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Aborted Economic Growth. The Case of Italy

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Abstract: *The case of Italy is gaining attention. The economy is going towards a recession and for the last twenty years has been showing a poor growth. Italy suffered more than the largest economies the effect of the 2008-2013 financial crisis. Therefore, poverty increased, and the middle-class incomes were reduced. With the result of the income range widening in favor of the privileged classes. The tension for a more equitable income distribution is the instance that the whole community of the "Bel Paese" (Beautiful Country) is pursuing with very uncertain results. In response, the political groups have embraced the welfare request aimed to reduce poverty, by relying without any distinction on public deficit spending, so causing growing public debt burden. In the absence of results for a greater social justice, the "Bel Paese" collectivity has shown a marked dynamic. Therefore, within a few years various governments have come and gone. In a context of high public debt, the Keynesian therapies do not have the expected effect. When public debt then reaches and exceeds, like in Italy, 90-100% of GDP, the growth becomes creeping and the economy is affected by deflation. In the absence of the expected results, did not change the orientation of the peninsula collectivity which is requesting a greater social equity. Therefore, a partial consensus was given to the populist movement that adopted the request for a stronger action in favor of the lower classes, always resorting to deficit spending. Nevertheless, this is an option against the market, so the economic scenario in Italy became recessive. This unexpected change in the economy mood will probably have consequences on the collective mood and on the political dynamics. The issue of a rising public debt is crucial. In the USA the public debt, which has reached and exceeded the 100% threshold in terms of GDP, seems to be the underlying cause of the sudden change in the overseas economic climate. Some signals can be found in the monetary policy slow down and in the Stock Market arrhythmia in the end of 2018.*

Keywords: *deflation, financial crisis, welfare, public debt, political dynamics*

Introduction

The case of Italian economy is so peculiar, to deserve a recent notice from the IMF economists. The economy of Italy takes the role certainly undesirable of a potential danger for the global economy growth, then sharing this judgment with the Great Britain struggling with Brexit. After twenty years of growth that has flattened remaining just above 0.5% per year, this maybe excessive negative classification anyway confirms the surprise for the country's decline and, above all, for the announcement of a possible global recession, which seems to open just starting from Italy. In some way, the turning point towards the recession in Italy takes a general meaning which would involve the entire world economy in the cyclical turnaround.

The Italian economy is not so large to affect the global economy by attraction, but it can actually reflect on the whole economic mood of the European Union. Therefore, the attention to the conditions of the Italian economy remains high, also due to the attraction exerted on the feelings of families and companies in the old continent by the economic decline of the peninsula. It is probable that this unfair position derives from the poor appreciation or even from the widespread chill against the team now governing Italy, caused by that populist behavior apparently imitating the US presidency.

The capability of Italy to attract negative attentions, not only from neighboring countries, is therefore a good reason to justify the danger of a recession disease spreading. On the other hand, the economic turnaround is a collective disease and is often developing like a flu wave. However, it should be said that seems naive to hold the recent political choices in Italy liable for the fall of the Italian economy tension in the second half of 2018. Firstly, because it's relatively unlikely that the recession in Italy could worsen until to cause a negative vortex that would attract the global economy. It's more probable instead, that we could even see an increase, though temporary, in the second half of 2019.

The problem of the Italian economy's malaise is quite remote. Economic troubles do not come only from some actions of the current government. We must indeed go back for at least twenty years and even more to be able to outline the reasons for the current dark shadow covering the peninsula. It's a long odyssey, still unresolved, that has created the conditions for a gradual separation of the peninsula community from the political class, so that in the course of a few years were banished many governments together with their political groups.

1. A context hard to be read, but some comments are possible anyway

1.1*The crux of wealth distribution in Italy and the welfare policy*

First, it's noteworthy that the most significant problem seems to be not the past poor growth, but above all the Italy's tendency towards recession during 2019. In particular, the EU has sharply reduced its annual development forecast from 1,2%, of last November to 0.2% of February 2019. To this modest standard is also aligned the Bank of Italy which also underlines a possible tendency to a further deterioration. In the midst of the general consideration about a difficult 2019 for the Italian economy, the optimistic voice of the current government rises, confirming instead the 1% development perspective.

But as already mentioned, it seems quite limited to attribute the problem of the blocked growth to the executive currently governing Italy. Simply because the reduction prospect of the whilst modest announced growth till the currently expected blocked development does not seem destined to alter at the end the deadlock in which the Italian economy is stalled for a long time. On the other hand, we can add that there is an actual continuity in the various executives who succeeded in the country, because all of them resorted to public debt to be able to ask and carry on the consensus through welfare-based policies.

