

# BERGGRUEN GOVERNANCE INDEX



Italy / SUPPLEMENTAL COUNTRY CASE STUDY 2019

BERGGRUEN INSTITUTE

Hertie School of Governance &  
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# Italy / SUPPLEMENTAL COUNTRY CASE STUDY 2019



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This profile on Italy is a supplement to the 2019 Berggruen Governance Index, which analyzes the quality of Democracy, Government and Life for 38 countries. In 2019, five countries from the group were selected to have special profiles created about them in order to supplement and enhance the findings in the Index. These countries were selected because they performed better (overachiever) or worse (underachiever) than expected on the Quality of Life given their scores on one of the other indices (Quality of Democracy or Quality of Government). To create the supplement, new data was sourced from outside of the Governance Index. This profile is not intended as a stand-alone document and is best understood after reviewing the full report, which can be found at [www.berggruen.org](http://www.berggruen.org).

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Italy ranks 15th overall on the Berggruen Index. The country places just below the United States for Quality of Democracy, at 11th place, but measures considerably lower in both Quality of Governance (16th) and Quality of Life (16th). Quality of Life appears to be pulled down by low scores for Road Quality and Environmental Protection. At the same time, an uncertain policy environment has plagued Italy, likely resulting in decreased investment and GDP growth.

## FINDINGS

## IMPLICATIONS

1 Italy's Quality of Life has remained stagnant for over a decade.

Since the data indicates that there is a strong co-movement of the Quality of Government and Quality of Life scores, improvements in Quality of Government may be the most beneficial investments.

2 QoL appears to be pulled down by low scores for Road Quality and Environmental Protection.

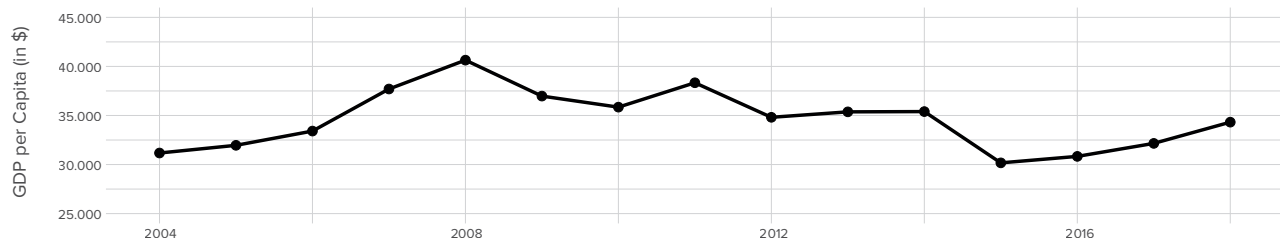
Both sub-indicators are correlated with availability of feedback mechanisms and bureaucratic efficiency. Italy has slightly above average feedback mechanisms but quite low bureaucratic efficiency. Investments in these areas are likely to have positive impact on Quality of Life ranking.

## BACKGROUND

- Italy is the 28th richest economy per capita according to the World Bank (2018). Its 60.4 million inhabitants have a GDP per capita of \$34,318.
- GDP per capita growth has averaged -0.22% over the past fourteen years. This negative growth can partly be related to the deep recession following the global financial crisis and the protracted euro crisis.
- Italy's GDP per capita growth over the past five years has also been below regional averages (0.8% per year).

GDP per capita (current US\$), 2004-2018

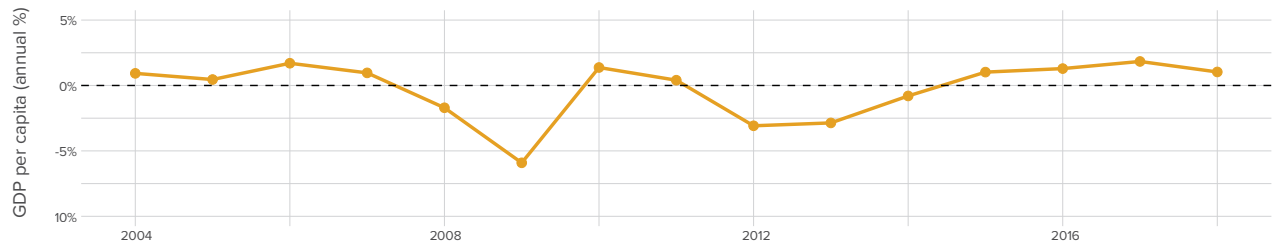
GDP per capita is gross domestic product divided by midyear population.



Source: World Bank 2019

GDP per Capita Growth (annual %), 2004-2018

Annual percentage growth rate of GDP per capita based on constant local currency.

