democracy, parliament plays a much more important role in the processes of governance than in (semi-) presidential democracies such as France, or in a federal constitutional republic such as the U.S. For the sake of simplification, Renzi has combined “Italicum” with the goal of reducing today’s bicameral Italian parliament to one chamber which makes decisions, the Chamber of Deputies (*Camera dei deputati*), accompanied by a Chamber of the Regions (*Camera delle regioni*) made up of today’s Senate of the Republic (*Senato della repubblica*) and representatives of the Italian regions and municipalities, with the role of an advising body for the government and administrative decision-makers. With this, Renzi’s mandate intends to mark the end of the unique Italian democratic system of *bicameralismo perfetto* (“perfect bicameralism”), a legislative process where the two chambers have to agree on an identical text of every legislative act, therefore in the case of corrections, often working in circles and making the overall process much slower than in a system of *bicameralismo imperfetto* (“imperfect bicameralism”) (Baraggia, 2014). It is the reason why Renzi aims to end the so-called “Second Republic” of Post-WWII Italy and replace it with a “Third Republic,” a historical act tied to the change of the basic functions of parliament, government and their interaction (Lees, 2012). By simplifying decision-making through the elimination of the second chamber, Renzi’s plan also aims to reduce the costs of the 951 parliamentarians Italy has to date, in addition to 58 representatives of the 20 Italian regions which together made up the 1,009 electors who voted in the new Italian president on 29-30 January, 2015. In comparison, the United States, with a population more than five times that of Italy’s, has only 535 representatives in Congress).

Renzi’s three-dimensional goal of stability, predictability, and simplification of decision-making is likely to be actively sustained by the new president Sergio Mattarella. That support was the key criterion on which he was elected. Mattarella has been called to be the “referee of the country” by premier Renzi, requiring simpler and clearer rules that the new president will have to help impose on the nation’s key institutions and political players. Mattarella seems to be well prepared for that job. The 73-year old Sicilian, elected the 12th president of post-WWII Italian democracy, has extensive experience in politics and public service. His late brother, Piersanti Mattarella, was a former president of Sicily and was murdered by the *Mafia (Cosa Nostra)* in 1980. Mattarella replaces Giorgio Napolitano, the longest serving president in post-WWII

Italian history, who finally retired aged 89 on January 14, 2015 after 10 years in office.

Mattarella will support Renzi's reform agenda on a broad range of issues, and his convincing election has noticeably strengthened Renzi's standing and reform program. In his first speech, Mattarella, a former Christian Democrat (DC) and author of the electoral law "Mattarellum" issued in 1993 and later replaced by "Porcellum," and who is now in a role of an integrative figure "above the parties" (Daconto 2015), underscored a second key problem of contemporary Italy: inequality.

V. A New President Dedicated to Solve the Problem of Inequality

Inequality is growing between both the rich and the poor, and the industrial North and agricultural South. According to Mattarella, "redistribution hasn't worked well in the Italy of the past decades" (Wirtschaftszeitung, 2015). Indeed, 70 years of social redistribution of taxes since the end of WWII, based on one of the highest taxation levels in the Western world, haven't fostered equality, given that the problem seems to have continuously deteriorated since the 1990s. Seventy years of massive public investment and rescue programs to develop the South, some implemented with the help of Regional Development Funds, the European Social Funds (ESF) and other programs of the European Union, haven't made it more productive. Nor have they succeeded in eradicating the *Mafia*. On the contrary, according to the official 2014 Report of the National agency for the fight against the Mafia (*Direzione nazionale antimafia*) presented in the Italian Senate in February 2015, the *Mafia* has "increasingly infiltrated all of the North in the past years, including in particular Milan and the region of Emilia Romagna, and the fight against its extended business with corruption has been inefficient" (Cerami, 2015). In response, Mattarella has declared his intention to replace "local and traditional measures" with Renzi's envisaged systemic and "deep" reforms.

Little did it matter in the face of this constellation that Renzi, typical of Italy's multi-faceted political culture, had issued the order to his Partito Democratico (PD) colleagues in parliament to cast blank votes in the first three rounds of the presidential election in order to avoid the high quorum of two thirds requested in these rounds. This move was criticized by many as a slight on parliament, the regions, and the institution of the presidency itself. "By issuing the order to his party colleagues to cast blank votes in the first three rounds, Renzi has proven that he is not seeking a personality sustained by the broadest possible spectrum of parties represented in the parliament, but favoring political games," commented Alessandro Urzi, one presidential elector representing the most economically successful Italian region, the Autonomous Region Trentino-South Tyrol (Dolomiten, 2015).¹

Little weight was also given to the irritation of Silvio Berlusconi about Mattarella's election when he stated on February 8, 2015 that "Renzi didn't respect the pacts on who

¹ South Tyrol is an ethnically mixed region with a majority of German native speakers of around 68%, 28% Italian native speakers and 4% Raeto-roman native speakers in Northern Italy at the border to Austria. Cf. Encyclopedia Britannica: Autonomous Region Trentino-Alto Adige, <http://www.britannica.com/EBchecked/topic/604300/Trentino-Alto-Adige>.

to elect, nor on how to elect. Therefore we have serious problems” (RAI Televideo, 2015). Most in Renzi’s team do not think Berlusconi will retain the power he had within the center-right to impose his ideas on the governing coalition in the years remaining of Renzi’s charge. Rather, it is thought he will be the leader of a minority and therefore play the role of one who tips the scales when it comes to decisions that depend on a few key votes.

VI. Renzi’s First Steps in an Ambitious Reform Agenda

Renzi seems to be well aware that, at least from his viewpoint, the positive developments of 2015 are only the first measures that must lead to broader and more encompassing reforms in a nation used to mismanagement, corruption, and systemic dysfunction of institutions. The “non-functioning of the state” (*il non funzionamento dello stato*) (Cesi, 2014) has led the country into a downward spiral for years, if not decades. According to the *Eurispes* Report of January 2015, 40% of Italians currently believe the country should leave the Eurozone and return to its former currency *Lira* (up from 25.7% in 2014) as it will never be able to afford “Germany’s currency,” the Euro, because of the malfunction of the state and the lack of innovation. For the same reason, 45% of Italians in January 2015 said they were ready to leave the country permanently if they had the chance (*Eurispes*, 2015). According to *Eurispes*, a highly regarded independent research institute with a strong pro-European view, the “two brakes that are holding Italy back” are “exaggerated bureaucracy and extreme taxation,” both of which are due to the incapacity of the state to function in a more modern, lean, and fiscally moderate way.

According to Renzi, the new electoral law with its promise of more stability, and the relatively smooth election process of the new president, were important steps in the reform of the country, particularly toward de-bureaucratization and liberalization- but only the first steps. “Italy must renew around a third of its constitution to adapt to the new requirements of our time” (Dolomiten, 2015), the premier stated at the World Economic Forum in Davos in January 2015. Specifically, according to Renzi, in a new political and institutional framework the economic, taxation, science and research, educational, and justice systems must undergo significant reforms in order to regain competitiveness in a nation that has lost credibility in recent years. In order to give new impetus to the economy, Renzi plans to decrease the level of workers’ protection, the influence of trade associations, and introduce a more flexible legal framework for enterprises to foster innovation and international mobility. “Italians want Italy to return to being a laboratory of innovation rather than the museum it seems to be today,” the premier analyzed in Davos (Dolomiten, 2015).

Italy’s Trade and Labor Unions do not appear to be amused by these plans. In addition, in January 2015, Sergio Cofferati, the co-founder of Renzi’s center-left *Partito Democratico* (PD) and former chief of the mighty labor union CGIL, left the party in protest at what was described as Renzi’s overly liberal and “non-leftist” course. According to Cofferati, this was a “betrayal” of the working class and leftist voters.

VII. The ECB's Strongest Card: The Eurozone Quantitative Easing Program 2015-2016 and Italy as Its Probable Main Beneficiary

While there have been setbacks, Renzi has been riding a lucky wave to the point where he seems to have a real chance of surviving longer in office than most other recent Italian premiers. The surrounding European constellation is unexpectedly favoring his mandate. Of the reported 500-700 billion Euro that the ECB has already spent in recent years on buying up federal bonds of the Eurozone's crisis nations, about one third is thought to have been spent on Italy (The ECB never publishes the bonds in which it invests in order to avoid animosity between Eurozone member nations). And of the 1.4 trillion Euro (80 billion per month) planned to be printed or procured by the ECB from January 2015 until mid 2016, and which is to be pumped into the banking sector and spent on further bond acquisitions from Eurozone crisis nations, a considerable amount will go to Italy, the third-largest Eurozone economy and certainly the worst hit of its large economies. Encouraged by this, on February 7 Renzi stated that "2015 will obviously be a lucky year for Italy, a *felix annum*, that will allow us to increase our strengths ... and resume the race again" (RAI News 24, 2015).

Indeed, the ECB's QE program could ease Renzi's work in potentially decisive ways, giving him the chance to issue public investment programs again and partially end the austerity course imposed for years by the Northern Eurozone members. This is driving confidence in the Italian public sphere. According to the National Institute of Statistics, "the confidence of enterprises in February 2015 rose to their highest since June 2011 at 94.9 points, up from 91.6 in January. This could be an effect of the QE program of the ECB. The confidence of Italian consumers, which hasn't been high since 2010, has also risen to 110.9 points, up from 104.4 in January. Positive influence has also come from employment data and the election of Sergio Mattarella" (Mediaset Economia, 2015).

But the encouraging environment could also carry some danger in that the announced reforms might be softened or carried out half-heartedly. Those familiar with Italy's political culture know that this danger is all too real because there are many who will try to claim their piece of the pie. The labor unions, for example, will insist that the reforms of the public sector, with cuts in the social system and the elimination of thousands of administrative posts, are no longer necessary.