Certainly, it seems quite strange that have alternated, just making some denomination changes, those political groups that have privileged, to ask and obtain consensus, programs based on the most basic needs of the electorate. A succession by reproduction indeed, although the political forces that succeeded to govern the country have had an increasingly short duration. In essence, the hypothesis envisaged by the political scientists Chantal Maffle and Ernest Laclau seems to take consistency: according to them, the political *status quo* is only temporary, and can be challenged by a movement trying to replace it with something new. In short, a situation of political dynamism that would be pushed by the underlying feeling of a common dissatisfaction with the economic condition and social disharmony.

Therefore, in the electoral events occurred over the previous ten years since the great 2008-2010 financial crisis, the community is trying to direct the political forces to seek programs and intentions aimed to sustain the widespread desire for a more equitable redistribution of the country's resources. In this sense, apart from the political side of the successive governments, it can be said that there is a considerable continuity in the voters' behavior in Italy.

The strong dynamism in the collectivity political orientations in Italy would therefore be nothing but the outcome of the usual inability of the power to give an adequate answer to the basic question. There would therefore be a continuity in the electorate behavior although at the cost of a strong dynamic of the political change. This way of reasoning leads to the conclusion that in recent years the choice of voters did not favor a neo-populism in Italy. Indeed, even the hypothesis that Italy has fallen into the quicksand of a neo-populism difficult to define doesn't seem confirmed. Because what really matters is to verify that there is a fundamental continuity in the evolution of voters' behavior. Also, because political parties must be expression of voters and not a kind of standard entities imposed on civil society and nothing else.

Therefore, to declare that the responsibility for the recession in Italy can be traced back to the current government seems just a way to express the will to strengthen the role and importance of the community and to justify its dynamism, by attributing the blame for the failures to the new and old governments. Unfortunately, we must agree on the fact that the near recession in Italy would be the expected result of inappropriate attempts to solve the problem of the wealth distribution in Italy: there is a widespread feeling that also the current political team doesn't seem to be able to face the issue with adequate proposals. Obviously, beyond the repeated mechanism of the usual recourse to public debt.

Because taking money from the exhausted public sector, to distribute resources to the poorer classes, does not achieve the goal proposed by the community. That is, to increase the national budget and to drain these greater resources for a more equitable balance of incomes and wealth. The experience of these years in Italy seems to show that, without this increasing budget, the substitution with a repeated use of post-Keynesian policies to support the weakest part of the country is unsuccessful. So pushing in this way towards a certain failure any proposal relying on St. Patrick's well to increase the spoils.

All this is suggesting that may arise in Italy, to redress the previous unsuccessful experiences, new forces or political groups that would try to find consensus probably through new projects and programs aimed to meet the prevailing demand for the re balance of the economy from a social point of view. Or is suggesting that in view of the potential new failure, the community would look again at the traditional political forces in the country for the disappointment deriving from the recent experience and to finally share the appropriate programs to generate income and work.

Moreover, it's in the facts that the welfare forms so far experienced, by an unrestrained access to public debt, are unsuitable to achieve even the limited goal of poverty reduction. That is, despite the successive welfare policies, the poverty problem is far from being solved and even farther is the issue of a more balanced income distribution in Italy.

It's then necessary to acknowledge, differently from the banal interpretation of Keynesian interventions, that there is an edge beyond which the water produced by neo-Keynesian impulses is dispersed without any result on the side of the economic growth. While it

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creates the legacy of an unbearable debt increase that produces deflation and development block. By continuing to flood with excess debt water, the land would be made swampy and unproductive. Nor, on the other hand, can the long Italian affair call into question the democracy and its ability to guide the country, because the political demand of the masses moves on the realism and concreteness ground, with a message that moves on the line of economy rebalance for a compatible development.

There is no doubt in fact that the centralization of incomes and wealth are enemies of the balanced growth and they disagree about the correct use of the resources that the planet makes available to all living beings, according to the long perspective of the generational line. In this sense, it is confirmed that democracy is the political structure able to orient and to dictate the objectives for the correct path of the country along a balanced development course of the economy and society. In this sense, we can reject the hypothesis that the declared populism of country's ruling groups may be a serious deviation able to mislead by the democratic way.