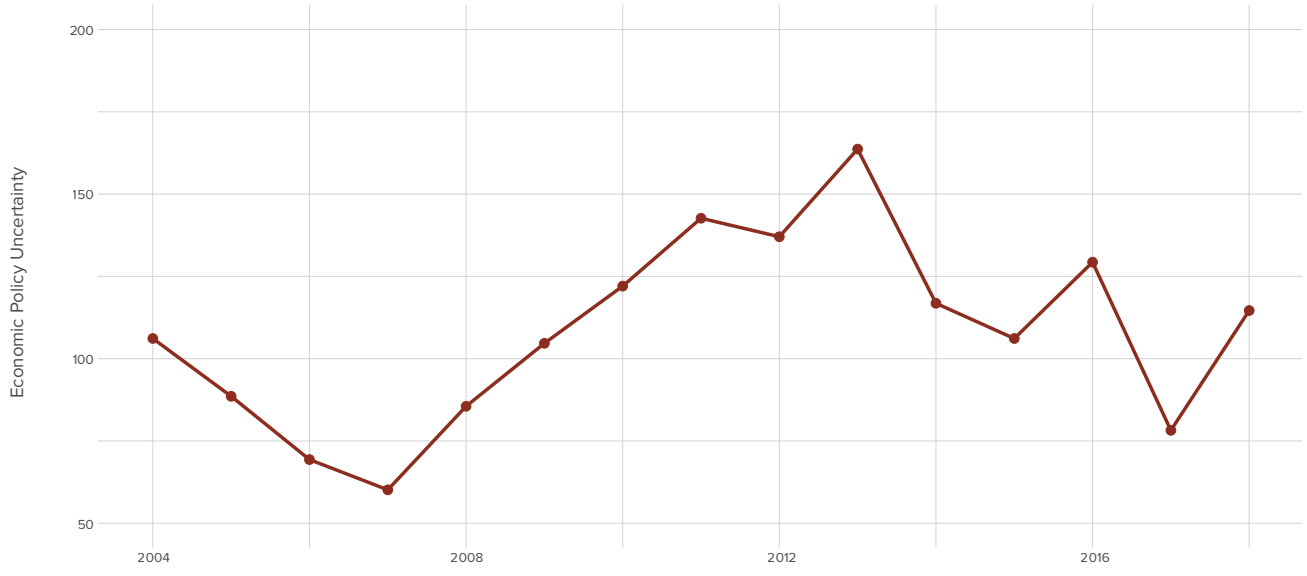


Source: World Bank 2019

- According to aggregated newspaper articles, the level of economic policy uncertainty in Italy is still as high as in 2011 and 2012. At the same time, there are long-term forces that should not be neglected.
- Much like other advanced industrial countries, Italy experiences a continuous slowdown in total factor productivity (TFP) that has already begun in the mid-1990s.

### Economic Policy Uncertainty, 2004-2018

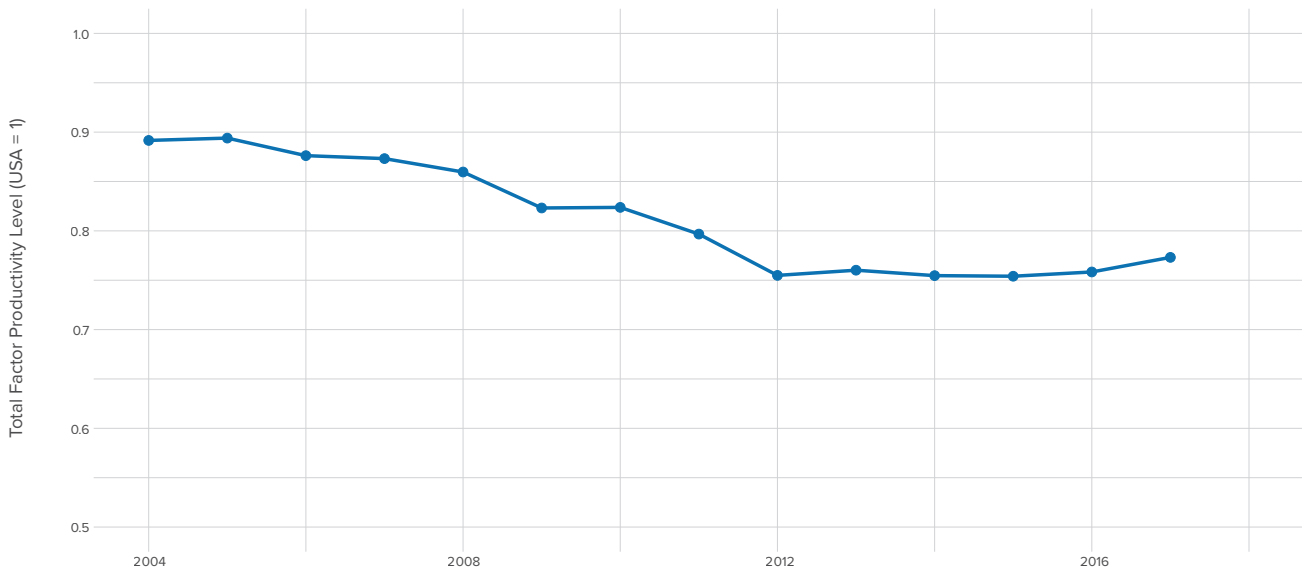
Index based on newspaper articles regarding economic policy uncertainty.



Source: <https://policyuncertainty.com/>

### Total Factor Productivity (TFP), 2004-2018

TFP can be interpreted as a measure of comparative technology (Italy vs. USA).

