

Italy's wasted summer

Instead of addressing urgent shortfalls in its coronavirus response, Rome went on a spending spree.

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MILAN — If you read the press over the summer, you'd be forgiven for thinking that Italy had beaten the coronavirus. After suffering one of the most severe outbreaks in Europe, the country had returned to a semblance of normal life and its citizens were held up as international models for mask-wearing, social distancing and attention to the virus.

Even in September, as cases started to surge again in other countries, Italy looked comparatively safe: It was still reaping the dividends of its earlier lockdown. But now, in mid-October, the honeymoon is, predictably, over — and the government has revealed itself once again as unprepared.

The situation has deteriorated dramatically. Italy has seen its case numbers double every seven days, and its lower house of parliament has become an infection cluster. The government is considering curfews for bars and shutting down “inessential” businesses such as beauty salons and gyms. Italy's testing capacity is still not where it should be, and a planned increase in the capacity of hospitals' intensive care units hasn't materialized.

Why did the Italian government, after navigating one of the first and fiercest coronavirus outbreaks earlier this year, not learn from the experience?

There's a simple answer: ideology.

Prime Minister Giuseppe Conte is the head of a coalition based on an *entente cordiale* between the populist left, the 5Star Movement, and the establishment center left, the Democratic Party (PD) — two parties that have had an awkward relationship for years, given that the 5Stars were founded largely in opposition to the PD.

Needing to mend years of reciprocal insults, the two parties searched for common ground. And they found it in the idea of increasing public spending, rebelling against years of so-called austerity (which in actual fact only really lasted from 2011 to 2013).

In short, the coronavirus crisis became an opportunity for new spending. The coalition first concentrated its efforts on getting approval for Italy's plan to use EU funds made available through the NextGenerationEU recovery fund. And once approval was granted, it pursued a goal supported by both parties: Increase the government's role in the Italian economy, largely by renationalizing assets that were privatized in the 1990s.

Cassa Depositi e Prestiti, the Italian government bank, has been at the forefront of this effort. In a few months, it took part in a successful bid for the Italian Stock Exchange; chaperoned the mergers of two electronic payments companies to build a “national champion”; played

matchmaker between Italy's landline broadband operators; and started complex negotiations to acquire Italy's highway network. Meanwhile, the government directly financed the resurrection of Alitalia, the country's almost invariably bankrupt airline.

The government committed vast resources — and focused much public attention — on these efforts, making the case that the future of Italy depends on creating a so-called entrepreneurial state. It also intervened with furlough schemes for struggling private businesses and special bonuses for some specific sectors, for example the sellers of bikes and electric scooters.

All the while, it ignored serious problems that required urgent attention.

As schools reopened, the government did little more than equip classrooms with desks on wheels to distance kids from one another. It didn't amend the curricula to prioritize essential subjects such as Italian and math, because this would have risked stirring up protests from the trade unions.

Nor did it make moves to prevent a predictable congestion in public transport. Suggesting people use their car would be anathema to an environmentally conscious government, of course. But the government could have contracted private tour bus companies, or used Italy's fast trains — which have seen a sharp decrease in demand — on regional routes to allow more room for commuters.

Although the government allocated resources for more than 5,500 additional hospital beds in ICUs, these never materialized, as Domani, a left-of-center newspaper, reported. The regions — which, in Italy, are responsible for health care — submitted their plans to the government by July but a public tender was issued only on October 9.

In this, and in its approach to medical supplies — for which it relied on a “supplies czar” appointed in March — the government has pursued a top-down approach rather than allow for flexibility for solutions to emerge from the bottom up and respond to specific needs, given that the virus affected regions in vastly different ways.

Italy's failure to put in place a comprehensive test-and-trace system is a case in point. Though the number of tests performed has risen to 150,000 a day, this is still far from the 300,000 swab tests a day that the U.K. (not exactly a leader in managing the pandemic) is capable of performing.

If the national health care service cannot manage such an effort, why not use the private sector? Why not subsidize airports, universities and businesses to test their employees? Why not allow GPs and pharmacists to perform the quicker serologic tests that, although not perfect, can help to better understand the extent of the contagion and isolate those affected?

Saliva tests could be a game-changer here too — if the government were to properly back and distribute them. The Hoover Institution's John Cochrane estimated that it would cost \$28 billion to submit all Americans to a quick test every week for a month, at \$5 a test. If we allow that unit costs may be high in Italy — say €10 — and account for testing for anyone coming in from abroad, the government could still fund tests for its 60 million inhabitants and any travelers for some €2.5 billion. That's less than it spent on saving Alitalia from going under.

Certainly, the pandemic has jeopardized many a plan and it is hard to adjust to rapidly changing scenarios. Still, this calculation gives a clear picture of the Italian government's priorities: It prefers to spend valuable time and resources on a so-called entrepreneurial state, rather than take Italy out of a constant loop of uncertainty and create stability for its entrepreneurs and everybody else.

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