1.2*The potential reactions of an unstable economic system in the case of excessive debt*

It can rather be said that even recent experiences may confirm that our neighbor, the man or the woman we meet in the subway or at the bar are all aware in general and summary terms of the country's economy state. These are a kind of knowledge that each member of the community learns from explicit messages, from the prices of daily items and from the personal income trend. But it's not enough, because together with this daily knowledge there are implicit messages sent by the economic system, which therefore take the form of a general feeling. These are feelings that are able to open and close the door of spending, of investments, of consumption for families and companies. And these feelings are proved to be real through periodic surveys among operators, companies and markets.

The market behavior, understood as the combination of families, companies and institutions, has a precise purpose. The sensitivity of the social group is oriented towards pursuing the economic stability. By economic and social stability, we mean the economy state of a country growing according to a straight line and with an inclination depending on potential. It follows that the collective behavior appears to be able to perceive without error the deviation from the straight line of stable growth. Straight line of development that conforms to the balance in the sober exploitation of the planet's resources, to allow the life and the existence of future generations.

According to this line of thought, the economic movement and the monetary alterations (inflation and deflation) are recognized as synthetic but complete indicators of the instability state of an economy. It follows that cannot be questioned that the tectonic motion of the markets imposed by the conjuncture is perceived by the community as an incontrovertible signal that the stable development terms have been forced. At this point it becomes incontrovertible that the community would work on the search for lost stability. According to this direction, the search for stability leads to reject and remove the consensus to the governments that failed in the public management and betrayed trust, by pushing the economy's motion beyond the stability threshold.

Experience seems to show that the exit from the economic stability path not only and not so much leads to a loss of efficiency in the economic system. But above all I would say it leads to distort the solidarity and relationship links between the social classes, with a transfer of incomes and wealth towards the top of social ladder, at the expense of social peace due to the reduction of lower incomes and to the poverty increase.

When the instability signs are confirmed, therefore, there is a misalignment between the guidelines of the leadership governing the country and the changing orientations of the community, which begins to limit the consensus in order to stimulate a behavior change of the executive. If the underlying tensions of the economy persist, experience shows (as in the case of Italy) that the collectivity seems to be pushing for measures that should restore a greater fairness in the income distribution and above all a reduction of the increasing poverty.

Now it's clear that this travel direction would be possible only if the pace of economic development would be restored to give again space to the demand for greater social equity. In general, the governments in charge do not have the political strength needed to increase the tax burden for the most favored categories to balance the social distribution. On the other hand, in the case of Italy, the income distribution is also distorted by the fiscal inequality and by the widespread recourse to tax evasion by the privileged categories.

In any case, for the governments in charge appears much easier the continuous recourse to public debt to mitigate the poverty conditions, which are gradually increasing when the economy is unstable. However, this way of proceeding can offer temporary benefits in poverty mitigation, only on condition of a moderate use of public spending. In this case, the system flexibility, even if unstable, allows to obtain anyway the benefits expected from Keynesian interventions. Nevertheless, with a limit. It's neither appropriate nor fair to exceed the threshold of excessive debt which is around 90-100% in GDP terms. Should this threshold be exceeded, not only the conditions would be realized of a clear instability manifested by the economic cycle slowdown and the tendency to price deflation. But a negative reaction is also started, due to the debt further increase, which defeats the multiplier effects that public spending would generate under the normality or almost stability conditions of the economic system.

It is therefore clear that the further use of the public debt, to respond to the requests of a dissatisfied electorate, not only does not realize the objective to mitigate the poverty different forms but on the contrary threatens to feed further the income upward tension to further detriment of the lower categories.

Now, we can say that the case of Italy is quite similar to the extreme condition just outlined, after more than twenty years of unprejudiced use of public debt, always in the attempt to mitigate the gap of social incomes and the discontent of the most. Given the long story of inconsistent growth and the prolonged tendency to price deflation, the question can be asked about the potential evolution of the situation. That is, if the long relationship between the electorate welfare request and the compliance of the political offer can continue. In other words, if this option of compliance with the electorate request offered by the political majorities who governed for over twenty years, should continue, although this formula remained essentially without a substantial outcome. Thus, over the analyzed period the distribution of incomes and wealth in the country, far from being regulated, was instead even more unevenly spread in favor of the higher categories to the detriment of the majority of the population.

