

# JERUSALEM LETTER / VIEWPOINTS

Jerusalem Center for Public Affairs

No. 276 26 Sivan 5753 / 15 June 1993

## ITALY: PRESENT AND FUTURE

Manfred Gerstenfeld

**Investigating Mass Corruption / The Cities of Bribery / Revolutionary Political Changes / Scandals Strengthen Society / The Paradox of Hope / Explaining Italy's Success / Underutilized Resources / Italy and the Jews / The Current Role of Catholicism / Changing the Former Anti-Israel Line / Will Italy Split Up?**

### Investigating Mass Corruption

The recent "purges" in the Italian political system have in part become possible due to the fall of communism in Eastern Europe. With its large former Communist party on the left and the small neo-Fascist party on the right, Italy for decades had to draw its governing majorities from less than 70 percent of its parliamentarians. The Christian Democrats and their lesser allies, the Socialists, were in power far too long; and we all know that power corrupts.

In Italy's present reality, at least a quarter of the Italian parliamentarians are under judicial investigation for bribe-taking or other crimes. The most important Italian politician of the last decade, former Prime Minister Andreotti, has had to face accusations that he met several times with leaders of the Mafia in the late 1970s. The country's number two politician of the last decade, Socialist party leader Bettino Craxi, has been accused of major corruption by investigating judges in several cities.

At the beginning of March, Gabriele Cagliari, the president of ENI, the national oil company, with annual sales of over \$20 billion, was jailed after being accused of paying major sums illegally to the political parties. Nobody contests that these payments were made. This executive claimed that he found this practice when he took over the presidency from his predecessor, Reviglio, a well-known socialist academic who had been a cabinet minister on several occasions. The only argument now is about how many tens of millions of dollars were involved. Nobili, the president of the other major state company, IRI, which owns Italy's biggest banks and the Alitalia airline, has also been jailed after being accused of paying bribes in a previous position. These are just a few of a seemingly endless list of recently discovered transgressions.

This snowballing scandal started in Spring 1992 rather by accident. A man named Mario Chiesa was running a Milanese hospital. A small contrac-

Daniel J. Elazar, Editor and Publisher; Zvi R. Marom, Associate Editor; Mark Ami-El, Managing Editor.  
13 Tel-Hai St., Jerusalem, 92107, Israel; Tel. 02-619281, Fax 972-2-619112. © Copyright. All rights reserved.  
ISSN: 0334-4096.

The opinions expressed by the authors of Viewpoints do not necessarily reflect those of the Jerusalem Center for Public Affairs

tor decided that he did not want to pay any more bribes and informed the police, who caught Chiesa with the money. The investigating judge, Di Pietro, who by now has become a national hero, managed to obtain a confession. Chiesa told all rather than wait for the party to compensate him in the future. He said that he gave the money to a representative of the Socialist party. That person also confessed and admitted that he also took bribes from many other municipal enterprises. He explained that less than half went to the Socialists, as they shared equally with the Christian Democrats. Lesser amounts went to the Communists and the Republican party. The confessions then had a domino effect.

The intense desire of the judiciary to deal with political corruption has profound motives, besides a wish to uphold the law. Last year two of the country's leading judges, Falcone and Borsellino, became national heroes after they were killed by the Mafia in Sicily. These killings spurred other judges to try to restore peace to the political system. When the scandal began to break about the illegal payments to the major political parties, the judges of the different cities competed to uncover them.

### **The Cities of Bribery**

Political scandals as they occur in Israel, Britain or the U.S. are of the conventional type, common to every democracy. Italy is dealing with another scale of scandal, however. The Italians have invented a new word, heard every day in the media — *tangentopoli*, the cities of bribery.

Milan, the so-called moral capital of Italy, leads the field in bribe-taking. Naples is another leader and so are Rome, Turin and many other well-known Italian cities.

One could hardly supply any major service to a municipal company in Milan without paying a fixed percentage in bribes. All those who provided services to the municipality would systematically have to give an envelope to a senior official, or alternatively transfer money to a numbered account abroad. Some recipients put part of the money in their own pocket and passed the rest on to their party. Thereafter, the party often shared the bribes with other parties.

### **Revolutionary Political Changes**

The scandals have triggered a very radical change that will eliminate a large part of the mainstream political leadership of the past decade, a political generation of hundreds of parliamentarians, many of

whom are accused of corruption and other crimes. There is not a single constituency in the whole of Italy that will reelect someone such as Craxi, who is now often insulted when he appears in public. Such radical changes in leadership occur in other countries usually through revolution rather than by democratic process.

