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The Italian case

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Europe's difficult trade-off between military and welfare spending: the Italian case[♦]

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The idea of building a three-mile suspension bridge[1] between Sicily and Italy's mainland was notoriously a pet project of former Prime Minister Silvio Berlusconi, who was keen to leave a major landmark in Italy's poorest and most remote regions. When his court of advisers flattered him with the idea that the bridge might be named the "Berlusconi Bridge" after him, the controversial politician and shrewd entrepreneur used to wave them off, saying that there was no money for the bridge, and he could not even get his name on a new football stadium in Milan. Berlusconi, who died in 2023, would have been stunned to learn that his dream might soon become reality, since Italy's current prime minister, Giorgia Meloni, has decided to classify the proposed bridge over the Strait of Messina as an infrastructure project with military relevance. Funding might also not be a problem because—as military infrastructure—the bridge might be directly or indirectly financed by the European Union. An ironic aspect of this new development is that the bridge—if it gets built, as the project is still likely to incur legal controversies—will not be named after its first promoter, Berlusconi. Instead, it will be named after its least enthused supporters, as the "Ponte degli Italiani" (Bridge of the Italians). According to a poll by Demos, more than two-thirds[2] of Italians are against the project.[3]

The fact that the bridge is being treated, improbably, as a military installation points to more than just Italy's uncertain defense strategy. The government faces a serious problem arising from the need to increase the country's military spending despite limited fiscal resources. Italians stand out in Europe for their widespread and entrenched skepticism[4] about military engagement and defense spending. Moreover, Italy's real financial constraints limit its ability to undertake military commitments without sacrificing other public expenditures. Thus, the government faces a difficult trade-off between military and welfare spending. Not only is the former unpopular, but the latter may be important to keep the country together,

♦ This paper was first published by The Brookings Institution on September 2, 2025.
https://www.brookings.edu/articles/europes-difficult-trade-off-between-military-and-welfare-spending-the-italian-case/

1 https://www.ft.com/content/ce254e19-acc7-46f2-9ac8-5b306fd826b5

2 https://www.demos.it/a02352.php

3 https://apnews.com/article/italy-sicily-bridge-infrastructure-project-environment-mafia-e04b812da96909a43b8e5aabd8f98ab6

4 https://ecfr.eu/publication/trumps-european-revolution/

consolidate a consensus of public support for the government, and ensure political stability during turbulent international crises.

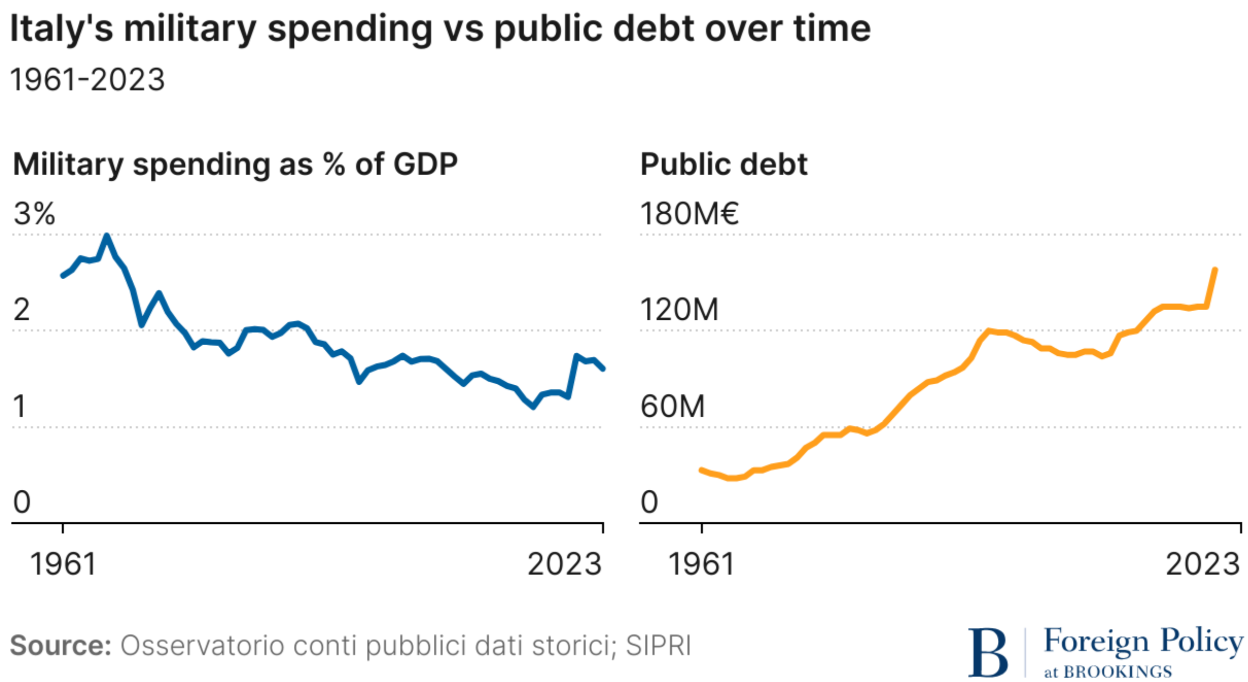
The Italian experience is relevant because the same trade-off exists in several other European countries. France is experiencing serious problems with its fiscal situation, causing political instability. In March 2025, President Emmanuel Macron announced[5] budget sacrifices after describing an increasingly "brutal" world. The cost for the French Republic to borrow money is now on a par with the Italian equivalent. Also in March, the British government laid out plans[6] for military spending and, contextually, cuts to social benefits as it sought to keep the nation's finances on track in what it called a "more uncertain world". In the medium term, military spending may contribute,[7] in an optimistic scenario, to an increase in growth and productivity, repaying its cost, and thus preventing the need to cut social spending. In the short term, however, governments know only too well that the debt levels are bound to rise and that dwindling fiscal positions may need to be addressed through unpopular tax increases or cuts in social benefits. Similar problems are occurring in the United States as well as in many parts of the West, where public debts risk going off the rails and military readiness is challenged by global instability.