In order to take full advantage of the ECB QE program, and of the positive mood in the country, to push the lending sector to put more money in circulation in order to fuel domestic demand, in January 2015 Renzi issued plans to institute, for the first time, a national "bad bank." This has long been a taboo for the conservative banking sector, which is highly averse to admitting errors. At the end of January 2015, Italian economy minister Pier Carlo Padoan was the first member of government to discuss the foundation of a national bad bank aimed at liberating the Italian money institutes of bad credit, which stood at 45 billion Euro in 2007 before the start of the Eurozone debt and economic crisis and which exploded afterwards and reached a record high of 181 billion Euro at the start of 2015. Of every 100 Euro lent in 2015, 18 Euro did not return to lenders, or was expected to do so with disproportionate delay.

While some Italian intellectuals and public figures expect this measure, combined with the ECB QE program, to be a serious spur towards rapid recovery for a country all too long in political, economic and social havoc, others remain skeptical since the origin and background of the crisis is more complex to allow it to be decisively influenced by just a few key measures. Realistically, the Italian constellation, including the standing of the premier himself, will remain difficult, irrespective of the social psychology of the nation and the Eurozone. This is also due to the fact that Renzi, to put it in more cautious terms than Cofferati's "betrayal" rhetoric, is perceived by many within the Italian left as an "unidentifiable" figure when it comes to traditional patterns of leftist politics, and thus as a political personality who may not be worth unconditional support. Renzi's perception as a dubious player with no clear political standing weakens his position within his own party coalition, thus presenting challenges beyond the tasks of the reform program. So who is the premier on whose performance, stubbornness and steadiness the destiny of Italy's reform program will depend?

VIII. Matteo Renzi: An "Atypical" Italian Premier?

"Italy must become simpler." This is how Renzi summed up the state of affairs in *Il bel paese* during his visit to the United Kingdom on April 1, 2014 (RAI News 2014). He repeated this slogan during his meeting with then EU-commission president Manuel Barroso in August of the same year, and has done so many times since.

Renzi, the 40-year-old prime minister of Italy, is the youngest ever in the nation's modern history and thus branded the "Tony Blair of Italy." He took power on February 22, 2014 at 39. Renzi describes himself as an "atypical" member of the *Partito Democratico*, or Democratic Party of Italy (PD). The PD is the mainstream social-democratic party that integrated remnants of the former mighty *Italian Communist Party (Partito Comunista Italiano)*, the moderate center-left parties *Democrats of the Left (Democratici di Sinistra)* and *Democracy and Freedom (La Margherita)*, as well as other, partly radical and militant, leftist factions in October 2007. It subsequently moved the Italian left towards a more integrated, moderate, centrist and partly populist approach, with the goal of regaining the center-left's status as a broad "people's party." This role was lost during *Tangentopoli* or *Mani pulite*, a corruption scandal in the first half of the 1990s which involved most established political parties, including those of the left, and ended the so-called First Italian Republic by giving birth to new parties, thus dramatically changing the nation's political landscape. But if mainly being dedicated to the goal of improving the popularity of the Italian center-left, not least by balancing its left and right wings as most before him tried, why does Renzi pretend to be "atypical"?

First, he didn't build his career in the "classical" way, ascending through the PD's party hierarchies by virtue of patient service and diligent adherence. Instead, he was appointed to the highest political office in Rome through public boosts by systematically promoting himself as a "free spirit" able to connect with all sides of the all too complex and fast changing Italian political spectrum.

Second, Renzi undoubtedly belongs to the "rightist" wing of the Italian left, having an exceptionally good personal relationship with former center-right prime minister

Berlusconi of *Forza Italia*. By actively strengthening the liberal and “right” wing of the PD, Renzi hopes to better access the shuttered Italian middle class, which is afraid of declining as seldom before in Italy’s newer history, even if the price may be to lose parts of the radically leftist working class.

Third, Renzi successfully marketed himself from the start as a combination of “young,” “intellectual” and “anti-establishment,” although always openly declaring himself as an eager careerist whose dream it was as a boy to become the premier of his country one day (Renzi, 2015).

Building on these three elements, from early on Renzi gave himself the nickname “the scrapper” (*il rottamatore*) because he claimed, as his personal slogan and most distinctive feature, to “scrap” the “old” political elites of the country, both from the left and the right, in order to replace them with a timely version of Tony Blair’s and Bill Clinton’s “Third Way” politics, i.e. by what was called a merger of liberal, conservative and leftist (Italian Marxist) policies. Renzi sometimes prefers to call this an “integrative mix” or, in an allusion to his origins in Florence, the home of national poet Dante Alighieri, “new style” (“stile novo”) (Renzi, 2012). Renzi uses such populist terms much more often than most of his fellow politicians to distinguish himself from his competitors as “more contemporary” and even “more intellectual.”

Independent Italian critics, though, often ridicule Renzi’s “mixed” approach as being neither fish nor flesh and lacking substance. They criticize his use of the pretension of a “Third Way” and say he allows himself to remain vague, eclectic and populist, choosing in many cases unformulated options and saying what his audience wants to hear. Critics from both sides in fact do not *praise* Renzi but *accuse* him of simplification, which they consider inappropriate, particularly in an overly-complex and highly contradictory political landscape characterized by an accentuated North-South divide that, in the eyes of many, requires double redefinition of every single national issue.

Renzi’s “simplification” issue is indeed in some ways ambiguous. His rise, first to mayor of Florence (2009-2014) and then to youngest political party leader and premier of Italy, is unimaginable without his early engagement of professional “spin doctors.” They helped to systematically deliver the “non-traditional” and “new” message in simple ways to be easily understood by the public, and to style him accordingly, including his physical appearance, which changed in line with his ascent to power from average to stylish, securing him an outstanding position in the current Italian “attention economy.” This proved to be a decisive move in a country which, as Andrea Billi, Professor of Economic Policy at the *Università La Sapienza Rome*, OECD researcher and Roman insider, told the author: “You can probably joke about everything in Italy, except two issues; How to have a meal and how to clothe yourself. Inappropriate clothes are a no-go in *Il bel paese*, and you can’t fix the damage once it is done; as is drinking a *cappuccino* after lunch. After lunch you must drink an espresso, without milk. If you drink a *cappuccino*, you show that you have no attachment to Italian culture and demonstrate insensible behavior, and people despite nice words will not really forgive you your bad, even if you are a foreigner” (Billi, 2014).

At least where it concerns these issues, Renzi seems to be much less “atypical” than he claims.

IX. How to Achieve Power by Overthrowing Your Party Friend, or: From Letta to Renzi

A self-declared reformer and innovator, Renzi achieved his position not by being elected by the voters or parliament, but, typical of Italy's Machiavellian political culture, by overthrowing his PD party colleague Enrico Letta (in charge from April 2013 to February 2014) in a behind-closed-doors party revolution that, in the eyes of the average Italian public, had the strong smell of a proverbial *Roma ladrona* (*Rome the thief*) conspiracy. It was a move unimaginable in most other Western democracies.

Imagine Barack Obama being replaced by a Democratic Party colleague while in charge without a specific charge, or German chancellor Angela Merkel by another representative of her *Christian Democratic Union* through an inner-party vote. Renzi's takeover during Letta's term in office was a decision taken in an ongoing battle between the PD faction of Florence, the stronghold of Renzi's center-right wing, and Parma, the home of Letta's center-left wing. Florence can be viewed as the intellectual center and Parma the traditional working-class base of the Italian center-left. International media immediately branded Renzi a political "serial killer from Florence" given his careful planning in "murdering the king" and "slaying the head of his own family" (Armellini, 2014).

Despite all contrary rhetoric, the turn away from Letta to Renzi (and from Parma to Florence) did not cast Italy in a positive light from an international viewpoint. Most commentators expressed concern and irritation. While not necessarily typical of Italy's institutional and party practices per se, this move featured the very characteristics that traditionally weaken Italy compared with most other Western democracies both functionally and in its reputation: inner-circle logic of extremely complicated and rapidly changing faction fights between comparatively small groups within parties that make it so hard to govern; and a vested-interests mentality of influential groups of "political families" that continues widely unbroken even after the departure of Silvio Berlusconi, the four times prime minister of *Forza Italia* (*Forward Italy!*) and later of the party alliance *Popolo della Libertà* (*People of Liberty*) who failed to reform and liberalize the country over his 10 years of governance stretched between 1994 and 2011.

Many observers both abroad and at home had not expected such behavior from a relatively "unconsumed" public figure such as Renzi, who based his flamboyant rise on the slogan: "What Italy needs most is a capillary revolution that involves everything and everybody, a profound change and a new logic of politics to overcome its crisis" (*Il Corriere della Sera*, 2013), rightly pointing out that Italy's crisis in essence isn't primarily an economic, but a systemic one, a crisis of how politics work in this country. Given the way he rose to power, Renzi's actions contradicted his own slogan, adding to his reputation as a populist careerist and intelligent "chameleon."

X. Renzi's Italy: A Nation in Urgent Need of Reform

Against this backdrop, Renzi's constant "simplification" and "innovation" rhetoric is a feature that connects him to a large extent to Berlusconi, known over the decades

for his “first of all we must think positively” rhetoric. But there is some truth in this “Renzusconi” rhetoric too, when “simplification” is connected to the “positive” insight that Italy is in urgent need of reform in all crucial fields, a reform that can’t be postponed any longer without good reason. Since his time as the mayor of Italy’s art capital Florence (2009-2014), and prior to that of the Province of Florence (2004-2009), Renzi pointed to *three* main reasons behind the decline of Italy from the 6th largest economy in the world in 2009 to 10th in 2013: from technological leader to second-hander: from a country of growth to one suffering three recessions since 2008 (Walker and Zampano, 2014). From a prosperous middle class to record unemployment, with youth (i.e. under 25) unemployment, despite slight recovery, at records highs of 42% not least due to Italian “gerontocracy,”- a systemic attitude that favors those who already have a job “for life” and is adverse to change, life-long learning and flexibility, leading in 2010-2015 to the most extended brain drain in modern Italian history since the 1970s. The tourism industry alone, the third most important industry in the country, lost 10,000 jobs in 2013.