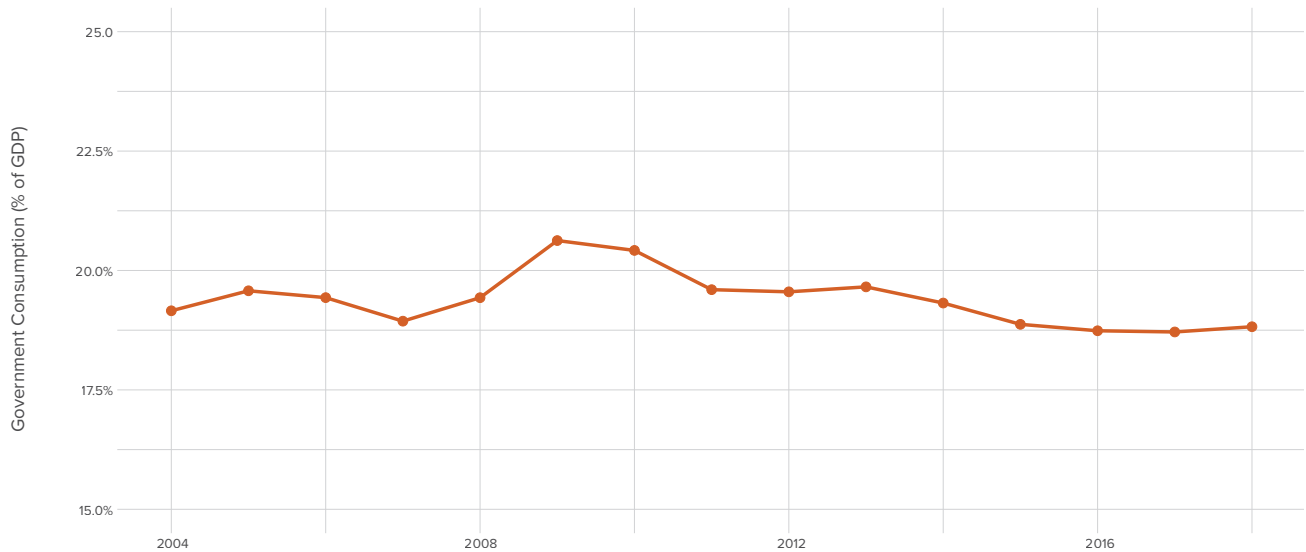


Source: Penn World Table 9.1

- The decline in total factor productivity suggests that Italian firms have difficulties to use capital and labor more effectively by adopting new technologies or managing practices. Italy suffers from “secular stagnation”.
- The Italian version of secular stagnation cannot be blamed on a substantial reduction in government consumption.
- While the Italian government spends *not* as much on goods and services as in the 2000s, it has not substantially decreased its expenditures, either. This raises the question to what extent existing government funds can be allocated more efficiently, and whether new funds can be accessed.

### Government Consumption (% of GDP), 2004-2018

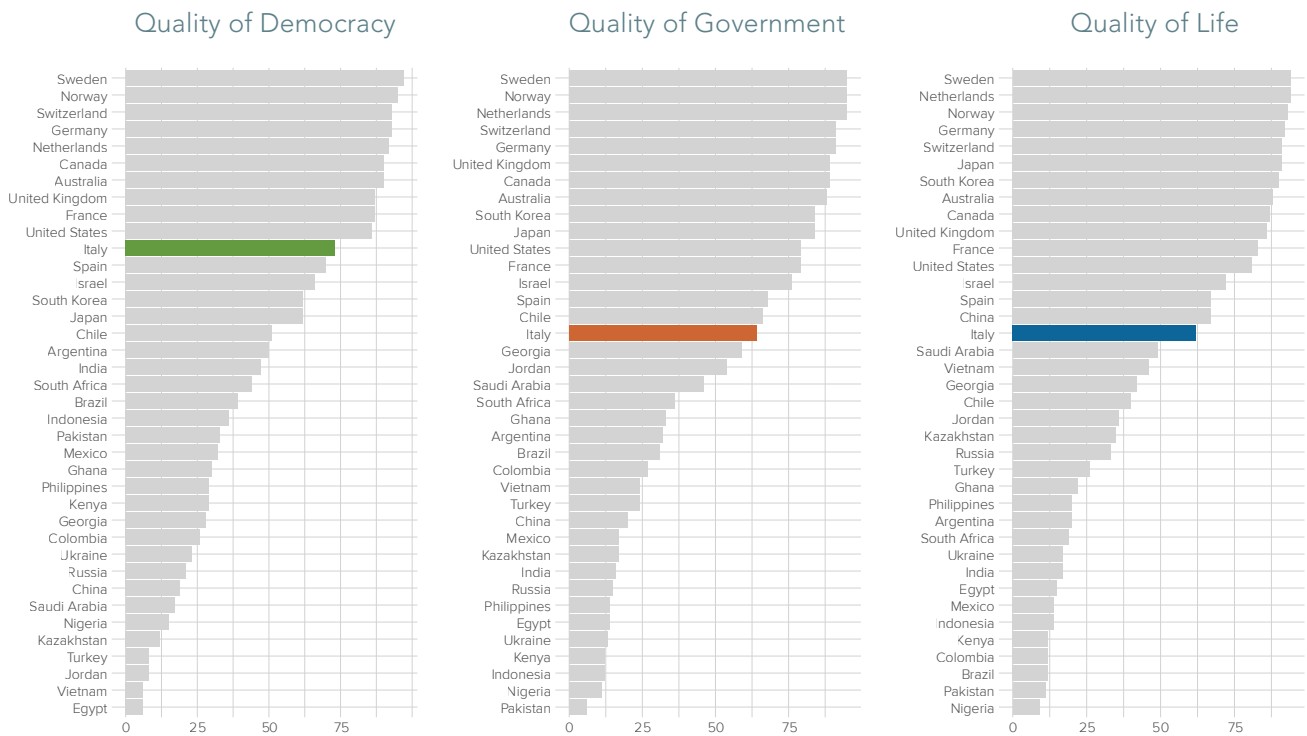
General government final consumption expenditure includes all government current expenditures for purchases of goods and services.