The relevance of Italy's fiscal room for military expenses is displayed in Figure 1, which shows a negative correlation between Italy's level of public debt and military spending as a percentage of gross domestic product over the last six decades (1960-2020). One might have expected a positive correlation, as the necessities of spending to defend the country would have led over time to a higher debt. Instead, military spending has been steadily reduced, as if the importance of defense had declined. The military became one of the first items of public spending to be sacrificed in favor of other priorities—and, over the last few decades, to meet the urgent need to reduce public spending in the face of a public debt that must be kept under control.

In 2012, perhaps the most critical year for the country's finances, a special law was passed, for example, to reduce military personnel and save public money. Only two years later, Russia invaded Ukraine and annexed Crimea, and NATO members committed to spending 2% of GDP on defense.

[5] https://www.theguardian.com/world/2025/mar/05/macron-will-make-televised-address-to-ease-french-voters-concerns-about-trump
[6] https://www.nytimes.com/2025/03/26/business/britain-economy-budget.html
[7] https://economy-finance.ec.europa.eu/economic-forecast-and-surveys/economic-forecasts/spring-2025-economic-forecast-moderate-growth-amid-global-economic-uncertainty/economic-impact-higherdefence-spending_en

Figure 1



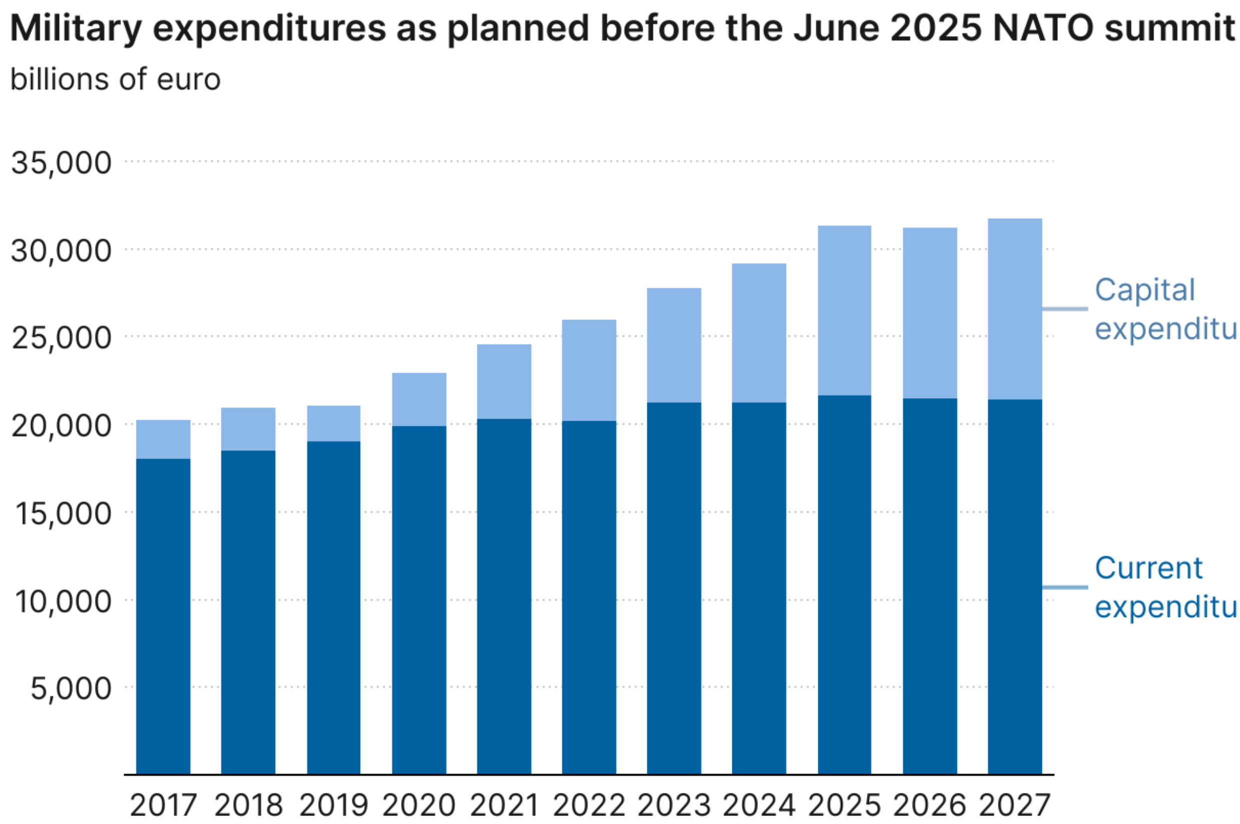
This simple observation is the background for the Italian government's promise to NATO to bring its military spending to the new required level of 5% of GDP. It seems to go against an established habit of Italian governments, perhaps even against the national political culture—all the more considering that the level of Italy's public debt remains alarmingly high.

The dilemma of squaring the commitment to increased military spending with the need to reduce other spending in order not to let the debt-to-GDP ratio run out of control will be further exacerbated by American tariffs on European exports to the United States. The Trump administration has applied the tariffs precisely to sanction the opportunistic behavior of some European economies that have benefited from the umbrella of Atlantic security without adequately contributing to it in the past.