The three factors at the root of Italy’s decline are: 1) a lack of meritocracy both in professional life and in the cultural mentality particularly in Rome and “South of Rome” (the *Mezzogiorno*), which influence the whole country not least through a national bureaucracy steadily in the hands of Rome; 2) an over-complex bureaucracy, leading to an exaggerated number and density of laws; 3) exaggerated taxation. Italy, according to the National Industrial Association *Confindustria* in 2013, had the highest combined taxation in Europe, i.e. taking all taxes together, including national, regional and local, value tax and those on fuel and energy (Il Sole 24 ore 2013). Taxation was on average 54% of the GDP and up to 70% on enterprises. Such a tax burden harms the economy, destroys thousands of small and medium sized enterprises, creates youth unemployment, and induces many Italians, particularly the well educated and highly skilled, to emigrate, as the past five years have shown.

These problems are not new, but “classical” on the Central South European peninsula. In response, Renzi’s political program since his rise to premier in February 2014, a tenure that formally ends in 2018, tries to hold true to the comparatively “radical” reform expectations created in the process of his rise, if not in all proposed single measures, at least in the basic intent. Besides incessant rhetoric appealing to “hope,” “trust” and “positivity,” at its core are promises of “deep” reforms oriented towards the German model of competitiveness and efficiency. This model is, as Renzi never fails to underscore, “in principle” neither leftist nor rightist but rational and technical.

Renzi’s reform program pursues increased meritocracy and an accent on competition; reduction of labor protection; reasoned wage agreements and a general “restriction” of the power of the labor and trade unions; “generational transfer” in public administration including early retirement and the phasing-out of workplaces in the public bureaucracy (Italy has one of the biggest administrative *apparatus* of all 34 OECD countries with uncountable privileges); general reduction of bureaucracy with particular regard to small and medium-sized enterprises; simplification and, where appropriate, amalgamation of laws; cuts in the social welfare system and a stronger accent on self-reliance; lowering of taxes, in particular for the weaker sections of the population; and as a combined result, lowered unit labor costs, better competitiveness and, as Renzi hopes, a new

“pioneering spirit” of innovation, investment, social mobilization and progress in the country.

Taken together, Renzi is in essence pursuing the same “softened” pro-liberal reform agenda for the third-largest Eurozone economy as Chancellor Gerhard Schröder’s “Agenda 2010” of 2005 did for Germany. The “Agenda 2010” anticipated similar measures, thus building the prerequisites of Germany’s current economic and social success. The difference is that Renzi, like Manuel Valls in France, has to try to implement a similar program 0 years later than Germany. As Renzi was criticized by Cofferati for his “anti-workers politics,” so too was Schröder accused by the left wing of the Social Democratic Party of Germany (*Sozialdemokratische Partei Deutschlands*) of “betraying” its leftist basics, and as a consequence lost the following election.

Will Renzi be ready to make the same sacrifice in the interests of Italy? Or will the political culture of Rome prove too different from that of Berlin, despite the common currency of Europe’s North and South?

XI. Renzi’s *Crux*: Advertising Reforms but Not Realizing Them?

Consciously ignoring this delay and in particular the differences between Italy and Germany in relation to meta-party rationality, parliamentary efficiency, public solidarity and social cohesion between the social classes concerning difficult decisions, what the Italian premier strategically intends is to give Italian voters the impression of a serious reform effort in the conjuncture of conservative and liberal policies by means of an open-minded premier who orients himself towards the future, not the past. It was no accident that Renzi used his official visit to Silicon Valley on September 22, 2014 to theatrically state that “a systemic revolution is needed for Italy. Because our cities are outstandingly beautiful, but risk belonging to the past ... Italy is a great country, but has some incredibly weak spots ... For us all, San Francisco is the capital of the future. Italy is no normal nation, but a special one, both in the good and the bad sense. We need a revolution in the public administration, in the political system, in the labor system. Italy must invest in an anti-corruption campaign, and in the renovation of its justice system: a civil trial shouldn’t take longer than one year” (RAI News, 2014).

With this, Renzi tried to exemplify the extent and aspirations of his reform program without hiding the many problems he is facing when trying to push them through the existent constellation and culture.

But despite all the talk of reform, in his second year in office not much of Renzi’s ambitious agenda has been realized. The approval of part of his envisaged labor market reforms by the Italian senate at the start of December 2014, which foresees a loosening of extreme employment protection and triggered violent labor unions protests, was Renzi’s most important achievement that year. Nevertheless, as always in Italy with approved laws, it remains to be seen if the measure is enacted, and if so, in what way and to what extent. Some skepticism is appropriate since under the systemic impact of a very strong Communist Party (*PCI*) the whole Italian economic and fiscal system since the 1970s has been built on those who get monthly paychecks and have life-time

positions as employees, although their number is, as in other developed nations, rapidly shrinking and will probably not be typical in a couple of years time, which is one reason why the Italian taxation and legal system is lagging heavily behind most other modern nations.

In the meantime, unlike Spain or Portugal, which managed to implement relatively fast and serious reforms, despite rigorous austerity courses and significantly lowered taxation in 2014, there is still nothing similar when it comes to Renzi's practical achievements. Instead, in 2015 the Italian premier still appears on TV shows, radio interviews, and discussion rounds from morning till night to advertise the *need* for reforms to the voters and the broader Italian public. With this "propaganda campaign" he is trying to break the vicious cycle of the national political elites' notorious culture of "one hand feeds the other" mentality that has in many cases succeeded in blocking the implementation of serious reforms in past decades. Given that Rome is described as a self-referential microcosm, extraterritorial from the rest of the nation where connections, friends and Machiavellian slyness count more than achievements, experience and merits, the prime minister from "high-culture" Florence often still seems to be talking to a brick wall.

As mentioned previously, Renzi's propaganda is not dissimilar to that of the last years of leadership of his colleague and predecessor as premier, Silvio Berlusconi, who guided the country from 1994-1995, 2001-2005, 2005-2006 and 2008-2011. Like Berlusconi, Renzi's rhetoric is sometimes unclear and, due to the constant pressure of a myriad of interest groups, its content changes over time. Nevertheless, his public pro-reform propaganda is so intense that many ask when Renzi has time to govern given his constant media presence. Many intellectuals state that Renzi seems to be more about words than about action. Others, after Renzi's first year in power, bluntly assert that he is no more than just another "bluff of the system," accusing him of a "lack of focus" (Münchau, 2014).

Despite some successes in regional and local elections following his appointment, time is inevitably getting short for Renzi. In addition to Italian voters, the European Union is getting nervous too. Renzi was repeatedly admonished in the summer, and again in December 2014, by the chief of the European Central Bank, fellow Italian Mario Draghi, for announcing reforms but not actually implementing them (Polleschi, 2014). And while Renzi in 2015 was still seeking to convince his fellow citizens that the Italian political, institutional, and economic system is in urgent need not only of superficial corrections, but of a fundamental overhaul, the alarm bells of a nation in recession couldn't be ringing more loudly.

XII. The Eurozone's Low Interest Policy and Italy

The signals are that the nation isn't moving forward fast enough, and that it is not making sufficient progress to overcome the systemic crisis (Benedikter, 2011) that has led to years of recession. Italy's economy hasn't grown substantially over the past 14 years, while other European crisis nations seem to have made some slow, but steady progress recently. As the chief of the Euro rescue funds ESM, Klaus Regling, asserted somewhat surprisingly in December 2014, Greece seems to have implemented some

useful reforms of bureaucracy, welfare state, and labor regulations, while Italy hasn't, and thus must from 2015 regard Greece as an example to follow: "Structural reforms decide progress. It's very easy in the end: Countries that implement serious reforms become successful within just a few years. It's as easy as that. You just have to do it" (Eder, 2014).

The good news for Renzi is that he has help in his reform efforts. In order to sustain reforms and to make sure that the interest paid on public debts remains low, particularly while systemic change is implemented, the ECB under Mario Draghi is keeping the low interest policy at zero levels in order to buy time for countries to undertake the necessary reforms and become more competitive. However, the ECB's zero interest policy, which impacts not only the spearhead institutions of Europe, but every single citizen independently of her or his wealth and social standing, threatens the trust of savers and is a mechanism of supporting the public debt and banking systems of crisis countries like Italy by actually expropriating *all* European savers. This has already led to some public polemics and upheaval particularly in saving-oriented nations like Germany, where the 'man on the street' feels that he is indirectly paying the bill for the errors of the Eurozone's Southern countries such as Italy (Gburek, 2014).

Despite this policy, Italy does not seem to have used the time to its advantage. According to the Renzi government itself, taxes in the past 30 year have always risen, never stagnated or decreased, an anomaly among post-industrial nations, which in principle tend to tie taxation to the capitalistic cycles and lower them in favorable times. The vicious circle of exaggerated taxation, increased for decades, even in growth phases, sinking income of the state due to the failure of enterprises and prolonged recession, as well as the resulting lack of public investment in research, innovation, education and science, has led the country into a downward spiral. As a consequence, enterprises failed at record high levels throughout 2012, 2013 and 2014 with an average of two Italian firms closing down every hour, and 60,000 enterprises lost since 2010.