Source: World Bank 2019

## ITALY'S BERGGRUEN INDICATOR OF GOVERNANCE SCORES

- Italy's score in the **Berggruen Quality of Democracy Index (QoD)** is relatively high, almost as high as the score of the United States, and higher than the scores of Spain and Israel (data collected 2004-2018).
- In contrast, Italy's score in the **Berggruen Quality of Government Index (QoG)** is lower than the scores of Spain and Israel, and it ranks five places below the United States.
- Italy has the same rank in the **Berggruen Quality of Life Index (QoL)** as in the **Berggruen Quality of Government Index**, which suggests co-movement of both indices.

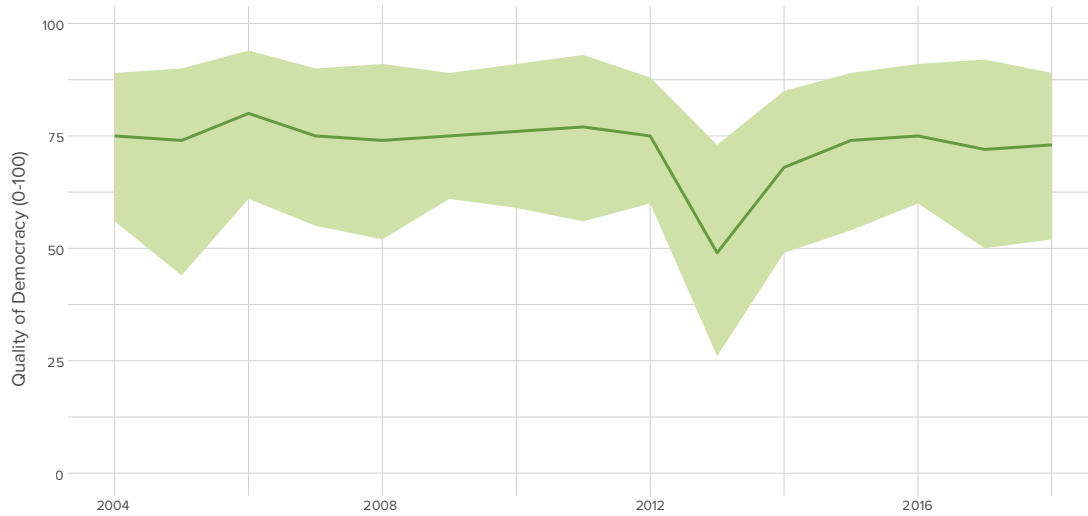




**QUALITY OF DEMOCRACY (QoD)**

- Italy’s quality of democracy has remained on a relatively high level over fourteen years.
- It bounced back after sharp decrease in 2013, which was likely related to the “Italian debt crisis” that could only be averted with external interventions by the European Central Bank.

Berggruen Quality of Democracy Index, 2004-2018

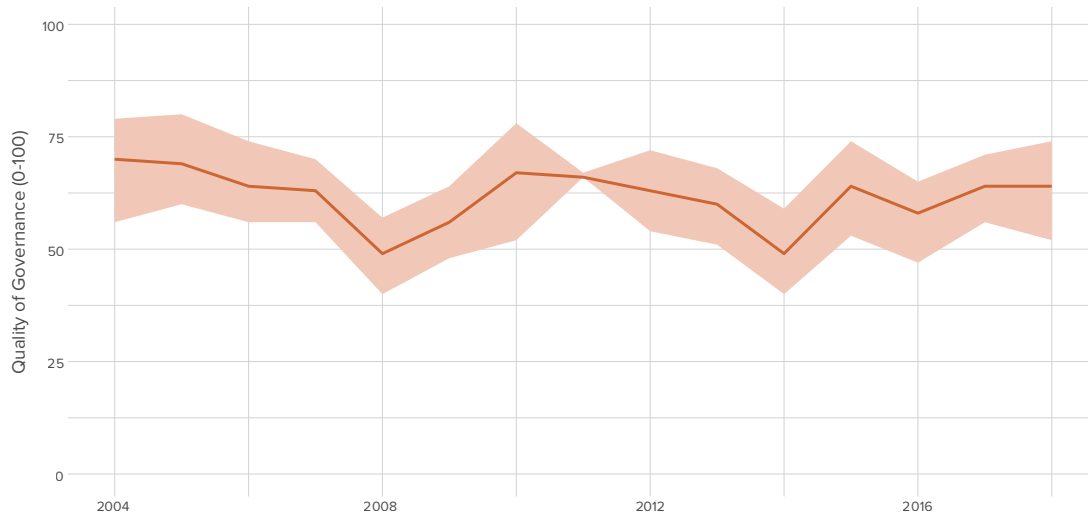


Lines indicate 95% credible intervals for the average score, a measure of uncertainty.

