

The one glaring omission in Draghi's plan for Italy: collective action

*Italy's new government, led by the former President of the European Central Bank, Mario Draghi, has pledged to confront the key problems facing the country. **Andrea Lorenzo Capussela** argues there is nevertheless one notable omission in the plan Draghi has set out: collective action. To break from the inefficient equilibria that structure Italian society, citizens and firms must receive credible signals that change will be sustained. Sending them, however, would be an eminently political act.*

Rome's new government has been praised for its programme and the quality of some of its members, and decried as 'technocratic'. 'Technocratic-led' seems a better description, adopting the term from a useful [analysis](#) published on this blog: but this cabinet does mark a departure from the ordinary play of democratic politics, similar to those of 1993-94 (Ciampi) and 2011-13 (Monti). [Warnings](#) about the reaction of a citizenry that might feel dispossessed of a say on its own affairs do not seem misplaced.

The point I would like to make is different, if complementary. The purpose of such departures is a programmatic one, typically: there are reforms to be made, and urgent decisions to take, but while they seem to command wide consensus in society, ordinary politics appears unable to deliver them. The idea rests on implicit assumptions that ought to be scrutinised carefully. But, more immediately, it bumps into the paradox that it is precisely the non-political traits of such governments that are most likely to hamper their ability to turn such programmes into sustained change.

The argument might perhaps be couched in more general terms, but I shall confine myself to Italy and her current predicament. And my starting point is the [speech](#), delivered on 17 February, through which Draghi outlined his programme to the Senate. Lucid, comprehensive, persuasive, daring, even uplifting, his words nonetheless struck me due to an omission, as grave as it was inevitable: collective action.

I begin with its gravity. We know that in Italy laws tend to be respected less than in other consolidated European democracies: tax evasion, illegal construction, corruption, organised crime, clientelism are more widespread, in particular, and a widely used [rule-of-law indicator](#) places Italy closer to the Balkans than to her peers. We also know that real per capita income is back at the level of the mid 1990s, whereas in France, Germany, and Spain it is about one quarter higher than a quarter century ago. The two divergences are linked, in my [analysis](#): Italy grows less primarily because the rule of law is comparatively weak (the argument, in one word, is that in a close-to-frontier economy innovation tends to suffer if the playing field is tilted).

Yet why do those pathological phenomena persist, if every Italian government pledges to contrast them? In part, the reason is that some had no intention to do so: the League, for example, in office for about half of the past quarter century, is [fond](#) of tax-evasion amnesties.

But how can some parties defend, sometimes openly, phenomena that manifestly damage the country? Part of the answer, which I shall not develop here, is that political accountability too is relatively weak (and turns in a vicious circle with the weakness of the rule of law). Another part of the answer is that too many citizens and firms accept those phenomena. For behind each lie equilibria to which it may often be rational to bow.



Mario Draghi, Credit: European Central Bank (CC BY-NC-ND 2.0)

I take two examples, typical respectively of the most depressed and the most developed areas of the peninsula: political clientelism and false accounting. Where clientelism prevails, to find a job in the public sector one may often have to pledge allegiance to a politician (who will rarely be a good administrator, as political success depends less on programmes than on loyal voters). Everybody knows, or can easily grasp, that this system damages them: but refusing it might mean unemployment. To change it, the system must be rejected collectively.

To counter the impression that this might be a highly idiosyncratic problem, in passing, and return to the wider perspective, I recall Alain Supiot's bold [analysis](#) of the rise of ties of allegiance in response to the weakening of the rule of law across the western world. Admittedly, his argument has less to do with transgression, as in Italy, than with the weakening of the rule of law as an organising principle (which he ascribes to changes in the relationships between the state and the market, over the past four decades, and the parallel erosion of public deliberation as a source of collective choices). But as Italy too has partaken in these trends, her case might be doubly interesting.

The case of a firm's accounts is identical. Manipulating them may be tempting, to pay less tax or give potential investors the impression that the company is better than it is, but where financial statements are less reliable investors will be less inclined to purchase equity capital in firms they do not control. On average, in fact, Italian firms have relatively little equity capital, and a [report](#) written for the previous cabinet by a committee led by the telecom manager whom Draghi chose as his Minister for Technological Innovation, Vittorio Colao, notes that undercapitalisation is 'one of the main reasons for their vulnerability.' Any firm that chose to draw up impeccable accounts, however, eschewing the benefits of manipulation, would anyway suffer from the general unreliability of financial statements: to change this firms must move jointly, like the victims of clientelism.

If it is often rational to accept such equilibria, though, how can they be changed? Those stuck in them must first understand their logic, so as to revise their interests (see [Dani Rodrik](#)), and then they must receive credible signals that the equilibrium will change: credible enough to lead them to act against it, expecting others to act likewise.

My argument, of course, is that for ordinary citizens and firms these are coordination games, not prisoner's dilemmas. This may not be true for those who can practice grand corruption or grand tax evasion, as the individual benefits can be large enough to outweigh the general inefficiency of the bad equilibrium. But they are few, and if the others move change will happen.

The role of politics, in present-day Italy, is primarily this: explaining the deeper causes of the country's main problems, and offering a vision credible and attractive enough to lead citizens and firms to break collectively out of them. This is what was missing in Draghi's speech. And the omission is grave because without overcoming the collective-action problem it will hardly be possible to establish those conditions – legality and security (and, I would add, political accountability) – without which, in Draghi's own [words](#), 'there can be no growth.'

Yet offering such a vision is the political act par excellence, which could not be expected of a cabinet supported by a coalition of adversaries and conceived outside of the sphere of political conflict. This government can only prepare the ground, and avoid the worst.

Italy's parties now have the time (thanks to this government), the urgency (a quarter century of decline), and the opportunity (the Next Generation EU programme, and the perspective it sets for the Union's future) to formulate competing visions and fight for them before the electorate, so that a credible programme may emerge. They all said that they chose to support this government jointly with their adversaries out of a 'sense of responsibility'. This was a noble act, but their responsibility to the nation now demands the articulation of clear visions for her future. They seem unequal to the task, but pressure and ideas from below might help.

Note: A shorter version of this piece appeared in the Italian newspaper [Domani](#). The article gives the views of the author, not the position of EUROPP – European Politics and Policy or the London School of Economics. Featured image credit: [European Central Bank](#) (CC BY-NC-ND 2.0)