It was the Italians who invented the *Comedia dell'Arte*, a type of theater in which the plays are comic and improvised, and often crude and coarse. The same can indeed be said about Italian politics.

Combined with the disappearance of this political generation will be the effects of a major party realignment. This comes in the wake of a major electoral reform, approved in a referendum on April 18, 1993, to change the Italian government from a proportional system to a winner-take-all one. In the near future all party alignments in Italy will change through breakups and mergers until three or four major party groups remain. Italy is passing rapidly through a process of political modernization which many other democracies have long behind them. The process of change appears so fast because the Italian political reality is so archaic.

### **Scandals Strengthen Society**

It is generally considered that the political scandal is an unavoidable accompanying phenomenon of democracy. Little research has been done on the sociology of the political scandal but quite a few experts claim that such scandals are actually beneficial to nations because paradoxically they consolidate the population at large.

Two American sociologists specializing in the field, Markovits and Silverstein, define it as follows: "Scandals strengthen the ties of society's morality. They supply the scapegoats, image of enemies and pariahs which all societies need. The scandal threatens the norms and values of society but the official ritual of investigation, discussion and punishment serves in the final analysis the purpose of strengthening the primacy of the norms and values of society."

### **The Paradox of Hope**

Italy is misgoverned. Its bureaucracy is highly inefficient. Its physical infrastructure and public services are inadequate. The management of most of its major enterprises is years behind that of other leading countries. Yet this backwardness may be a reason for optimism rather than despair. With all its inefficiency, Italy has the fifth largest GNP in the world, bigger than that of the United Kingdom. Its GNP is growing at least as fast as that of France. Even

last year, with the world recession and all the scandals, Italy's GNP still grew by 0.9 percent. If such a mis-governed country can keep up with the EEC, it can only do better when its government and management are improved in the future.

There is very little one can do about an efficient entity that loses money. An inefficient system which more or less keeps pace with its competitors in any case should give reason for hope since it can more easily be improved.

Take the example of Swissair and Alitalia. When Swissair does not make a profit, it has the bigger problem. It already charges high rates and gives excellent service; it is very difficult to make it more efficient. If Alitalia is financially unsuccessful, however, anybody can suggest an endless list of improvements to attract travellers.

### Explaining Italy's Success

In the 1960s Italy was famous for its economic miracle. The fact that Italian business today is still broadly competitive with that of other leading European countries seems no less of a miracle.

Why has Italy been able to remain internationally competitive in spite of its disorder? Let us first look at the main factors of mismanagement in the business sector. The most obsolete characteristic is highly centralized management. Even the bosses of multi-billion dollar corporations want to decide as much as possible by themselves. Their desks are covered with documents to sign.

In order to survive in their position, those who head state companies must serve the aims of their political masters who appointed them rather than the interests of the companies they are responsible for. In this way one distortion leads to another. Corruption is only an extreme aspect of a totally mixed-up management structure.

This centralized management exists also in the private sector. There also the company owners often want to decide everything themselves. These family-owned companies, with centralized management, cannot grow beyond a certain limit. They can no longer expand because too few people have to make too many decisions. By his archaic behavior the number one man thus blocks the development of his own firm.

There are two major national ideological currents in Italy which have never genuinely accepted the free market concept. On the one hand, there are many Catholic politicians who believe in solidarity rather than in free competition. On the other hand, there are the

former communists who believe in central planning rather than in the play of market forces. Together they represent about half of Italy's political system.

GNP is not a complete expression of economic well-being. One lives well in Italy in the ordinary course of life. As soon as something out of the ordinary happens, however, if one is hospitalized in a public hospital, for example, one is often confronted with poor service. Quality of life thus has to be measured as well by indicators other than the GNP.

A number of compensating factors help to explain the relative success of Italy, in spite of its backward structures and infrastructure. The first is that Italy has a very good humanistic education system and that education is a major success factor in life.

The second compensating factor is cultural. The Italian is surrounded from childhood by a natural esthetic environment. He absorbs this through the home where he lives, the way people in the street dress, the shop windows, the churches and other buildings of his city. This has made Italy successful in a number of fields in which a feeling for fashion and esthetics are essential to survive: fashion products, quality textiles, furniture, leatherware, jewelry, and some others.

A third factor is that Italians do not trust their government to take care of them when in need. They thus have a propensity to save their money. The government borrows this money from them and fuels the economy with it. Italy has also been borrowing abroad in a major way.

A fourth factor involves tax evasion. Investing one's money directly in one's business, without the inefficient intermediation of government, can be quite stimulating for an economy.

A fifth factor is that Italians learn from an early age that only by being intelligent can one overcome the hurdles of bureaucracy. This resilience is a source of strength in life.