XIII. Two Problems of a Nation Notoriously Short of Money: Corruption and Tax Evasion

Additionally, Italy has one of the highest corruption rates in the world. It was ranked 69th in the latest *Transparency International Corruption Perceptions Index 2014*, at the same level as Swaziland, Bulgaria, Romania and Greece, way behind most Arab and Asian countries, including China, but also behind Namibia, Ghana, Rwanda and Cuba (Transparency International, 2014). This makes this Southern European country the most corrupt of all in the Eurozone. It hasn't substantially improved over the "reform" years, having been ranked 72nd in 2012 and 69th in 2013. This is of particular relevance since Italy, unlike Bulgaria, Romania or Greece, is the third-largest Eurozone economy and will most probably keep this status in the years ahead.

Corruption scandals that involve the whole spectrum of politics, institutions, economy, administration and society still remain a normal daily occurrence in the national news under Matteo Renzi. Cases like the MOSE dike scandal in Venice, with the former regional governor and many high-ranking officials arrested in autumn 2014 for having

manipulated the call for tenders and the competition for public money, or the EXPO corruption scandal 2014 in Milan where a criminal fraud worth billions of Euro was discovered in May 2014, are almost part of the daily routine.

Most large projects in Italy are threatened by corruption. This has ensured that the new epochal case of a Mafia circle corrupting most of Rome's municipal administration and parts of the political elite in parliament in December 2014, a scandal called *Mafia capitale* or *Skandalus Maximus*, triggered by the activities of boss Massimo Carminati and allegedly involving former mayor Gianni Alemanno, wasn't perceived as particularly surprising to the public. As Carminati claimed, without presenting any immediate evidence, even the highest circles in the political sphere of the capital are allegedly concerned "that those in the underworld are able to do their jobs, because we are doing what nobody else wants to do ... Do you know how much money is in the informal administration of the immigrants for whom nobody cares? More than in the drug business" (Rucco, 2014). Carminati provocatively described the Roman constellation, asserting that the *Mafia* allegedly makes a good part of its money by housing refugees and illegal immigrants for whom the government hasn't developed any programs, and by organizing the crimes that these poorest of the poor need to pay the *Mafia* for their apartments and to survive.

No wonder Italian Justice Minister Andrea Orlando described corruption in January 2015 in a speech to parliament as the "number one evil" in Italy, denouncing it as having reached an "intolerable level" which has "devastating effects on the economy and on the public like few other factors" (ANSA, 2015). This is also due to the interrelation of administrative bodies with activities of the Mafia that have increased over the years despite all efforts of the fast-changing governments. Indeed, the frequent change of governments is probably one of the problems behind the lack of success in anti-corruption efforts. The criminal organizations produce and distribute counterfeit money in the South of Italy on an industrial scale, which many see as only possible on the basis of protection from corrupt local and regional authorities and politicians. For example, there was a record 306,000 fake Euro coins worth 556,000 Euro discovered in December 2014, south of Rome. According to police, Italian criminal associations are responsible for 90% of all fake Euros circulating in the world (APA, 2014).

Summarizing the situation in January 2015, the president of Italy's anti-corruption agency, Raffaele Cantone, stated that "the repressive system against corruption Italy has now obviously doesn't work. Taken as such, it solves absolutely nothing. If we don't put a system of prevention in place accompanied by a *cultural campaign* which helps people understand that corruption isn't a crime against the public administration, but against society, we will not win against corruption" (D'Aprile, 2015).

XIV. 'Cultural' Habits at the Root of Corruption and Evasion? Pros and Cons

"Cultural" habits may be the real problem behind the seemingly insurmountable corruption. In his hugely popular television shows on the Ten Commandments, for which he was personally congratulated by Pope Francis, in December 2014, Oscar-

winning comedian Roberto Benigni alluded to the *Mafia capitale* scandal in Rome by saying: “The seventh commandment is ‘Thou shalt not steal.’ God loves the Italians exceptionally, because he has written this commandment specifically for them. ‘Thou shalt not steal’ is aimed directly at the Italians. It is the most ignored commandment. In Italy only the children understand its meaning.”

Obviously, Italian social norms are different from, say, Swiss or Norwegian social norms. However, political scientists nowadays typically tend to emphasize the role of institutions over culture, which seems reasonable: ‘Individuals in power will steal whenever they are given an opportunity to do so, independent from the cultural framework.’ But on closer inspection, the problem seems not to be mono-causal, but rather a circular one: institutions and culture are interconnected and influence each other in a never-ending “hermeneutic circle” of practical behavior that results in concrete ways of making policy.

Hence the challenge is on the one hand to reform institutions so as to make corrupt practices more difficult, which will trigger cultural changes that may then follow over time. On the other hand, it is also to change mentality patterns in order to enable reform of the institutions.

In today’s Italy, many understand the need for such a “hermeneutic circle” of reform at the interface between institutions and culture. As Renzi himself reported on November 27, 2014 at the opening of the Academy of the Italian Tax Police in Rome, tax evasion in Italy now amounts to 91 billion Euro per year, or: 6% of the national GDP. The nation therefore needs, according to the premier, a “cultural revolution” particularly with regard to the relationship between the tax authority and citizens. Italy “is not lost, but can be changed with the help of all its citizens,” Renzi said, alluding to the possibility of a new “culture of cooperation” between the state and citizens, instead of the traditional mutual mistrust.

Renzi’s government plans to de-bureaucratize, simplify and speed up the confiscation of wealth accumulated through corruption, and to introduce more comprehensive controls of public competitions, a so-called “package for legality.”

XV. Can Italy’s Industry Survive the Nation’s Fallacies? The Cases of FIAT and the Italian University System

While Italy’s national debt reached record highs despite, or as many assert, because of, non-legal practices combined with non-meritocracy and austerity politics, increasing numbers of the best educated and most gifted young Italians are leaving to escape unemployment and the afore mentioned record taxation of up to 52% on income (The global average is 40.9%. Switzerland 29%, other countries in the EU such as Croatia, as low as 18.8%).

Under these circumstances, it was only the tip of the iceberg, although with a symbolic significance difficult to overstate in the view of the average Italian citizen, when in November 2014 the icon of Italian industrial production, FIAT, the world’s seventh-largest automaker based in Turin since 1899, left the country in a shocking transfer outside the Eurozone to London due to the “systemic inadequacy” of Italy, as

CEO Sergio Marchionne expressed it (Kerner, 2014).

Marchionne was referring to the combined record tax pressure which does not exist in other OECD countries and which is linked to overflowing bureaucracy leading to a record number of laws often contradicting each other, with some still stemming from the Fascist era in the 1920s or even from the founding era in the 1870s. The resulting legal uncertainty has created a situation too unstable for enterprises to seriously invest in the country. Marchionne also pointed out the exaggerated power of trade and labor unions in Italy, with the ability to block most reform initiatives and protect the status quo; an over-complex institutional framework close to ungovernability, and the 50: 50 split political system with too many too-small parties represented in parliament and, as a result, rapid changes of government. Last but not least, Marchionne also pointed the finger at an incestuous university system left for too long “autonomously” in the hands of informal academic circles and specialized associations, who in the past decades have been eliminating meritocracy systematically in favor of group control.

Indeed, there is rarely a competition for any university post in Italy today that has not been unofficially decided behind closed doors by the appointment committee and its friends and connections in national scientific groups and circles according to the “One hand feeds the other” mentality. In the Italian university system, this is expressed by the motto: *Uno tuo, uno mio, uno bravo*—One for you, one for me, one good one.

The result is that Italy has one of the lowest levels of internationalization in the university system of all major OECD countries, and one of the lowest levels of permeability for non-nationals. As high-ranking sources in the Italian Ministry of Education, University and Research (*Ministero dell'Istruzione, dell'Università e della Ricerca*, MIUR) bluntly commented: “Italian competitions for university posts (*bandi di concorso*) usually bear only the name ‘competition’; in reality they are formalizations of previously taken informal decisions.” It is not unusual for the other candidates to receive a phone call from a member of the appointment commission ahead of their interview inviting them to withdraw, otherwise the commission would have to write a negative judgment on the candidate despite and publish it on the Internet, thus threatening their future career.

Under the pretext of “transparency,” Italy actually introduced the procedure that sees the internal judgments of an appointment commission usually published on the internet. Most believe this was introduced to maintain the anti-meritocratic routine of Italian “competition” and add pressure upon candidates who want to stand up to the practice. In addition, the university system is seriously under-funded by the government. In 2013, Italy was the only OECD country that lost about 20,000 students, or as the authorities stated “one whole *ateneo*” (university), while all others grew in numbers (Bompani, 2014).

Overall, Italy's social culture is all too often anti-meritocratic, and this is extremely pronounced in the university and education sector. As a result, science and research have been falling back continuously over the decades because of a lack of competition, low penetrability from the outside, and a “web of friends” mentality that ensures the system is widely impenetrable to those outside the circle. One phrase summarizes this situation: “If you are in the system, you have access; if you are not in the system, you will never get into it.” Taken together, the current Italian university system is a vicious

circle almost impossible to reform from the inside because it is highly self-referential, with most of its leaders and opinion makers involved and benefiting from it. The only possible reform could come from the political sphere, which, however, doesn't regard reform of the university system a priority. It is also clear it would be extremely difficult to reform them after 70 years of "independence" and a lack of democratic control, being that the university system is the only extraterritorial space in modern Western democracies that reproduces itself not being submitted to democratic control or objectively supervised rules. It was not by chance that Mario Monti, one of the predecessors of Renzi as premier and himself coming from the university sector as a professor of economics at the Università Cattolica di Milan, after some courageous statements immediately gave up the task of university reform in order to do "other work" since not even he regarded the relation between the effort needed and the potential result as worth a serious try (Urbani, 2013).

