

Berlusconi, l'uomo che ha fregato un intero Paese» The man who screwed an entire country **The Berlusconi era will haunt Italy for years to come**

SILVIO BERLUSCONI has a lot to smile about. In his 74 years, he has created a media empire that made him Italy's richest man. He has dominated politics since 1994 and is now Italy's longest-serving prime minister since Mussolini. He has survived countless forecasts of his imminent departure. Yet despite his personal successes, he has been a disaster as a national leader—in three ways.

Two of them are well known. The first is the lurid saga of his “Bunga Bunga” sex parties, one of which has led to the unedifying spectacle of a prime minister being put on trial in Milan on charges of paying for sex with a minor. The Rubygate trial has besmirched not just Mr Berlusconi, but also his country.

However shameful the sexual scandal has been, its impact on Mr Berlusconi's performance as a politician has been limited, so this newspaper has largely ignored it. We have, however, long protested about his second failing: his financial shenanigans. Over the years, he has been tried more than a dozen times for fraud, false accounting or bribery. His defenders claim that he has never been convicted, but this is untrue. Several cases have seen convictions, only for them to be set aside because the convoluted proceedings led to trials being timed out by a statute of limitations—at least twice because Mr Berlusconi himself changed the law. That was why this newspaper argued in April 2001 that he was unfit to lead Italy.

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We have seen no reason to change that verdict. But it is now clear that neither the dodgy sex nor the dubious business history should be the main reason for Italians looking back on Mr Berlusconi as a disastrous, even malign, failure. Worst by far has been a third defect: his total disregard for the economic condition of his country. Perhaps because of the distraction of his legal tangles, he has failed in almost nine years as prime minister to remedy or even really to acknowledge Italy's grave economic weaknesses. As a result, he will leave behind him a country in dire straits.

A chronic disease, not an acute one

That grim conclusion might surprise students of the euro crisis. Thanks to the tight fiscal policy of Mr Berlusconi's finance minister, Giulio Tremonti, Italy has so far escaped the markets' wrath. Ireland, not Italy, is the I in the PIGS (with Portugal, Greece and Spain). Italy avoided a housing bubble; its banks did

not go bust. Employment held up: the unemployment rate is 8%, compared with over 20% in Spain. The budget deficit in 2011 will be 4% of GDP, against 6% in France.

Yet these reassuring numbers are deceptive. Italy's economic illness is not the acute sort, but a chronic disease that slowly gnaws away at vitality. When Europe's economies shrink, Italy's shrinks more; when they grow, it grows less. As our special report in this week's issue points out, only Zimbabwe and Haiti had lower GDP growth than Italy in the decade to 2010. In fact GDP per head in Italy actually fell. Lack of growth means that, despite Mr Tremonti, the public debt is still 120% of GDP, the rich world's third-biggest. This is all the more worrying given the rapid ageing of Italy's population.

Low average unemployment disguises some sharp variations. A quarter of young people—far more in parts of the depressed south—are jobless. The female-participation rate in the workforce is 46%, the lowest in western Europe. A mix of low productivity and high wages is eroding competitiveness: whereas productivity rose by a fifth in America and a tenth in Britain in the decade to 2010, in Italy it fell by 5%. Italy comes 80th in the World Bank's "Doing Business" index, below Belarus and Mongolia, and 48th in the World Economic Forum's competitiveness rankings, behind Indonesia and Barbados.

The Bank of Italy's outgoing governor, Mario Draghi, spelt things out recently in a hard-hitting farewell speech (before taking the reins at the European Central Bank). He insisted that the economy desperately needs big structural reforms. He pinpointed stagnant productivity and attacked government policies that "fail to encourage, and often hamper, [Italy's] development", such as delays in the civil-justice system, poor universities, a lack of competition in public and private services, a two-tier labour market with protected insiders and exposed outsiders, and too few big firms.

All these things are beginning to affect Italy's justly acclaimed quality of life. Infrastructure is getting shabbier. Public services are stretched. The environment is suffering. Real incomes are at best stagnant. Ambitious young Italians are quitting their country in droves, leaving power in the hands of an elderly and out-of-touch elite. Few Europeans despise their pampered politicians as much as Italians do.

Eppur si muove

When this newspaper first denounced Mr Berlusconi, many Italian businesspeople replied that only his roguish, entrepreneurial chutzpah offered any chance to modernise the economy. Nobody claims that now. Instead they offer the excuse that the fault is not his; it is their unreformable country's.

Yet the notion that change is impossible is not just defeatist but also wrong. In the mid-1990s successive Italian governments, desperate not to be left out of the euro, pushed through some impressive reforms. Even Mr Berlusconi has occasionally managed to pass some liberalising measures in between battling the courts: back in 2003 the Biagi labour-market law cut red tape at the bottom, boosting employment, and many economists have praised Italy's pension reforms. He might have done much more had he used his vast power and popularity to do something other than protect his own interests. Entrepreneurial Italy will pay dearly for his pleasures.

And if Mr Berlusconi's successors are as negligent as he is? The euro crisis is forcing Greece, Portugal and Spain to push through huge reforms in the teeth of popular protest. In the short term, this will hurt; in the long term, it should give the peripheral economies new zip. Some are also likely to cut their debt burden by restructuring. An unreformed and stagnant Italy, with a public debt stuck at over 120% of GDP,

would then find itself exposed as the biggest backmarker in the euro. The culprit? Mr Berlusconi, who will no doubt be smiling still.

