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Italy is the new sick man of Europe

By Will Hutton

LONDON: Suppose Tony Blair owned ITV, had disbanded the majority of the board of governors of the BBC and that director-general Greg Dyke had resigned because of the impossibility of maintaining the corporation's impartiality in the face of unfair, growing and politically motivated competition from Mr Blair's interests. Suppose, too, that Mr Blair owned both the Daily Telegraph and the Express. And suppose Queen Elizabeth II had extraordinarily refused to enact a parliamentary Bill that would, in effect, allow Mr Blair to expand his media empire despite earlier promises to disband it. There would, I suspect, be just a little political disquiet.

Suppose, too, that, while we were digesting all this, one of our largest companies had gone into receivership. Over the past few years, it had falsely, and probably fraudulently, accounted for a cool pounds sterling 7 billion, but attempts to recover the cash were being grievously hampered by new

Blair laws which weakened protection against false accounting, largely to ensure that the prime minister's media empire would better survive scrutiny. We could start to wonder what kind of banana republic we were living in.

But this is no banana republic — this is present-day Italy, one of the chief states in the European Union. The prime minister is not Tony Blair but Silvio Berlusconi; Mediaset is ITV; RAI is the BBC; Lucia Annunziata is Greg Dyke; Il Giornale is the Daily Telegraph and the company in receivership is Parmalat. For the Queen, read 83-year-old President Ciampi. The analogies are not exact — Italian institutions and processes are not mirrored in Britain — but the similarities drive home what has been happening there. It is a salutary warning not just about democracy and capitalism in Italy, but about modern times.

The British are as complicit as the Italians in not taking Italy sufficiently

seriously. Italy suffers from a curious inferiority complex, in which its military glories ceased with the Romans and its cultural influence ended with the Renaissance. Italian citizens take no pride in their state or democracy; avoiding taxes is a sign of canniness and to comply with regulation is to be seen as weak. Italian reunification is not yet 150 years old, and there isn't the loyalty to political, judicial and democratic institutions that you find in Britain, France or the US. Loyalty is to family — the vehicle for building everything from restaurants to great companies. Italians despair of their public realm.

Yet Italy matters. It is one of the Group of Seven industrialized nations (now eight with Russia). It matters as a founder of the EU; indeed, without Italy's willingness to sign the original Treaty of Rome, the so-called European project would have been little more than a Franco-German friendship pact of the kind tried and found wanting in the past. Italy plays that

role still; no other mainland European country has the population weight and GDP to Europeanize Franco-German relations. Nor does its political salience stop there; Berlusconi's Italy gave Britain and the US political cover during the Iraq war.

Italy is a crucial market. Rupert Murdoch, with an ever keen eye to the main chance, was more than happy to buy the two distressed Italian satellite platforms, Stream and Telepiu, now absorbed into Sky and carrying a diet of dubbed US retreads from Fox, with news as pro-government as anything carried by Berlusconi's Rete4, Canale5 and Italia1.

Playing his political cards carefully will create from this market of 60 million Italians a cash cow to equal his British operation. We neglect Italy at our peril; it has always been a forerunner of European trends, whether the Renaissance, fascism in the 1920s and now the integration into a powerful unity of media baron and financial casino capitalism, all the while co-opt-

ing the state to serve its ends.

At first, Parmalat seemed a typical Italian family business built around dairy and ham products. It was no such thing. Founder, chairman and chief executive Calisto Tanzi, whose family controlled the majority of the equity, was using the core business to support an extravaganza of invented contracts, particularly in the Cayman Islands. American banks, many of which see dodgy practice as a natural outgrowth of capitalism, continued to lend money against the contracts until it was too late. Wall Street met Italian capitalism to produce a European Enron.

But what made it possible, as with Enron, is that national and international financial regulation has not kept pace with today's opportunities for fraud and deception by company leaderships minded to take this step. Nor is this a technical failing. It is because today's leitmotif is that regulation inhibits "wealth generation" and "free markets". Tanzi pulled some

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political favours to build the core of Parmalat, and then exploited Italy's — and the West's — weak regulatory environment, supported by the ideology that business must be free, to cover his tracks.

And Italy is more wide open than most. Creating almost impossible-to-follow audit trails is easier in Italian-style family-controlled firms: corporate governance rules are scandalously inadequate; regulation is habitually weak. Attempts at reform have been fiercely contested by the Berlusconi-controlled media portraying any such initiative as anti-business, anti-free market and anti-Italy. As prime minister, an office Berlusconi won with the support of his own media, he is able to practise what his TV companies and papers preach. His control of the media suffocates debate and criticism. The result: bad government, nearly extinct political pluralism and Parmalat.

In Britain, we ride the same tiger, albeit one in a different guise. The

same ideology rules, generating the same temptations: Daily Telegraph proprietor Conrad Black is no stranger to hard-to-follow audit trails and disappearing cash; naturally, he is as fervent an apostle of the “free market” and anti-public-service broadcasting as Mr Berlusconi.

The potent mix of an ideological and powerful media, self-seekingly promoting particular corporate interests as the public interest, is not confined to Italy. Nor is the exchange of commercial advantage for political support just a feature of Rome and Milan.

Events in Italy are the concern of all of us and the EU should signal its fundamental interest in the outcome of Italy's battle to defend the integrity of its capitalism and public realm. The first act of the incoming Irish presidency of the European Union should be to say just that. Mr Blair should be in the vanguard of European leaders pressing for such a statement. Instead, we can be sure that silence will reign. —*Dawn/The Observer News Service.*