

## **World Economic Forum**

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### **Speech by the President of the Council Giuseppe Conte**

Dear Ladies and Gentlemen,

Thank you for this opportunity to speak in front of such a distinguished audience.

The several current international challenges, such as protectionism, migration flows, climate change, the persistent international crises, urge us to focus on the complex dynamics in the relations among global players.

The European public opinion has considered for years the “European project” as the tool to tackle these challenges as well as a shield against their negative impact; but now it is questioning its validity and credibility. Without disregarding its historical merits, Europeans want it to be fitter for the current and future challenges.

Today I have the opportunity to illustrate how we in Italy are giving effect to this demand for change. Although I will focus mainly on the economic and social aspects of domestic affairs, I am sure it will be of some interest to you, as our experience might be an indicator of what Europe is going to look like tomorrow.

There is a key word around which we have been constructing our political vision and our daily activity; such a word is “PEOPLE”.

Italian people have been very patient and disciplined for many years. They have trusted Italian and European political and technical institutions.

For years they have embraced the key economic believes preached by the so-called liberal-democratic order: integration into the global market, free movement of people and capital, fiscal frugality, unchecked adoption of new technologies, untamed global finance.

They have believed the Euro to be able to solve all their chronic problems: high inflation, weak currency, public debt. They enthusiastically adopted the new currency.

Reality turned out to be very different instead.

The price for a stable currency and low inflation has been a growing public debt despite a continuous belt-tightening in order to keep primary expenditures constantly below tax revenues.

Fiscal frugality held back GDP growth. GDP in the third quarter of 2018 is still 5 percentage points below the peak in the first quarter of 2008.

Open global markets, free movement of capital, as well as the technological revolution did generate a large payoff as promised, but just for the few not for the many.

Thus, enthusiasm about the future has given the way to a gloomier view. A sense of hopelessness has been spreading; even the middle class, used to feel itself free from basic economic needs, now fears poverty. Everyone, with few exceptions, tends to perceive that tomorrow will be worse than today. Those who can, do encourage their kids to leave and look for better opportunities elsewhere.

History teaches us that anything can happen when people feel deceived and unfairly treated.

Despite this danger, my fellow Italian citizens have proved to be very mature and deeply attached to their democratic institutions; they have not taken the streets or acted violently to express their discontent and their rage.

Rather they have used democratic elections to dismiss the old elites and support those who were suggesting alternative ways to resume the path toward prosperity.

My government is the institutional answer to the desire of Italian people of finding a new way forward.

My duty and my priority as a Prime Minister is to preserve this precious endowment of trust by giving an immediate relief to the most urgent needs of my people.

Only by keeping on addressing the needs of my citizens, I will be able to count on their trust to face the long-standing problems that have been holding us back for so long.

I regard this as a key political issue. For too many years, Italian and European politicians have got this sequence wrong: giving priority to the use of trust rather than to its preservation.

In the past, they have asked people to make sacrifices in the name of a sparkling future. They have dismantled labor market regulation in the name of more and better jobs. They have allowed a retreat of the State as direct producer of goods and services - allegedly - in exchange for better quality of services, lower prices, and higher customers' satisfaction. Fearing "state failures" they have asked people to tolerate "market failures". Care of long-run interests has been displaced by addiction to short-termism.

People have already paid the brunt of these changes while the benefits are yet to come.

Citizens are now aware that all the changes they have been enduring have resulted in a much worse society in terms of opportunities, income distribution, social justice, welfare conditions, job security, growth perspectives for them and their children.

We need to provide an answer to all this. It will not be easy and it will not all happen tomorrow. However, while we design and implement solutions, we also need to bring relief.

The two main measures contained in our budget law, “Citizen Income” and “flexible retirement age”, are our immediate answers to our country’s most urgent needs.

Citizen Income provides income support for 1,7 million poor families, 5 million people; this in exchange for the availability to work or to acquire the skills needed in the future. Firms have the incentive to offer a job to people enrolled in the program because they will enjoy a cut in social security contributions.

While the program is oriented to poor people, it provides at the same time an implicit insurance for working-class families, vulnerable to unexpected shocks due to their fragile financial situation.