**QUALITY OF GOVERNMENT (QoG)**

- Italy’s quality of government index score has changed little for the last fourteen years.
- After immediate crisis situations, Italy’s score has recovered, but has never reached the levels routinely observed in Northern Europe, North America and parts of North Asia.

Berggruen Quality of Government Index, 2004-2018

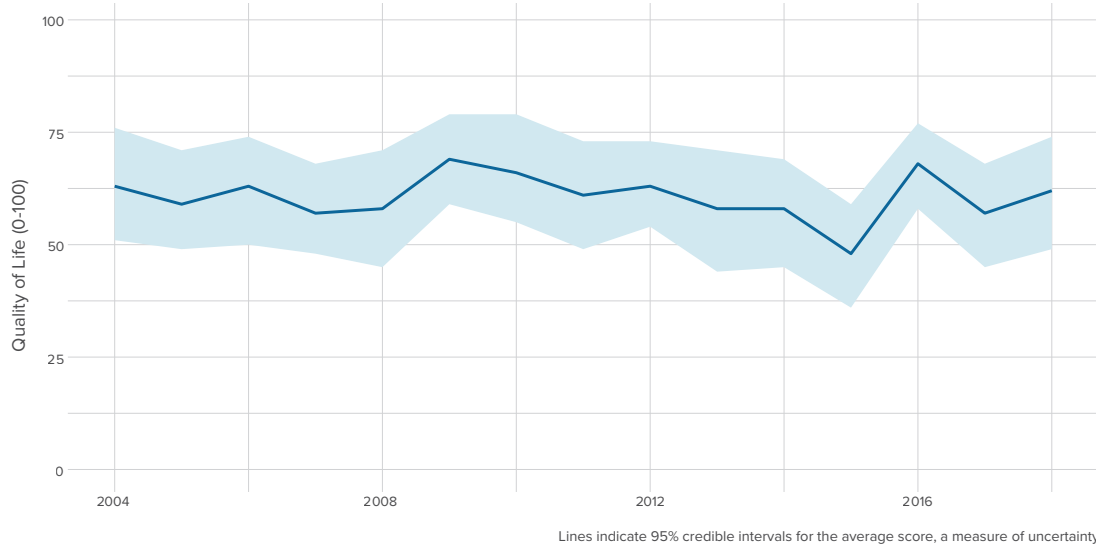


Lines indicate 95% credible intervals for the average score, a measure of uncertainty.

**QUALITY OF LIFE (QoL)**

- The quality of life in Italy has not improved substantially in the last fourteen years, yet Italy has not seen a permanent decrease in the quality of life either.
- Italy's public consumption seems to be able to reproduce the status quo, but apparently fails to generate large-scale improvements in the quality of life.

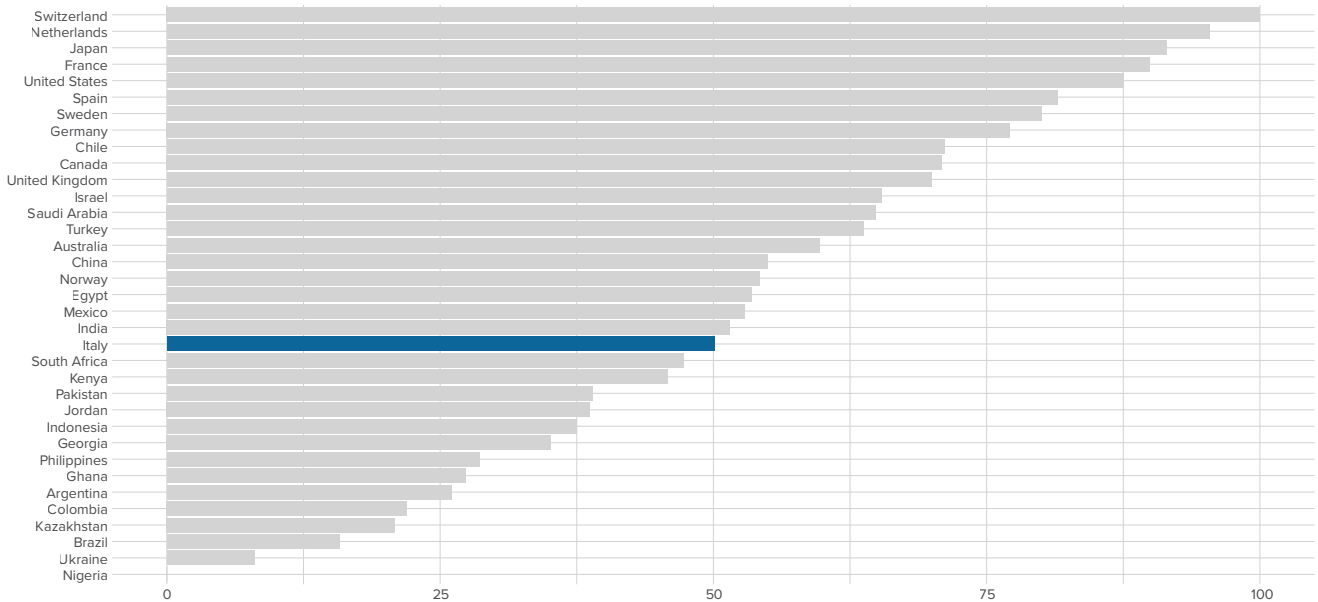
Berggruen Quality of Life Index, 2004-2018



