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Carlo Bastasin

Policy Brief 14/2023

LUISS



October 5, 2023

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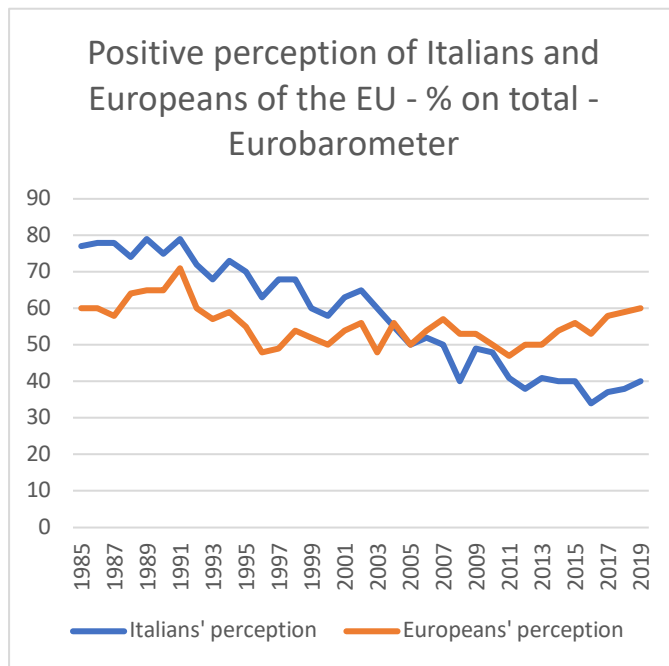
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Opinion surveys are unanimous in showing that Italians' trust in the European Union has declined over the last three decades. Figure 1 shows the data collected by Eurobarometer, which shows that positive opinions towards the European Union have approximately halved compared to the 1980s.

The macroscopic outcome of these findings has given rise to a conventional consensus, as well as broad literature that indicates Europe as a problematic topic. Italy is therefore characterized in public discourse as a losing country, in populist terminology a "victim" of the European institutional framework and policies. This interpretation has solidified in the confrontation between political parties, has been integrated into the clash between partisan positions in the parliamentary sphere and has produced a consistent current of stances against further European integration and even in favor of Italy's exit from the euro.

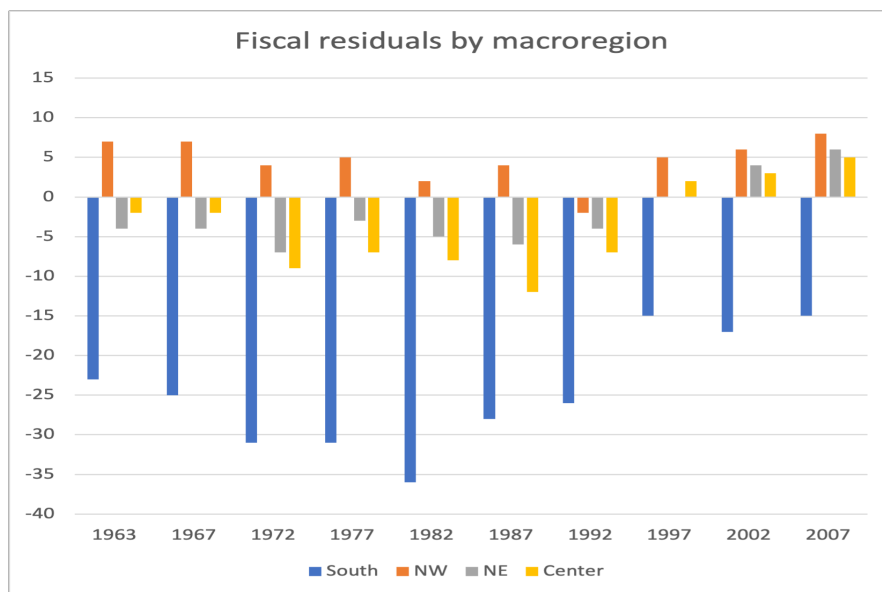
This development in public discourse, however, is not reflected in other opinion polls, according to which three-quarters of the citizens interviewed not only wish for Italy to remain permanently in the euro area, but for Europe itself to become stronger and more influential globally. Such contradictions need to be explored in depth. In this policy brief we put forward the idea that the decline in Italians' positive perceptions is a consequence of specific national factors: an even more pronounced decline in Italians' trust in their national leadership and – most importantly – the unresolved structural problems regarding the cultural and economic distance between Italy's North and South.

Comparing the trend of the responses of Italians with those of Europeans, it can be noted that the gap is mainly accentuated between 1996 and 2011. These are the years in which Italy adopts fiscal discipline policies that are directly ascribed to European rules. This reading of the data has given rise to an ambivalent interpretation of the relationship between Italians and so-called "austerity". On the one hand, it has been assumed that Italians are culturally resistant to rigorous rules for the containment of public finances; on the other hand, the rules themselves have been criticized as penalizing and unsuitable for the structural difficulties of the Italian economy.