None of these compensating factors is enough any more; Italy has exploited them to their limits and they cannot continue to support the expansion of the Italian economy in the future.

A complex issue is Italy's relationship with the EEC. Italians do not have a very positive self-image. That is why they are rhetorically so pro-European. This is nothing but escapism, wanting to acquire a better identity. In real life there is no such escape, however. Before running ahead with European integration, the Italians should first put their own house in order.

### Underutilized Resources

Italy is full of underutilized resources. Society does not like to give responsibilities to young people or to women, two categories that will play a major role in the modernization of the country.

The Italian diaspora is another resource that could make a major contribution to Italian society but which nobody in Italy considers as such. There are at least 30 million Italians outside Italy. The U.S. census counted 12 million ethnic Italian-Americans, and at least 20 million people in the United States who have some kind of Italian parentage. The great majority of these diaspora Italians come from the Mezzogiorno, the South, which is economically much less well off than the North. Only an Israeli can suggest to Italians that they should use this hidden resource for an Italian version of Project Renewal.

Italy has been classically known to export people. Yet the past few years have seen an influx of returning Italians. Overall, however, Italian society is no longer producing enough children. Italy's native population is shrinking.

Italy is not a country of immigration and there are relatively few foreign workers or refugees. The number of non-EEC immigrants is far below that of Germany or France. Though Italy has a small border with Yugoslavia, it did not let many refugees in.

### Italy and the Jews

Italy is among Europe's least anti-Semitic countries and, as far as private people go, is also among the least anti-Israel countries. According to Dan Segre, Italian Jews are to a certain extent considered as an aristocracy by the average Italian.

Even well-educated Italians often believe in some vague, diluted concepts of the *Protocols of the Elders of Zion*. Jews and Israelis are considered more competent and powerful than other people. One old Italian friend told me he thought there were half a million Jews in Italy and was surprised to learn there were only about 35,000. He reacted: "That is about the number of Jews who were friends of my parents."

The Jews of Turin financed a good part of the struggle for Italian independence. Italy had a Jewish prime minister as early as the beginning of this century. There were at least three or four Italian Jewish ministers before 1920. There were also Jews in high positions in the early years of Mussolini's rule.

The most recent crisis has brought a Jew into the Italian government for the first time in many years. Umberto Colombo, whose background is professional

rather than political, has become Minister of Universities and Research.

### The Current Role of Catholicism

Catholicism is part of the natural landscape of Italy. It is part of the infrastructure like esthetics. The two are inseparable. Even Italian Jewry seems to the outsider as permeated with Catholicism. The liturgy in an Italian synagogue is quite unique and has obviously been influenced by the local environment.

The present pope does not have much influence in Italy. The people often speak about him as "the Polish pope." He speaks Italian with a heavy accent. He is a dogmatic man in their mind who has nothing of the natural flexibility of the Italians, and he comes after many Italian popes, so he seems really out of step.

Cardinal Martini of Milan is considered one of the moral authorities in the country and very intelligent. When the chief executive of Fiat sought to deal with the corruption in his company, his first move was to go to the Cardinal and say to him in public, "I am ashamed of what we have done." It was a highly symbolic act of a modern type of confession.

### Changing the Former Anti-Israel Line

In the past Italy has followed very negative policies towards Israel, but with the recent political crisis its attitude toward Israel has radically improved.

De Michelis, the former Minister of Foreign Affairs, has changed from anti-Israel to pro-Israel in recent years. I heard him say last year that the EEC had a moral obligation to guarantee Israel compensation for sacrifices it makes to the Arabs.

When Spadolini, the president of the Senate and one of the leaders of the Republican party — which has been among the most pro-Israeli forces in Italian politics — received an honorary doctorate at Tel Aviv University a few years ago, he included a number of criticisms of Israeli policy. No Italian politician at the time could get away without that. Yet there was a tremendous difference in the wholly positive speech he gave a year ago upon receiving an honorary doctorate at Hebrew University.

In October 1991, Italian journalism professor Furio Colombo published *Per Israele*, "In Favor of Israel." To write a pro-Israel book in Italy at that time was quite courageous since to express almost unreserved support for Israel in public was something not done by someone who belonged to the establishment.

In his book Colombo published an interview with then-Prime Minister Shamir, who ranked the EEC

countries according to friendship toward Israel. At the time Shamir rated Holland the most friendly, Italy the most remote. Shamir further noted: "The PLO has become an internal question in Italy, it is in the platform of some Italian parties, it is a subject for sermons in churches. This is something I cannot explain."