**WHAT RELATIONSHIPS BETWEEN QoD, QoG, AND QoL CAN BE OBSERVED?**

**EXAMPLE 1: ROAD QUALITY**

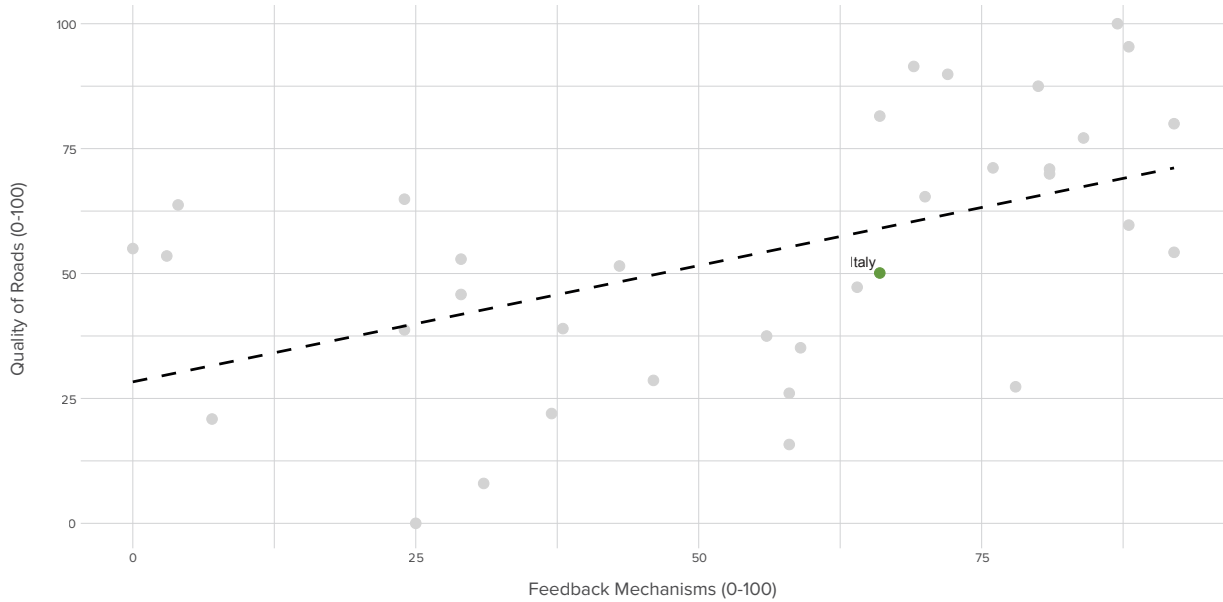
Road Quality  
Sub-Index of Quality of Life