However, its consequences may be paradoxical: The United States demands more defense spending from allied countries while simultaneously making this more difficult as a result of the trade sanctions. And so, the tariffs risk becoming a further incentive for those European countries with weaker finances to empty the substance of their commitments made to NATO, by camouflaging other already planned expenditures, such as the Messina bridge, as military spending.

Before the June NATO summit in The Hague, at which member states signed off on the revised defense spending targets, Italy had planned[8] to keep its military expenditures stable (Fig. 2).

Figure 2



Source: Chamber of Deupties

Government defense expenditure in Italy's national budget is financed[9] directly with the Ministry of Defense's resources, plus funds allocated to expenditure chapters in other ministries' budgets. In particular, the Ministry of Enterprise and Made in Italy budgets help to cover weapons programs, and the Ministry of Economy and Finance helps to fund international missions. With the Ministry of Defense spending about 31 billion euros ($36 billion), or about 1.6% of GDP, an increase to 5% by 2035 seems objectively unrealistic.

[8] https://www.camera.it/temiap/leg18/25/Difesa/Tabella%201%20LDB%202025.JPG
[9] https://temi.camera.it/leg19/temi/19_il-bilancio-della-difesa-in-breve_d_d_d.html

That said, a careful analysis of the country's fiscal situation and defense spending shows that the target of 5% spending is not impossible to achieve. The fact that it is achievable, however, does not mean that it will correspond to a real increase in the country's defense capabilities. At the NATO summit in The Hague on June 24-25, 2025, member countries divided[10] the commitment to increase spending into 3.5% dedicated to "core defense requirements" and 1.5% for "defense- and security-related investments."