Against this backdrop, FIAT founded the new Holding FIAT Chrysler Automobiles (FCA), whose shares debuted in October 2014 on Wall Street: ironically on "Columbus Day." Thus, the Milan Stock Exchange lost its most important industry player and the nation its most important manufacturer after 111 years. Interestingly, while the media of other leading industrial nations reported intensely on this historic break in the nation's economic history years before it actually happened (The Economist, 2011), in Italy the debate was almost non-existent and was quickly removed by the media from public attention. As Renzi stated, "We should not cry ourselves to sleep, but stand up and go forward, and change the face of Italy" (Il Messagero TV, 2014).

The question arises whether the best approach was to just move on from the loss of the nation's iconic enterprise or if intensifying reform efforts wouldn't have been a better response. In fact, the case of FIAT is not the only one with symbolic meaning for the country. Other national business icons are trembling too. One of Italy's sporting icons, AC Milan, the most successful football club in the world and owned by Silvio Berlusconi seems to be in the process of being "denationalized" much to the shame of its millions of followers. Negotiations on the sale of the majority of the club bonds have been going on for years, confirming the fears of many Italians, including those not among fans of the club, of a sell-off of the nation's objects of pride because of inefficiency, lack of success and incapacity.

Emblematically in the eyes of public social psychology and "contextual politics," AC Milan in 2014 was among the clubs paying the highest combined salaries but failed to qualify for the European Champions League, nor any other major competition, and ranked 8th in the Italian national league, 45 points behind winner Juventus (Stock e Elli, 2014).

XVI. Two More Critical Issues: Overregulation Combined with Low Law Efficiency

Beyond these daily symptoms, there are even more unresolved issues for Renzi's Italy. Among them are, in particular, two that are heavily influencing the stagnant recovery of the peninsula:

First, Italy has an excessive amount of laws and regulations. As is all too well known to every Italian citizen, many of them are too complex to be understood and properly related to each other, even by experts. Consequently, Italy has the highest number of lawyers per population in the Western world. More importantly, laws and regulations are often contradictory, while over-regulating every single issue of daily life.

Second, at the same time the nation's courts are ranked among the least efficient and slowest in Europe, according to OECD research (OECD, 2013).

Over-regulation and low efficiency are interrelated in their causes, their mechanisms, and their effects. As scholars such as Antonio Giuseppe Balistreri have pointed out, they were inbuilt at the very source-i.e. the foundation process-of the modern Italian nation state itself (Balistreri, 2006). They are, at least in part, the result of a nation born as a deliberately "weak state" in 1861, because Italy was founded by liberals in cooperation with the Catholic Church, who were both were skeptical about the new nation state. The Church did not want to lose too much of its power to secular institutions while liberals wanted to restrict the power of government and keep it out of people's daily lives. Despite the similarity to the U.S. idea of "small" government, the Italian liberals identified "small" with "weak"-a fact that was never the case in America. The result was the conscious foundation of a semi-functional state with inefficient institutions, including the public administration and the tax authorities.

As a consequence, the Italian national state was delegitimized from day one by the church and by its citizens, who, due to a lack of respect for the new state and its institutions, tried to get the better of it by evading taxes and undermining laws and regulations wherever possible. This was regarded as a trivial offense often indirectly and sometimes directly encouraged by religious authorities and intellectuals. In turn, the young Italian nation state developed a deep mistrust of its own citizens. It created a web of laws and regulations that tried to regulate every tiny issue without ever being fully applied to the letter, leaving lots of space for interpretations and exceptions for the sake of keeping up liberalism and the Catholic core principle of forgiveness. Up to the present day, Italian laws offer many possibilities to interpret and apply them, and there are many options to appeal decisions. This maintains a low level of trust in the country's laws, and of the certainty of sanction for breaking them, a fact that scares off investors, innovators and entrepreneurs.

The resulting effect is a lasting contradiction between the intrusion of the state into citizens' lives on the one hand, accompanied by a lack of application of laws and regulations on the other, combined with all too many possibilities to repeal the application of sanctions. In 2013, Italian state authorities lost a record 70% of cases in court against their citizens (RAI News 24, 2013). That means that the nation has an extremely liberal law and court system, inefficient public attorneys, or too many false accusations against citizens. One recent case that embodied the problem of legal uncertainty, which is at the core of many other Italian problems, is the murder case involving Amanda Knox which began in November 2007. The American was found guilty in the first instance, then innocent in the second, only to be found guilty by another appeal court, and in the meantime she had left Italy in anticipation of more upheaval (Gumbel, 2014). The trial goes on after seven years in the courts, with no end in sight. As in many other cases, predictability of application of the law tends to be low, leaving room for one

sensational surprise after another due to frequent *capovolgimenti* (capsizings).

Something similar is true for the *popular perception* of other publicly visible highly contested court cases. For example, the captain of the 2012 sunken cruise ship *Costa Concordia*, Francesco Schettino, was sentenced to 16 years in jail and to pay compensation on 11 February 2015 for manslaughter, causing a shipwreck, and abandoning the ship ahead of its passengers. Schettino, who allegedly caused the death of 32 passengers on 13 January 2012-making the sentence 6 months in jail for every victim-was called “a reckless idiot” by the public attorney, but defended himself saying that he had “slipped in a lifeboat and couldn’t get out” (Day and Austin, 2015). The sentence was pronounced in the *Teatro Moderno* (Municipal modern theatre) of Grosseto, Tuscany, not without symbolic connotations, since the trial often resembled a piece of theatre.

Indeed, although the sentence was judged “severe” by international observers, in the eyes of most Italians it was seen as a theatrical show to justify the existence of “hard and true” Italian justice in the face of both the domestic and international public than as a representation of a practical sentence. In reality, “Schettino is almost certain to appeal and under Italian law he has the right to challenge the verdict twice, which could mean he remains free for years. Judges did not rule him a flight risk or place him under house arrest” (Day and Austin, 2015). Until a final verdict is found, Italian laws often change and thus the situation of the accused is unpredictable over time. That is why everybody appeals everything as much as possible, to get the “benefit of time.” Thus, in the eyes of the average Italian, Schettino will get through as many revisions and appeals and counter-appeals as possible for years, and in the end get 8-10 years in prison as a compromise, of which he may spend a third behind bars and have the rest changed to house arrest, public service, or even canceled. Few spectators in the Italian public therefore trust a “formal” judgment or sentence like the one in the Schettino case anymore, since most of them are not implemented as they were publicly announced.

XVII. A Problem at the Core of Many Others: Exaggerated Number of Laws, Legal Uncertainty and the Malaise of the Court System

All these aspects constitute another vicious circle in the history of the Italian national state up to the present day, destined to lead to a sort of half-hearted and inconsequent surveillance state. In fact, Italy in 2013 was the democratic nation with the most telephone surveillance in the Western world (1 million calls) and, statistically, no single Italian family was spared, an effect of the state’s notorious mistrust of its citizens, and vice versa, combined with legal uncertainty.

In fact, legal uncertainty remains a serious problem in *Il bel paese*. Italy’s density of laws combines with the longest lawsuits in court in Europe. Italian lawsuits take up to seven years for an ordinary civil trial, positioning the Italian courts among the slowest of the top industrial nations (Zampano, 2014). The jungle of laws and regulations thus ensures that an average trial lasts four to five times the European average; that many cases remain in court even for decades because of the many options of appeal and counter-appeal; and that bureaucracy is working extremely slowly and non-transparently,

so it is almost impossible for the average citizen to understand its complexity.

Or as Josè Maria Magone put it: “In Italy, the public administration is still today quite opaque and inefficient ... One of the factors leading to this situation is the fact that the whole bureaucratic procedure is too complex. One source of the complexity of the process is the astronomical number of laws that exist in Italy. The estimation is that Italy has produced over 150,000 laws in the past four decades in comparison to 7,325 in Germany and 5,587 in France ... The (administrative) working force is low-paid and unsatisfied ... An important thesis seems to be the fact that the civil service is dominated by graduates from the South. In the early 1990s, over 70 percent of civil servants originated from the South, leading to the phenomenon of a ‘Southernization of the public administration.’ This process has been happening steadily over the past century” (Magone, 2003).

While “Southernization” is no fault in itself, it points to the combination of low pay with low motivation and low quality of education.

Without doubt, Renzi’s core issue of “simplification” is appropriate and of core relevance when it comes to the Italian legal and juridical system. Indeed, the problem is that there are far too many over-complicated, too shortlived and too contradictory laws to make the system work. The president of the Chamber of lawyers of Rovereto in Northern Italy, Mauro Bondi, on the occasion of the opening ceremony of the “Court year 2015,” described the situation in harsh words:

“In the times of Emperor Justinian (527-565), the legal system was chaotic. In 2015 it is out of control. Permanent changes and a legislative process based on emergency and incompetency have made Italy a country in which the legal system offers no service anymore. Those responsible for this are neither the judges nor the lawyers. These are, like every other citizen, victims of a system that is running riot” (Dolomiten, 2015).

His colleague Carlo Maria Grillo, president of the Higher Regional Court of Trento, adds: “There are far too many legal measures without a unifying concept. We must stop the over-opulent legislation and are in need of a deep-reaching structural reform of the courts. In Italy, we don’t have any certainty about the execution of a sentence anymore. Today it can happen that a dangerous criminal, who behaves inconspicuously-and not even exemplarily-in prison spends only a third of their sentence in jail” (Dolomiten, 2015).

This includes members of the *Mafia*, some of whom are said to continue their business behind bars with relative ease due to widespread corruption. The number of inmates in Italian prisons has gradually fallen, from 70,000 in 2010 to 62,536 in 2013 and 53,623 in 2014, mainly as a result of the government’s efforts to find alternative methods of punishment to ease the heavily overpopulated prisons.

As a consequence, new Italian president Sergio Mattarella asserted in February 2015 on the occasion of the opening of the Florence-based Higher School of Public Justice (*Scuola superiore della magistratura*) that “a public attorney must not be a star nor just an administrator of justice. Italy needs legal certainty, and the lawsuits in court must be much faster. To put it in one sentence, we need a more rapid and efficient legal system. This is a crucial aspect that is very strongly felt in the nation” (Rizzardi, 2015).