Source: World Economic Forum

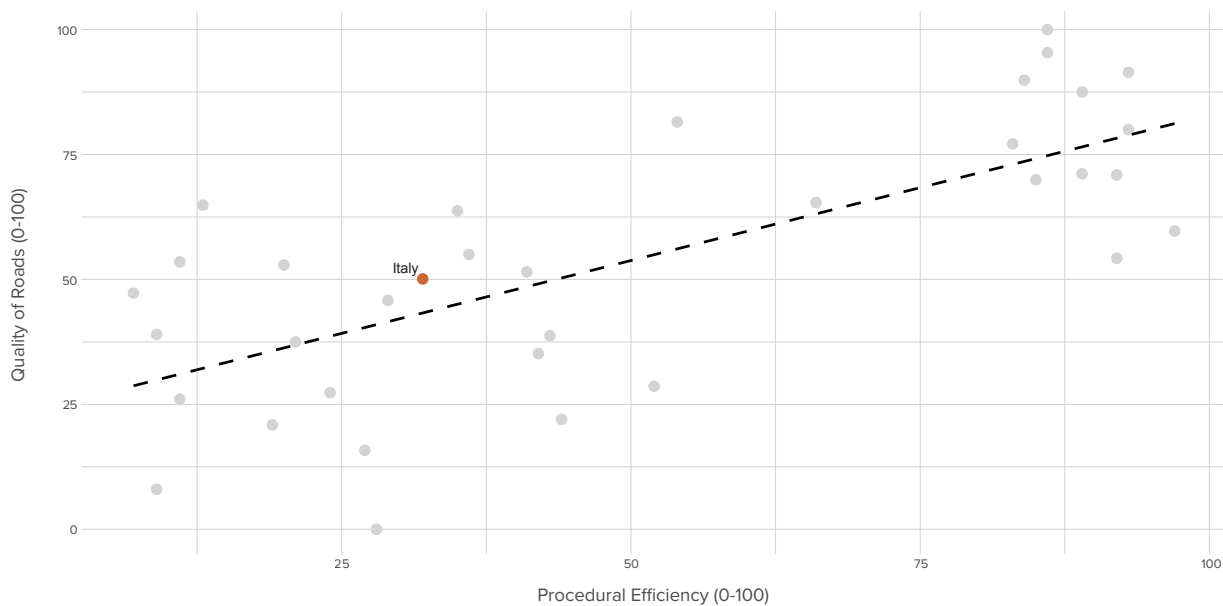
- The quality of roads in Italy (sub-index of QoL) is notoriously low when compared with similar countries.
- One typical concern, with respect to road quality, is that there is not enough feedback from citizens in the project development stage.
- We find that the *availability of feedback mechanisms* (QoL) is positively related to the quality of roads in our overall sample and is **slightly above average** in Italy with further room for improvement.
- Yet, the *level of bureaucratic efficiency* (QoG) is also positively related to the quality of roads in our overall sample, and it is **far below average** in Italy with very substantial room for improvement.