After some sudden changes in the accounting methods in May, just before the NATO meeting, Italian Defense Minister Guido Crosetto made a surprise announcement[11] that Italy had reached the minimum NATO target of spending 2% of its GDP on defense, mainly by adding military pensions to those expenditures. "We know very well that this is a starting point," he said. "Our goal is not to achieve a numerical result but to have the capabilities that NATO asks us to give to the Alliance and to have the ability to secure and defend this country. ... Unfortunately, since we come from a very long period in which the resources were not what were needed to reach these objectives, it will take many years to recover the deficit accumulated in the last decades." Starting from a 2% level to achieve 3.5% over 10 years means that the defense spending needs to be increased yearly by around 0.15% of GDP, or 3 billion to 4 billion euros ($3.52 billion to $4.69 billion). This is a sizable, though not overwhelming, addition to the public sector's deficit that the Italian governments already struggle to keep under control.

Meanwhile, Meloni commented[12] on Italy's commitments, saying, "These are necessary expenses, but we are committed to not diverting even a single euro from the government's other priorities." Meloni presides over a nationalist-conservative coalition made up of parties with different ideas about defense spending; moreover, she is well aware of the Italian public's reservations about military spending and wants to avoid sacrificing welfare spending.

Help for Meloni might come from the European Commission's new plans to finance defense preparedness. In March 2025, the European Commission proposed to mobilize approximately 800 billion euros ($937 billion) over four years through various facilities.

The European Union (EU) wants to borrow 150 billion euros (about $175 billion) to provide loans with a maturity of up to 45 years to governments for defense investment in air and missile defense, artillery systems, missiles and ammunition, drones and anti-drone systems, strategic enablers, and critical infrastructure protection, including in relation to space, cyber, artificial intelligence, electronic warfare, and military mobility. Countries can apply for the loan program, called Security Action for Europe,[13] or SAFE, until the end of 2030. The EU Commission also proposed to exempt defense expenses from EU limits on

[10] https://www.nato.int/cps/en/natohq/news_236516.htm
[11] https://www.ansa.it/english/news/politics/2025/05/15/2-for-defence-reached-important-result-says-crosetto_0ce7e744-ef02-4733-958b-600c6ab6175c.html
[12] https://www.reuters.com/business/aerospace-defense/italian-job-how-rome-plans-work-around-nato-spending-hike-2025-07-03/
[13] https://defence-industry-space.ec.europa.eu/eu-defence-industry/safe-security-action-europe_en

public expenditures, as expressed in the recently reformed Stability and Growth Pact,[14] which regulates member states' public finances. The exemption will be valid for four years, starting in 2025, 1.5% of GDP for extra spending each year. More European money will come from the seven-year EU budget, whose cohesion funds can be used for defense-linked projects.

Until recently, the Italian government declined to apply for the SAFE funds as well as the exemption clause, primarily because doing so would imply a higher public debt. Moreover, the exemption clause is available only for countries that have their deficit-to-GDP ratio below the 3% threshold—which Italy does not.

Yet this attitude of fiscal prudence might change by late September, when Italy is expected to revise its macroeconomic forecasts. Italy's rigorous handling of its public finances is bringing down the level of interest rates, with sizable savings for the state. Moreover, the primary budget (before interest rate payments) will return to a surplus in 2025, and the overall deficit could drop below 3%. In that case, the EU's "excessive deficit procedure" against Italy will be repealed, and it will be possible for Italy to activate the escape clause that allows defense expenses of up to 1.5% of GDP to not be part of the deficit definition relevant to the EU's fiscal rules. Even the loans provided by the SAFE EU facility could become more interesting. Those loans amount to 14 billion euros (approximately $16.4 billion) and would not have an immediate impact on the debt level, because they must be repaid in 45 years.

Under these conditions, it would be both financially possible and politically reasonable for Italy to develop a serious plan for its defense. However, this would require the government to align its political priorities with those of its closest European allies—and so far, that is not happening. Meloni's government maintains a pronounced nationalist rhetoric that prevents it from coordinating with Germany, France, and the U.K.. The consequence is that, since "going it alone" makes little sense given the current geopolitical chessboard, Italy's defense projects are of secondary relevance for the government.

Keeping Italy's public debt under control, even though largely thanks to European money, remains a higher government priority. During the crisis between 2008 and 2013, euro-area member states affected by fiscal or financial instability (Greece, Ireland, Portugal, Spain, and Cyprus) were subject to fiscal programs, enforced by the so-called Trojka, that limited their sovereignty. For a nationalist-conservative coalition, such as Italy's current government, relinquishing national (economic) sovereignty must be avoided at all costs. Consequently, part of the newly available fiscal margins will be used only nominally for defense spending, while being employed for other projects that are already planned and will now be reclassified under the military budget.