Few misconceptions need to be clarified about the new rules applying to retirement age. This measure represents a remedial solution for many people who have suddenly been told that their retirement age was postponed by many years. We believe this is a serious violation of the social contract, which needs to be amended.

I also wish to reassure about the long-run sustainability of our pensions system. It will remain fully sustainable because those who choose to retire earlier will end up getting a lower amount and also because the reform only applies for three years.

Let me also remind that those choosing to retire earlier leave posts available for the youth. In the public sector, this could enable both a much needed rejuvenation of the staff and a significant productivity increase.

We have been able to find the way to start these two programs despite the tight conditions of our public finances. We are very proud of it.

These are highly important interventions, urgently required to heal our severe social wounds. However, they can hardly provide a solution to the deep-rooted problems of our society, which is perceived as unequal in the opportunities it offers, unjust in the distribution of wealth it produces, unable to generate enough for everybody.

To tackle these issues we need much more robust fixes in the rules governing our economy and society.

We need to set the rules of the game capable of supporting ordinary people while preserving the environment; capable of generating a fairer income distribution, better opportunities for everybody, decent, safe and stable working conditions for all and not just for a lucky minorities.

In one word, we need rules putting center stage human beings, families, communities. We need to stop confusing the means with the ends, as we have done for so many years. We need a new “umanesimo”.

This vision is radically new.

It is new because we are not thinking in terms of Big-Small Government as the traditional left-right divide has done for more than a century. Rather we believe that the true divide lies between those who have, and those who don't have the power to shape the destiny of their nation. We believe that this power cannot be bestowed on a tiny minority of citizens.

We are radical, but we are radical because we want to bring this power back where it was meant to be in the first place by our Constitution: to the people expressing it in the forms and modes set by the Law. In Italian: *la sovranità appartiene al popolo che la esercita nei modi e nelle forme stabilite dalla Legge.*

This is a vast and multi-faced program, which is guided by a simple concept: support merit while fighting monopoly and rent seeking behavior.

An endless sequence of reforms can spur from the pursuit of this basic idea.

Supporting merit will bring our attention to education, and especially early childhood education, which many social scientists regard now as the stage in life when the destiny of a person is shaped. Quality of early education for all, while relatively not expensive, is one of the most powerful tool to level the playing field and one of the highest return investment available for a society.

Fighting rent-seeking and monopolistic behavior implies a radical revision of rules to access markets, to enter professions; more generally a revision of all the red tape and bureaucratic norms, not serving other goals but protecting the insiders.

Fighting rent-seeking behaviors means to be tough on corruption, for it being the most shameful power abuse aimed at extracting a rent from those who are just asking to exercise a legitimate right.

My government is not hesitating on this front. We have adopted an anticorruption law that is now among the toughest in the world. We have started to overhaul the economic regulation in virtually any subject: from bankruptcy to procurement to civil judicial regulation.

Our ambition is to show that there are no trade-offs between a more equal, inclusive and - I would say gentle - society and a vibrant economy generating enough for everybody in a sustainable way.

When fairness is widely felt, and trust prevails over second-guessing behaviors, people tend to be more willing to look with hope to the future, to renounce to something today for something better tomorrow.

When efforts and sacrifices are rewarded, rather than being seized by rent seekers and their predatory behavior, it is rational for people to invest more in human and physical capital because it is going to produce higher returns.

When a sense of inclusiveness does cement communities, it is rational for people to invest in “public capital” and to trust more institutions because the fruit of this investment will be shared equally rather than accruing only to the better offs.

Finally, a more equal and just society is stronger because people trust each other and it is more efficient because fewer resources are wasted defending unjust privileges.

Italy is now walking along this path. We want to go very far. How long it will take I cannot say. What I do know for sure is that our strive for a better society would be easier if we were not alone in this quest.

Any community, if left alone, will have a hard time in facing the headwinds of those who play one nation against the other to their own advantage.

If we, we as Europeans, were more united in this endeavor, we would be much stronger in upholding the view inspiring the original dream of a Europe that protects its people and the values dear to us: freedom, social justice, fair treatment for everyone, solidarity among people and nations, rule of law.

This is the Europe we Italians dream of. A Europe of the people, by the people for the people.

Thank you for your attention.