Summarizing, Josef Anton Kosta, director of Northern Italy’s most successful “Bank of the year 2014,” the Raiffeisenbank Brunico-Bruneck, put it as follows: “The fundamental problem that is imposing a brake on Italy’s recovery is uncertainty, most of

all legal uncertainty. Nothing can be really planned. The framework doesn't fit anymore—from bureaucracy to the taxation system. Many Italian firms invest in foreign countries, and foreigners don't invest in Italy. The emergency measures that have been undertaken so far, together with growth in foreign countries, can have the effect that in 2015 there will be slight growth in Italy again. But in the long term, reforms must ensure that Italian state and society change in order to get the nation into a sustainable forward movement again" (Südtiroler Wirtschaftszeitung, 2015).

The way Kosta framed "reforms," not as a fact of the present but rather as a future challenge, shows that most finance, economic and business leaders in Italy don't believe that Renzi's government has even started serious reform efforts yet.

XVIII. A Culture of Unsystematic Change

What Kosta describes as the origin of uncertainty are the all-too-rapid changes in every single sector of the country and the continuous reform of reforms. They are the product of a bloated administration that keeps itself busy by constantly changing regulations or producing new rules in a manner that the populist leader of the opposition party "Five star movement" Beppe Grillo put it, is more appropriate for the (former Southern) Kingdom of the Two Sicilies (1816-1860) than a modern post-industrial nation.

Continuous changes are to a certain extent not only administrative habit, but part of the country's greater culture. For example, in Italian soccer, managers are allowed 5-10 poor games before they are dismissed, thus rarely allowing a manager to develop a new and improved system or "reform" a team to maturity (BBC, 2014). Italian laws often function the same way.

In addition, this "culture of unsystematic change" combined with a lack of long-term overall vision is used to change regulations *retroactively*—a move that in principle should be avoided because it undermines the credibility of rules.

Nevertheless, it remains a daily practice in Italy. This ensures not only that reforms almost never have the necessary time to reach a level of maturation that enables them to be efficient and reach their original goals, but that reforms in many cases, mirroring the fast-changing majority-minority constellations in parliament and in the institutions, are countermanded or even cancelled shortly after their installment, depending on the party which made them and on that which succeeds it in power. While some reforms are left in place but often, as a political countermeasure or compromise, "accompanied" by rules and laws that contradict them, others are cancelled as soon as a new government is elected. Will the same happen with Renzi's envisaged reforms? According to the premier, the new electoral law of January 2015 should help put an end to this situation.

Be that as it may, the background to this situation in Italy's political and social culture is more complicated, but builds on the same interrelation between "weak state" and catholic forgiveness. In most countries there are only two options based on the rule of law: legal or illegal. In Italy, characteristic of the Machiavellian political culture of the country, there is a third option: *illicit (illicito)*. Neither legal nor illegal, it is something in between, a grey zone of "not allowed, but neither completely forbidden." Second, Italy is predominately catholic, which means that almost anything can be forgiven,

creating a great temptation to commit at least something “illicit, but not illegal.”

All this gives rise to another fact, that nowadays few serious international political commentators risk writing on Italy, since what is written today could have changed even before the article is published. The absence of Italy from international political analysis is not simply due to its decline in reputation, but more so because of its political culture.

XIX. An Effect of Italy's Unsolved Systemic Problems: Growing Separatist Movements

These factors, combined with record debt of 129% of GDP in 2014 (which has continued to increase despite, or as many say *because* of, EU-imposed austerity measures), and inflexible labor laws due to the exaggerated influence of trade and labor unions on party and institutional politics, ensured that the country was the worst-hit of Europe's big economies by the crises of 2007-14; and Italy still isn't recovering as well as hoped.

Most importantly, in addition to enterprises leaving, movements that push for *political* separation from Rome are growing stronger by the day. In October 2014, a poll by the Institute *Demos and Pi* showed 67 percent of Italians were in favor of independence of their region from the state. Among them were, surprisingly, 45 percent of the workers who traditionally clung to the integrity of the national state (Demos and Pi, 2014). Among the parties in favor of splitting Italy up are the *Lega Nord*, which proposes splitting Italy into two different nations: the rich and productive North—often depicted as the most productive and economically strong region of Continental Europe—and the poor and stagnant, crime-ridden South. Comedian Beppe Grillo's populist *5 Star Movement* wants to restore the three-nation status that existed before Italy's national unification in 1861, i.e.

- 1) the “Two Sicilies” area south of Rome,
- 2) an intermediate state around Rome; and
- 3) the unified territories north of Rome.

In 2015, regional separatist movements grew in never before seen strength and numbers. For example, the autonomy movement of Venice province, which won over 80% approval to split from Italy and form an independent Northern state in the Po Valley in an unofficial vote organized by citizen platforms in early autumn of 2014.

Since football is the Italian national sport, expressing best the soul and mood of the nation, the situation of the state as challenged by separatist movements could be experienced in condensed form at the Italian Football Cup final in Rome in May 2014, a game which Renzi attended. On this occasion, the Italian anthem was booed by the public (mostly fans of the Naples team) and chaos reigned, with an infamous Naples “fan” called *Genny a' Carogna* (*Genny the Scumbag*), a convicted criminal, causing the temporary suspension of the game as he called for the release of *Catania* club fan Antonino Speziale, who was jailed for the 2007 manslaughter of a police officer. Observers spoke of a mirror of Italy's inner confusion, weakness of institutions and lack

of national self-esteem (ANSA, 2014). But despite the fact that Scotland and Catalonia made it clear with a close vote that separation can become a serious option even in the progressive nations of Europe, the Italian public sphere has tended to remove this threat from the public debate and prefers to discuss whether the national dish, pizza, is from Naples or Brindisi, or how spaghetti can be saved from globalization.

XX. Renzi's Reaction: Reform Rhetoric

According to his own statements, Renzi seems to be well aware of these unfortunate mechanisms at the root of most of the nation's problems and is trying to break their vicious circles. As a consequence, building on his "simplification" slogan, Renzi says: "Italy needs reforms, and it needs them as fast as possible and as simple as possible. My task is to realize one big, basic reform to make the government and the institutions leaner, more efficient and transparent and so doing to turn the tide" (Renzi, 2015). But the difference between announcements and facts could once again be, as with so many of Renzi's predecessors, too accentuated for "fast and simple" progress.

Nevertheless, Renzi's rhetoric comes at a favorable time. After Mario Monti's "rescue" of the country from November 2011 to April 2013, not through the announced reforms but mainly by further increasing taxes to all-time record levels, and by the unconstitutional cut of the budgets of the autonomous regions, things in the eyes of many Italians can only get better. "Italy can't afford to waste the huge sacrifices made in the past years under Monti by again increasing its huge deficit. We can't allow the loss of what we have achieved with so much pain during the past years," the minister of economy Pier Carlo Padoan stated in March 2014, shortly after Renzi took power (Ferrieri, 2014).

In the first quarter of 2015, after three years of recession in which the economy shrank and people suffered under austerity measures, Italy gave a brief, positive signal by growing 0.5-0.8%. Nevertheless, if Renzi considers such "change," together with the new electoral law and the imminent reform of the Italian parliament, as sufficient to call his time in leadership the end of the second and the beginning of the third Italian republic (Jones, 2012), it would certainly be an audacious assertion for a man who until recently has lived by promises than by facts. After all, this is a man who was both praised and scolded by the EU for his announcements rather than his deeds, and who therefore resembled the early Nobel Peace Prize winning U.S. President Barack Obama. Ironically, it was Obama's visit to Italy in March 2014 that brought the declining political importance of the eight-largest economy in the world to the fore. Following the unremarkable visit, many said the most important thing Obama seemed to show on his homepage were the Pope and the Coliseum, with the gaping absence of political issues.

XXI. From Words to Deeds: What Must be Done? Four Necessary Steps for Renzi to Take

What must be done now to solve Italy's biggest problems and get it moving

again? As positive as Renzi's will to reform is, and as welcome as his intermediate successes are, there are *four* still neglected but necessary steps that the premier will have to take as soon as possible to avoid the stagnation of the very vulnerable beginnings of political and economic renewal.

First, as previously mentioned, Renzi must introduce reforms that follow the model implemented by former German Chancellor Gerhard Schröder in 2005, the so-called "Agenda 2010" (Ottrand, 2013). The situation is similar in the case of Italy's neighbor France, where the new premier Manuel Valls (52) of the sister party of the PD, the leftist *Parti Socialiste* (PS) took power on March 31 2014. Unlike Germany though, Renzi and Valls will have to introduce such reforms with an unfortunate 10-year delay.

As is known, in his "Agenda 2010," the social democrat Schröder reformed the German social system and the labor market by cutting deep into the social security net and replacing part of it with employment incentives, as well as by decreasing income taxes, cutting public spending and arranging moderate wage agreements between industry and labor unions to increase competitiveness. With this came a weakening of the trade unions, a task that ironically could only be mastered by a leftist prime minister against his followers of his own party (Reiermann, 2008).

In fact, the historical paradox is that only a Socialist prime minister like Schröder was able to weaken fundamental leftist principles, much to the thanks of the conservative Christian Democratic Union (CDU), which knew that *first*, these were its own policies, and *second*, that Schröder would lose the upcoming election, which he did. A CDU-conservative prime minister trying to implement Schröder's reforms would never have succeeded because of the firm resistance of the left and the then unavoidable solidarity of the Social Democratic Party with the trade and labor unions. It remains to be seen if Renzi will share the same destiny: implementing center-right leaning reforms in opposition to the privileges amassed by the trade and labor unions and the bureaucracy, just to lose the next elections.