Road Quality and Feedback Mechanisms



Source: Berggruen Quality of Democracy Index; World Economic Forum

Road Quality and Procedural Efficiency

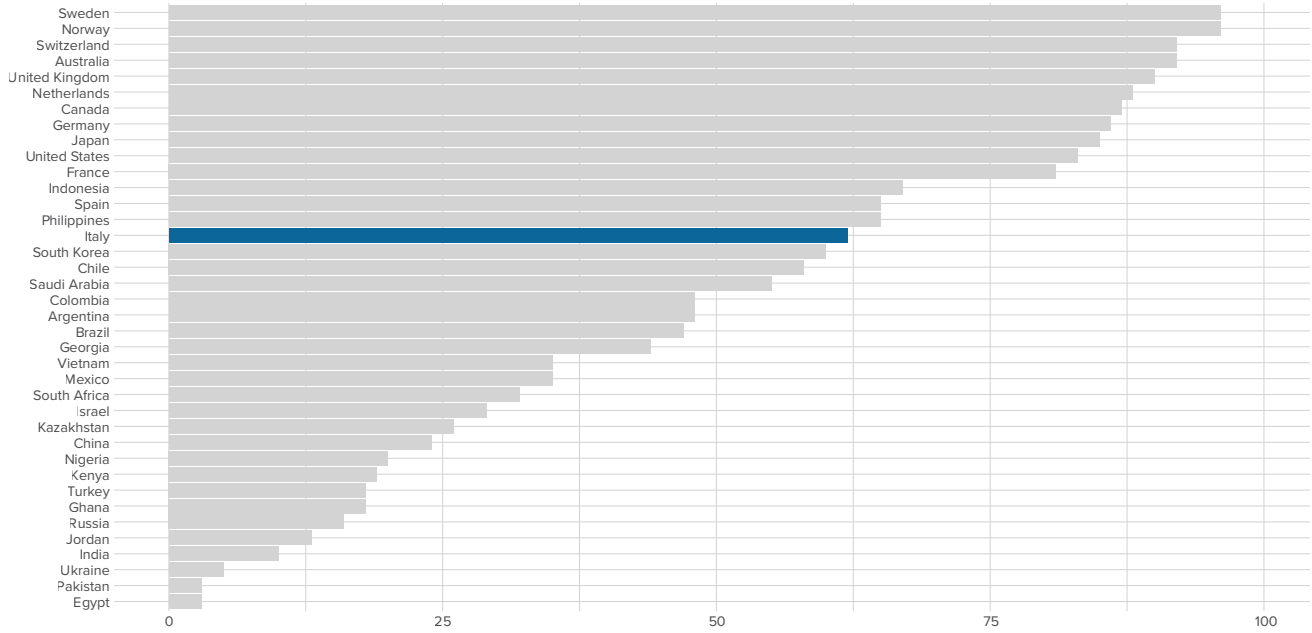


Source: Berggruen Quality of Government Index; World Economic Forum

**EXAMPLE 2: ENVIRONMENT**

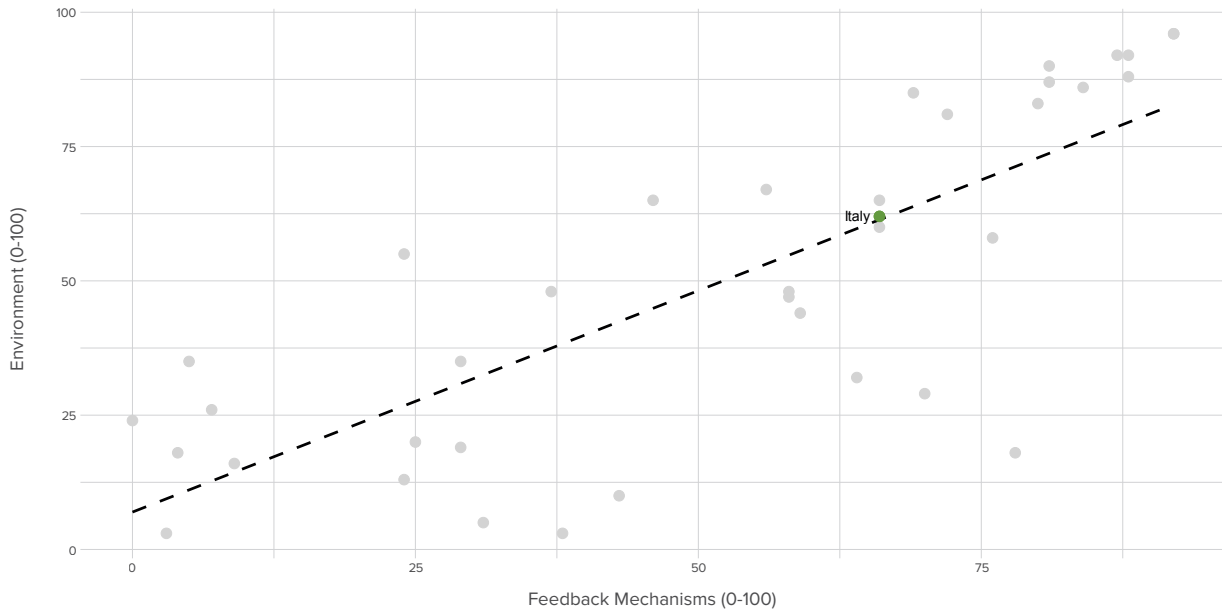
Environment

Sub-Index of Quality of Life



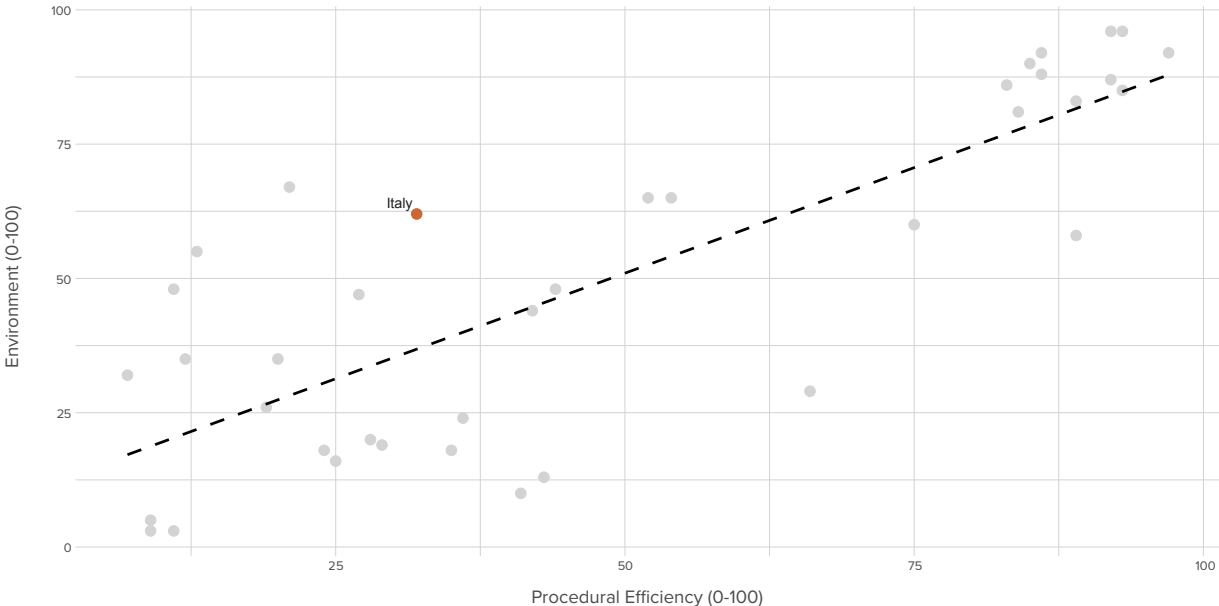
- Italy’s environment sub-index (QoL) is not as high as the environment sub-index of other Mediterranean countries with a strong tourism industry.
- A reason for the neglect of environmental protection could be once more the absence of citizens’ feedback.
- We find that the *availability of feedback mechanisms (QoL)* is positively related to environmental protection in our sample; we also find that it is **above average** in Italy with further room for improvement.
- Yet, the level of bureaucratic efficiency (QoG) is **below average** with very substantial room for improvement.

Environment and Feedback Mechanisms



Source: Berggruen Quality of Democracy Index; World Economic Forum

### Environment and Procedural Efficiency



Source: Berggruen Quality of Democracy Index; World Economic Forum

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