We now know that many senior Italian politicians had been taking bribes for years. Is it so strange to assume that some of them were also in the pay of the Arabs for quite some time? We may never see hard proof, since from an Italian viewpoint this is a minor aspect of the broader issue of political corruption.

### Will Italy Split Up?

The rapid demise of the Italian political class, the involvement in corruption to varying degrees of all parties, the corruption in the major state-owned companies, the involvement of the private sector, all create a dangerous vacuum.

It is almost certain that the rather parasitic government center of Rome will lose power to the regions. The poor South will get less money from the rich North. Some people wonder whether Italy will split up, stressing that Italian statehood only dates from the middle of the nineteenth century. For example, quite a few Northern Italians think that Sicily is part of Italy only because Garibaldi conquered it by mistake.

One of the classic stereotypes is that the Southerners are incompetent and have no initiative. The reality is that Milan is closer to Sicily than to Frankfurt in mentality, that the Southerners who live in the North are among the most prolific and most successful of entrepreneurs, and that Southern education has surpassed Northern education in several areas.

The Italian people have so far shown maturity in their voting patterns. Even the new opposition party, the populist and separatist Lega Lombarda, if and when it comes into government at a future date, will shy away from too much breaking down of the center's power. The radical change in political leadership may paradoxically lead Italy out of some political problems much faster than France and Germany. Economic reform will be much more difficult and lengthy, however. Modern management is not something that one can introduce quickly. To turn around all major Italian corporations will take years.

The economic Nobel prize winner Franco Modigliani wrote recently: "1993 is for Italy 'the year of great opportunity'.... There is a rare coincidence of circumstances which makes it possible for Italy to cure the four chronic diseases of its economy: high inflation, unemployment, horrendous government deficits, and imbalances in its external trade accounts." The situation in Italy today may be confused, but it is not without hope.

\* \* \*

Manfred Gerstenfeld, a Fellow of the Jerusalem Center for Public Affairs, is an international strategic consultant to the senior ranks of business and government. He is the co-author (with Lorenzo Necci) of *Revaluing Italy* (1992). This *Jerusalem Letter/Viewpoints* is based on his presentation at the Jerusalem Center Fellows Forum.

★ ★ ★ THE JERUSALEM CENTER PROUDLY ANNOUNCES ★ ★ ★  
THE PUBLICATION OF

## Major Knesset Debates, 1948–1981 (6 volumes)

*Edited by Netanel Lorch*

Follow the history of contemporary Israel through the living words of its founders. In six volumes totalling 2,516 pages, the major debates held in the Israeli Knesset and in the legislative bodies immediately preceding it — the People's Council and the Provisional Council of State — are presented for the first time in English.

All the major events in Israel's history and the people who participated in their shaping are found here. The subject matter has been chosen for its long-term relevance and includes political questions, fundamental constitutional issues, and problems concerning the relationship between the Jewish diaspora and the State of Israel.

Dr. Lorch has written a short introduction relating to the circumstances under which each debate took place, as well as an introduction to each Knesset outlining its composition, and a general introduction to the Israeli Knesset, its history, structure, procedure, and the manner of its election. A glossary of political parties and personalities is also included.

"The debates of the Knesset have never been made available to the non-Hebrew reader. Dr. Lorch's work fills that vacuum. Endowed with personal experience and scholarly attributes he has prepared a representative selection of debates, culled from over 100,000 pages...maintaining throughout a high level of both readability and scholarship. His book should be regarded as indispensable to anyone who wishes to understand the currents of thought and action which have agitated the political life of Israel and the surrounding world."  
— *Abba Eban*

**Contents:** Vol. 1 — The Knesset: Israel's Parliament, People's Council and Provisional Council of State (1948–1949); Vol. 2 — Constituent Assembly/First Knesset (1949–1951); Vol. 3 — Second Knesset (1951–1955), Third Knesset (1955–1959); Vol. 4 — Fourth Knesset (1959–1961), Fifth Knesset (1961–1965), Sixth Knesset (1965–1969); Vol. 5 — Seventh Knesset (1969–1973), Eighth Knesset (1974–1977); Vol. 6 — Ninth Knesset (1977–1981), Glossary of Political Parties and Personalities, Index.

Co-published with University Press of America, December 1992.

*Netanel Lorch, one of Israel's most prominent military historians, served as Secretary General of the Knesset from 1972 to 1983, following a distinguished career in both the Israel Defense Forces and the diplomatic corps. He is a former President of the International Association of Secretaries General of Parliaments.*

• A complete JCPA Publications Catalogue is available upon request, offering an extensive selection of the literature of Jewish public affairs.