Without doubt, as in the case of the Schröder reforms which secured Germany's current economic power, the irony is that in Italy it will once again have to be a representative of the left like Matteo Renzi to undertake measures that are to all extent and purposes anti-socialist: cutting the welfare state, keeping wage increases at a minimum in order to strengthen enterprises, saying farewell to the dream of a 35-hour working week, simplifying bureaucracy, lowering taxes and labor costs, and enacting a broad liberalization of the labor market.

Although Schröder's program was the undisputed basis of Germany's success after years as the "sick man of Europe," critics from the left side of the political spectrum blamed his "Agenda" for having "ruined German workers" and unjustly cutting into the wealth of the lower and middle classes. In France, a comparable accusation against the reform plans of premier Manuel Valls has been made by Jean-Luc Mélenchon of the leftist party *Front de Gauche*. Renzi is confronted with similar attacks by his party colleagues and the Italian left ever since his rise to power, given that despite his "third way" rhetoric his basic agenda, as well as his standing at the right wing of the Italian left, positions him close to the position of Schröder. Nevertheless, Renzi is probably facing more divisions within his own party and a fractured coalition, which makes the implementation of such deep-cutting reforms more difficult.

Second, Renzi will have to fix a more general problem often underestimated in the international analysis of Europe's path to recovery: that most reform measures depart from the assumption of getting back to a "healthy" nation of employees, including workers, who receive a pay check every month and are dependent on the state or an enterprise 38 hours per week. Most leaders of European welfare states, including the pro-business Schröder in his time, departed from the assumption that the "normal" state of things is that the majority of people are employees who ideally want to stay in a job for 40 years until they get a pension or annual stipend.

But in this traditional European model, all the others, the entrepreneurs and freelancers for example, are to an extent left out of the overall strategy, or considered only as a secondary stratum to include. That could have been an acceptable assumption in times of a broad and stable middle class and of traditional conditions of interdependence in an industrial society based on the division of labor. The emblematic phrase in Italy's Post-WWII constitution reads: "Italy is a democratic republic founded on labor" (*L'Italia è una repubblica democratica, fondata sul lavoro*), which analysts like Balistreri nowadays interpret as an exaggerated a political touch (due to the Post-WWII division between leftist partisans and the bourgeoisie) of a nation historically afraid of basing its legitimacy on political ideals like freedom or solidarity. In reality, every system, including a dictatorship or an aristocracy, can be "based on labor"; this sentence doesn't say anything essential about the political form and will of such a nation.

Today, however, the middle class, including the remnants of the urban-based bourgeoisie, has become less stable in Italy as elsewhere, and the labor market is rapidly changing towards flexibility and life-long learning. People don't stay in a job for a lifetime anymore; international activities, invention and individuality are increasing in importance in the Southern European nations. But this change has not been sufficiently taken into account by Renzi's reform predecessors, and it is questionable if Renzi himself, despite all his innovation rhetoric, is appropriately aware of the importance and implicit radicalness of this change. On the contrary, it sometimes seems that "post-modern" Renzi would enact reforms for the 20th century of the late Ford era, not for the Internet-age, independent of the fact that FIAT as the most important player of the "classical" heavy industry has left the country.

This represents a major problem for Europe in the medium and long-term perspective: the general "employee mentality" of whole generations, including part of the present one, leading to the dream of a majority of the present Italian youth—particularly from the South—to become a public sector employee. This is because such a job despite moderately paid is identified with a quiet and safe life, avoiding the risks of an inventor or entrepreneur. In 2013, 53% of Italian youth aspired to a post in public administration. In 2014 the figure is still up around 46% (ANSA Economia, 2014). But this mentality is in reality the negative side of the welfare state, because it leads to a passive rather than an active society. And all too often European politics is in the service of this trend rather than furthering invention and free entrepreneurship, as is required in the present era. Of course, the focus on employees is politically based on the assumption that this is the most important voter section, an assumption that could soon prove wrong at the Italian ballot box.

Third, Renzi must fix the biggest structural problem of the nation: he must

decrease taxes in order to stimulate the economy and motivate the individual. What Renzi rightly proposes, small tax exemptions, tax stagnation and an 80 euro or more bonus per month for the poorer segments of the population, i.e. employees with incomes of less than 24,000 Euro per year, is combined with illiberal (and for democracies, unusual) measures such as *Redditometro*, a mechanism that foresees every single acquisition of every citizen is checked against declared yearly income, with a list that determines what a citizen can afford to buy with that income within a tolerance margin of 20%. If the tax authorities feel that a citizen spends more than he or she can afford according to their declared income, a tax evasion suspicion is issued and the citizen must justify his or her purchases. In Italy, it is not the tax authority that must prove the guilt of the citizen, but the citizen that has to prove his innocence to the state. This measure has been branded by Italian conservatives, intellectuals and liberals as “fiscal terrorism” (Il Quotidiano Nazionale, 2012) which inappropriately replaces the need for tax reform.

The fact that many of Italy's firms are transferring their centers and a (sometimes large) part of their production to foreign countries with lower taxation, a more efficient legal system, less bureaucracy and more meritocracy, should be an alarming signal for the new government. It should give them the incentive to decrease taxes, favor liberalization, cut over-protection, and most importantly cut out vested interests and corruption. Although at the start of his tenure Renzi promised significant tax decreases as a “shock treatment” for Italy's economy and society, not many of his promises have come into practice yet. The fact that Italy seems to emerge only slowly out of recession may provide once again, as it was for his predecessors, an excuse to not fully implement his promises, not least due to the fact that public debt continues to rise despite the austerity measures (Girardi, 2014).

Fourth, and probably most crucial in the medium and long term, Italy needs more, and more transparent, meritocracy, particularly in the leading sectors of society such as the political elite, business, universities, science and technology, but also in general. But meritocracy could continue to remain the biggest problem throughout Italian society under *rottamatore* Renzi.

XXII. Two “Secondary But Important” Challenges for the Southern Peninsula: Illegal Immigration and Anti-Europeanism

Given the amount of challenges Renzi faces, some issues will have to be put on the back burner, but they cannot be put off forever. Italy's “secondary but important” problems comprise *two* aspects in particular:

First, the poor regulation of migrants and refugees from south of the Mediterranean of around 200,000 people per year in 2014, the majority from Africa and the Middle East. Italy's programs for integration are largely insufficient. There is a lack of money in these times of crisis. Southern Italy, where most migrants arrive, is underdeveloped and thus unprepared for these numbers. And most of those who are not sent back to their countries of origin-i.e. the vast majority of those who come, which is also an effect of

the catholic religion and its principle of pity-are left to fend by themselves. Therefore Italians are increasingly calling for this issue to be addressed.

This is also due to the fact that the majority of immigrants who come over this dangerous route with the help of smugglers and criminals, risking death in their thousands every year, come from the poorest and least educated parts of their populations, and thus are not prepared life in the highly competitive Western society. Improved cooperation with the European Union is urgently needed in order to avoid strengthening populist rightist nationalist movements, as happened in France with Marine Le Pen's *Front National* (*National Front*).

Admittedly, Renzi hasn't had much time to dedicate to this issue, but he will have to get to it eventually in order to avoid losing the next election because of the growing unrest, particularly in Italy's Southern cities and in Rome. The average Italian thinks that there has to be a clearer set of rules for immigration, and a better overall program from Europe-not from Italy alone-to address the question rather than just leaving it to the Southern states, foremost Italy and Spain. According to the minister of the interior, Angelino Alfano, Italy spends 300,000 Euro per day on the problem (de Cesare, 2014).

The issue is even more urgent since reports emerged that among the hundreds of thousands who come to Italy every year there are potentially one or two dozen members of radical Islamic groups who are strategically infiltrated as "sleepers" and could later commit terrorist attacks. After the attacks in Paris on January 8, 2015 against the satiric journal *Charlie Hebdo* this potential threat is taken very seriously by the Italian government, as the Minister of Foreign Affairs, Paolo Gentiloni, stated in the framework of his visit to London in January 2015 (Il Quotidiano, 2015). After the dramatic appeal of Egypt and Libya to Italy to intervene with ground troops against the growing influence of ISIS in Northern Africa in February 2015, the terror militia has repeatedly threatened *Il bel paese* with open war on Italian soil and terror attacks. Images on the internet showed the Coliseum (*Il Colosseo*) in Rome under a black ISIS flag and has forced the Italian government to spend huge amounts for the protection of cultural heritage sites and public figures such as politicians, business leaders and intellectuals (Tomasello, 2015).

Second, but of equal importance, Renzi faces separatist movements not only against the Italian national state, but also against the European project. Two parties of noticeable influence in the parliament are in favor of Italy leaving the Eurozone and returning to the former currency Lira: The *Lega Nord* and the *5 Star Movement*. The party secretary of the *Lega Nord*, Matteo Salvini, and the charismatic and autocratic leader of the *5 Star Movement*, Beppe Grillo, envisage a popular vote supporting the exit from the Eurozone, since, as they claim, the Euro currency "has only been developed and implemented for the financial oligarchies and the unparalleled success of Germany" (Grillo, 2014). Since both parties together represent a large section of non-PD Italian voters and will do so probably in the coming years, Renzi has to take this challenge seriously and undertake counter-measures. For example making better information available and taking the political offensive in favor of Italy's adherence to the Eurozone, and of its further integration into the EU in general.

XXIII. Conclusion and Outlook: What Future for Renzi's Italy?

In such a complex situation, will Renzi be able to measure up to the huge expectations he triggered in order to give the country a “positivity and future shock,” as promised? Will he be able to implement the promised reforms by the end of the timeframe he himself set, i.e.-by 2018?