By making use of the literature on fiscal residues, that is, the calculation of the primary deficits/surpluses of the individual Italian macro-regions (North-West; North-East; Center and South), it is possible to draw different conclusions. Figure 2 represents an aggregation of the results taken from research conducted in past years,¹ which shows that in the decades prior to 1996 only the North-West achieved a budget surplus which in any case did not compensate for the pronounced deficits in the rest of the country. In the case of the South, these deficits, between transfers from the State and tax revenues from the macro-region, have often reached levels of 30% in relation to the GDP of the macro-region itself. This evidence has engendered an interpretation of the burden represented by the South for the regions of the North, which is simplified and partly misleading because it does not take into account other forms of transfers and, in addition to primary balances, financial transfers from the State to savers, prevalent in the more affluent regions, through the interest paid on public debt securities. The evident imbalance between North and South, however, was expressed through the great success of a party (the Northern League) which in the 1990s championed the North's secession from the country. This call has gradually become synonymous with the need to rebalance the state's accounts.

¹ Firstly Buiatti et alia "The origins of the public debt of Italy: Geographically dispersed interests?" *Journal of Policy Modeling* 36 (2014) - but also Galli, E., & Padovano, F. (2005). "Sustainability and determinants of Italian public deficits before and after Maastricht," CESIFO Working Paper 1391; and Staderini, A., & Vadalà, E. (2009). "Bilancio pubblico e flussi redistributivi interregionali: ricostruzione e analisi dei residui fiscali nelle regioni italiane". *Banca d'Italia, Mezzogiorno e politiche regionali* November 2009, (pp. 597-621).



From 1997 onwards, the deficit in the South was halved and all the other macro-regions had to achieve large surpluses to compensate for the aggregate figure and keep it below the 3% prescribed by the Maastricht criteria. The sacrifice for the South is particularly significant, but in the Central and North-Eastern regions it is the transformation of the primary deficit into a surplus that makes the political institutions - national and European - seem predatory.

It is at this point that the North versus South narrative becomes a country-wide conflict against European rules, partly evidenced by the transformation of the secessionist party into a national anti-European party. The rooting of anti-European sentiments, although obvious, was less profound than the feelings of aversion towards the governments in office: in the case of national political institutions, in fact, perfect regularity was evident in the majority changes at each election.

What happened therefore does not mean that Italians are anti-European, nor that they are culturally incapable of respecting the rules of fiscal discipline. Three-quarters of the macro-regions (corresponding to approximately four-fifths of the total population) achieve budget surpluses that are unparalleled in any other European country. In 2007, for example, the North and Center achieved a primary surplus of 6-7%, while all other European countries (except for the modest average surpluses of Germany) always recorded primary deficits. In table 1, Staderini and Vadalà² estimate the surplus of the North (corresponding to almost half of the total Italian population) at 8.26% of the macro-region's GDP between 2004 and 2006.

² Staderini, A., & Vadalà, E. (2009). "Bilancio pubblico e flussi redistributivi interregionali: ricostruzione e analisi dei residui fiscali nelle regioni italiane". *Banca d'Italia, Mezzogiorno e politiche regionali* November 2009, (pp. 597-621)

The Macro Regions' fiscal residuals. Average values for years 2004–2006.

	Population	Fiscal residuals (millions of euros)	GDP (millions of euros)	Fiscal residual/GDP
North	26,413,323	−66,549.80	805,681.27	−8.26%
Centre	20,723,669	−16,239.23	306,867.76	−5.29%
South	11,230,452	56,217.97	343,349.19	16.37%
Italy	5,8367,444	−26,849.02	1,428,251.35	−1.88%

Average values for years 2004–2006.

Considering the burden of transferring 5-8% of income net of State transfers to the State every year (but not considering interest income) to ensure that the entire country meets the Maastricht criteria, it is almost surprising that consensus for European rules has not decreased in Italy to an even greater extent.

Conclusions

The decline of Italians' consensus for Europe, therefore, still seems to be due to the laborious process of adjusting public finances that were completely unbalanced in the decades preceding Maastricht. The adjustment of accounts mainly concerns the southern regions that, however, need support, causing rigidity in state expenditure and a lack of benefit on the revenue side. For the other regions, the burden on citizens relating to the primary surplus to be obtained to rebalance the aggregate accounts of the public budget is unparalleled in any other country of the European Union.

In such conditions, the issue of the South's development becomes a problem of European importance, which perhaps can be resolved without trauma only in a continental context. For this to be possible, an operation of transparency is necessary on the causes of public debt, on the ineffectiveness of the solutions pursued so far and on the supranational dimension of the possible solutions.