For spending on "core defense requirements"—the 3.5% in NATO's formula—that will be difficult. But defense experts have already suggested some shifts in the budget. For instance, coastguard activities currently serving mostly as anti-migration patrols, are likely to be relabeled as military operations. Others

[14] https://economy-finance.ec.europa.eu/economic-and-fiscal-governance/stability-and-growth-pact_en

have proposed incorporating the Guardia di Finanza, Italy's tax police, as a military unit, which would be exceptional but legal in times of war. However, NATO will have the final word on such accounting acrobatics. Notoriously, NATO has adopted both a taxonomy and definitions for core defense spending. It also has a procedure for observing the achievement of so-called "capability targets" derived from the NATO Defense Planning Process.

The transparency surrounding "defense- and security-related investments"—the other 1.5% in NATO's formula—is notably lower. On August 7, an inter-ministerial committee granted final approval for the Messina bridge project, with investments surpassing 13.6 billion euros (approximately $16 billion), and noted its military relevance. Additionally, other expenditures will be reclassified under defense-related categories, enhancing the overall budget allocation for defense.

The government is considering including several ports[15] in the list of infrastructural investments that will contribute to the achievement of the NATO goal on defense spending. The idea is to allocate resources for the renovation and expansion of the areas dedicated to ship construction and maintenance. A new breakwater already planned in Genoa might be used to dock military vessels. Moreover, as Deputy Minister of Infrastructure Edoardo Rixi has said,[16] "the investments could also include access routes to ports, such as exceptional transport corridors, also for Italian metalworking." So, roads and railways are being built with the excuse that some of Italy's infrastructure was not designed to accommodate big and heavy military tanks.

Ultimately, Italy's contribution to European military readiness will be limited. Its commitment to redistributing NATO's financial and military burden will, at least in part, be nominal. Italy's credibility in foreign affairs is likely to suffer from all this. On the domestic political front, however—with the United States, Italy's main traditional ally, conducting transactional policies and enforcing its national interests over former partners—Giorgia Meloni might be able to represent her policies as a form of prioritization of national interests, consistent with a world in which cooperation is waning

Over her years in government, Meloni has adjusted her rhetoric toward Europe and its institutions but has not given up her goal of weakening Europe's supranational institutions. Just days before the 2022 elections, she declared[17] that under her leadership, Europe's "gravy train" would come to an end. Meloni also harshly criticized most forms of European integration, beginning with the euro. Her party's platform proposed that European treaties should be subordinate to national law.

Today, Meloni has toned down her criticism. She fears[18] that the European Union is drifting toward irrelevance, unable to meet the competitive challenges posed by China and the United States. Her vision,

[15] https://www.repubblica.it/economia/2025/07/09/news/porti_difesa_spesa_nato-424719390/
[16] https://www.repubblica.it/economia/2025/07/09/news/porti_difesa_spesa_nato-424719390/
[17] https://www.ansa.it/english/news/politics/2022/09/12/gravy-train-is-over-meloni-tells-eu_d69fa814-3b88-4155-80ca-96fcf76d3d0d.html
[18] https://www.eunews.it/en/2025/08/27/meloni-europe-is-doomed-to-irrelevance-unless-it-does-less-but-better/

however, still favors a confederal Europe—a union of states without supranational institutions—as outlined in her party's manifesto for the last European Parliament election.

Yet this confederation concept is particularly challenging for a nationalist leader, as hierarchies among states, especially regarding defense, are difficult to avoid. In Europe, France and the UK take leading roles due to their nuclear capabilities, and Poland and Germany are rapidly building their military to have greater influence in European defense strategies. Italy, however, lacks the fiscal capacity and the political consensus to significantly expand its military. The awkward decision to rebrand the Messina Strait Bridge—a project conceived at the start of the century—as military infrastructure highlights Italy's struggle to reconcile its military commitments with financial constraints.

Preserving national fiscal sovereignty at the cost of the country being unable to defend itself is an obvious mistake. European countries must transparently acknowledge to the public the need to increase their defense readiness. If the fiscal margins are too tight, in Italy as well as in France and other countries, some form of long-term shared borrowing must be researched. There should also be a shift toward central provision of defense equipment at the European level, as part of a comprehensive common strategy coordinated with non-EU member states, such as the U.K. in particular.

For the euro-area member states, shared financing and procurement would require common political institutions that would choose priorities, instruments, and financial tools to defend Europe. Ultimately, sharing European sovereignty cannot be avoided.