The outlook remains mixed for various reasons. Among them is the fact that Renzi is in a coalition with both Silvio Berlusconi's *Forza Italia* and its main competitor, the conservative Angelino Alfano's (the Minister of the Interior and Deputy Prime Minister since April 2013) *New Centre-Right Party*. Alfano is a former close collaborator and vice party leader of Berlusconi, which in November 2013 broke up with the former *cavaliere* (Berlusconi's honorary title *Knight of labor of the republic*, the most important in Italy for achievements for the nation comparable to the title “Sir” in the UK, that he held since 1977 and was stripped from him in March 2014 due to tax evasion and false accounting). Both these center-right parties are part of Renzi's government, but critical of many of his reform ideas. While arguing constantly with each other, both keep up the strategic option of reuniting for elections. Both mistrust the way in which Renzi came to power and the questionable stability of his standing in his party; and after giving initial signals to cooperate now often publicly label him a “likeable tax imposer” (Berlusconi), i.e. someone who did not go far enough in decreasing taxes (RAI News, 2014). Both these coalition partners feature strong inner currents aiming at future elections, as is all too typical in Italian politics where in post-WWII history all governments constantly struggled to make it at least halfway through an electoral term. That will likely be no different for Renzi.

What will the coming years bring?

First, the destiny of the Italian reform agenda will depend on Renzi's ability to both motivate the different wings of his own party into taking a clear stance towards the envisaged reforms, and at the same time to put public, if not populist, pressure on his center-right coalition partners to wave through at least part of the reforms and avoid a costly and uncertain round of elections.

Second, Renzi could be well advised to base his reforms on a broader formal meta-party coalition of forces, for example by installing a national constitutional assembly for reform as philosopher-politician Massimo Cacciari (from 2007-2009 Renzi's PD party colleague) repeatedly suggested (Cacciari, 2014). This could occur in cooperation with the representatives of civil society and with all parties and movements represented in parliament, as well as with the non-parliamentary opposition. Cacciari points to an opinion widely shared by most Italian intellectuals and political analysts, that Renzi's work announces huge and encompassing reforms which due to their size, implications and potential impact on the country would need a constitutional assembly overseeing and integrating them into an overall plan and thus legitimizing them more broadly, instead of, as they are now, single measures implemented on a changing contextual basis by the premier and his coalition alone. Most observers agree with Cacciari that there is a lack of a long-term coordinated plan and vision.

Although “leftist” advice like that of Cacciari-is potentially dangerous because it increases the possibility that the old problem of Italy interfering with the reform agenda

could arise again, Renzi's agenda would probably find more favor by broadening its institutional basis instead of basing success in large parts on politics. More precisely, basing it on the "politics of agreement" beyond parties and along personal friendship lines that have proven to be extremely vulnerable, as the example of other OECD countries such as Chile has shown (Benedikter and Siepmann, 2015).

What is the perspective?

During his farewell ceremony in October 2014, outgoing EU Commission President Manuel Barroso stated that Europe has overcome "its crisis which was probably the biggest since the beginning of the European integration process in the 1950s of the last century If we look at things in perspective and we think where we were ten years ago and where we are now, we can say with full rigor and in complete observance of the truth that today the European Union, at least in the Euro area, is more integrated and with reinforced competences.

And we have now, through the community method, more ways to tackle crisis, namely in the Euro zone. Not only in the system of governance in the banking union, but also in the legislation of financial stability, financial regulation, financial supervision. And so today, I can say that we are stronger, because we have a more integrated system of governance, because we have legislation to tackle abuses in the financial markets, because we have much clearer system of supervision and regulation. So, I think we are now better prepared than we were before to face a crisis, if a crisis like the ones we have seen before should come in the future ..." (Barroso 2014).

In hearing these words, both appreciation and skepticism is advised. From an independent viewpoint, one could judge this as calculated optimism, particularly if the "weak" data of Italy, the Eurozone's third-largest economy, is taken into account. A counter-indication against all too rosy an expectation is for example the Italian housing market, down for the third consecutive year in 2015 with decreases of up to 12% because of a lack of investors and deteriorating market conditions, according to research of *Bankitalia* and *ISTAT* (Alto Adige, 2015). Not by chance, in his farewell speech Barroso mentioned the successful reforms in many European countries but didn't include Italy among them: "And the reality is, if we want to be honest, ... that the countries that have suffered the most during the financial crisis were precisely those that have lost in terms of cost competitiveness before the crisis. And now, for instance the reforms that have been made by Spain, by Ireland, by Portugal, by Greece, are impressive" (Barroso, 2014).

Similarly, while the president of the Federation of German Industries (BDI), Ulrich Grillo, in October 2014 at the Business Forum of the German and Italian Industry Associations in Bolzano-Bozen (South Tyrol), stated that "Europe needs a strong Italy that improves its pillars for long-term growth" and that "the different taxation systems in Europe have to be aligned and assimilated in order to create the same prerequisites for all European citizens" (Assoimprenditori Alto Adige, 2014), many in Italy think this is the rhetoric of diplomacy more than a concrete option for Renzi to put into lasting and sustainable practice.

On the other hand, while Italy's prospects may remain bleak, other countries like Spain and France don't necessarily face a brighter future. In Renzi's Italy at least, there is a widespread awareness among the elite about the need for reforms. In France,

meanwhile, there seems to be a lot of complacency and denial, even though its economic performance is hardly better than Italy's. In addition, there have been some undeniably positive steps taken in Renzi's Italy, like the recent tax agreements with European non-EU countries. The agreement on the abolition of 'secret banking' between Switzerland and Italy signed on February 23, 2015 in Milan is expected to help Renzi's reform goal of financial and fiscal consolidation. As the premier euphorically Tweeted that day, "it will help to bring back home billions of Euro" (Cerami, 2015) since this agreement that canceled Switzerland from Italy's "black list" of countries that didn't exchange information on banking accounts foresees that those Italian citizens who hold money in Switzerland can transfer it back to Italy and pay the usual taxes plus a minor additional fee and in exchange are exempt from other sanctions. Estimations are that 5 to 6.5 billion Euro will return to the peninsula. In addition, starting from 2017 there will be an automatic exchange between Switzerland and Italy on bank accounts without the need for authorities to ask for precise information,-an act that may keep billions more Euro in Italy. A similar agreement is being stipulated with the Principality of Liechtenstein.

So what can be said in an overall assessment of Italy's future prospects?

The Vice President of the Chamber of Commerce of Italy's economically most successful province, the Autonomous Province of Alto Adige-South Tyrol (Northern Italy), Ivan Bozzi, put it this way in a letter to the author:

"I fully agree with you; you give an encompassing and complete picture of the situation. Italy in principle has great potential due to its geopolitical position, its still outstanding quality of life and its diversity. The prerequisite for recovery and the advancement into a Post-crisis constellation is though, that the government carries out reforms and thus creates new surrounding conditions for the economy and the citizen. The new electoral law will for sure bring more stability, which is badly needed by the economy and the social processes that depend on it. But Italy also needs a socio-psychological atmosphere of a new beginning and imminent change. In order to foster such a mood and to keep it alive, Renzi's government must implement both innovations and simplifications mainly in these sectors: labor market, wage agreements, reduction of the influence of the public administration and furthering of the private economic sector; tax reduction. It will also be very important to reform the civil courts; the trials in most cases take much too long time, and therefore they discourage both domestic and foreign investors. Italy's bureaucracy urgently needs an overhaul towards simplification in order to improve efficiency and to liberate public resources. The number of laws has to be reduced, because too elevated complexity leads to dysfunction. Italy needs a turn towards a meritocratic society, an achievement-oriented society, a performance society. If Renzi implements just a few of these tasks, research, innovation and productivity would progress. The European Central Bank has provided many resources in the meantime, but has failed to achieve the two most important goals: to foster the private economy, in particular the medium and small sized enterprises, and investment into the Southern peninsula. Politically, the Renzi government must deal with his own party and its coalition partners. Together they have the responsibility, to master the economic and

social recovery Italy's in the years ahead-of an Italy that is and will remain a crucial member of the Eurozone and the European Union" (Bozzi, 2015).

Will this be the case? Will Renzi measure up to the task?

Besides his omnipresent "hope" slogans, one of Renzi's favorite sayings is: "One can do, and one can make others do" (*Si può fare, e si può far fare*), a bonmot that was repeated and ridiculed relentlessly by political comedian Maurizio Crozza on the nation wide private TV station LA7. Intended by the premier as an invitation to an intermediate position between employers and employees, with the goal to move the combative Italian left towards a more conciliatory position and to greater cooperation with the financial and business sectors, the quote can in reality also be interpreted as an expression of the country's unbroken political culture of "slyness." It is, as Crozza pointed out, not really an encouraging sign that the nation will change anytime soon.

Overall, Italy's situation under Matteo Renzi is probably not the fastest changing, but the most in need of action, and the most insecure and vulnerable, of all the bigger European nations in need not only of structural or "technical," but of systemic reform. Renzi is correct in saying: "Europe is at a crossroads. It must find its direction. If not, it is lost," as stated on December 16, 2014 in Rome's Chamber of Deputies (Stol.it, 2014).

But this quote is probably even more apt for his own country. Italy is at a crossroads. If it wants to overcome its crisis, it has to agree to make fundamental reforms. Renzi has to eventually find new ways for Italy beyond corruption, scandals and anti-meritocratic mentality. The fact that the EU commissioner for the economy, Pierre Moscovici, announced in January 2015 that the EU will allow Italy to reduce its deficit in 2015 by 0.25% rather than by the pre-agreed 0.5%, may help the nation by giving it more time to introduce the necessary reforms, and to introduce them more carefully. This measure of "European tolerance" is likely to be tested over the coming years since a dramatic improvement of the "beautiful country's" situation does not appear to be on the horizon. But Europe's tolerance will not last forever. Italy has no alternative than to begin to change, and to begin-now.

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