The problem of the reverse trend of the income distribution curve in Italy is undoubtedly, at least in part, due to the persistence of the country in a state of excessive public debt, which is a factor that naturally helps to drag revenues and wealth towards the favored sections of the population. On the other hand, the serious 2008-2013financial crisis hit the country with a greater severity than the other major European countries due to the financial fragility accumulated by the long coexistence with the high public debt. The economic crisis is also a social crisis, because it hits hardly the work categories affected by the dismissal, thus becoming another tool that strengthens the inequality of incomes and wealth.

Figure 1 -*Top 5%and 10% income share in Italy (1974-2008)*

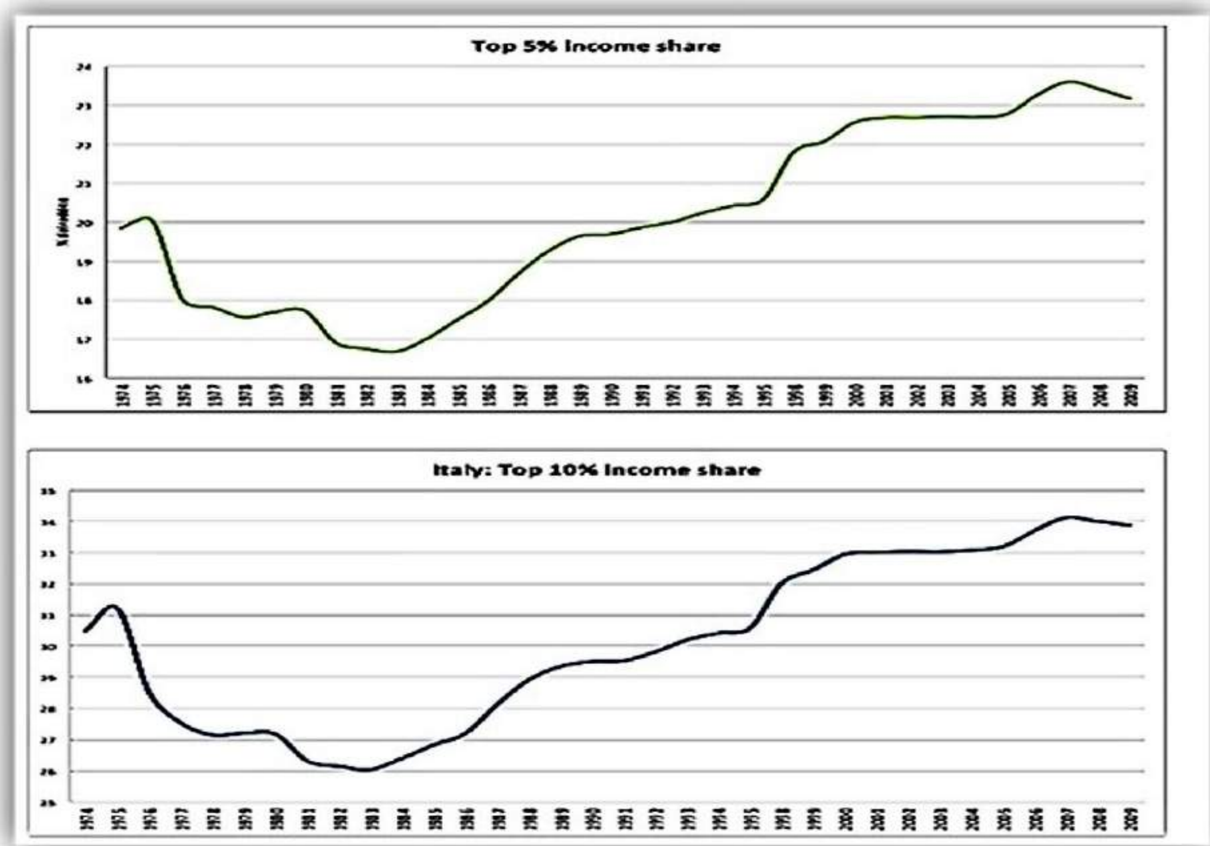

Figure 2 -*Risk of poverty rate in Italy for individuals by characteristics of head of household (percentage)*

Head of household	**2006**	**2016**
Age		
Up to 35 years	22.6	29.7
35 to 45 years	18.9	30.3
45 to 55 years	20.2	24.1
55 to 65 years	16.6	20.9
Over 65 years	20.2	15.7
Geographical area		
North	8.3	15.0
Centre	9.7	12.3
South	39.5	39.4
Work status		
Payroll employee	18.4	21.2
Self-employed	14.6	19.5
Pensioner	19.0	16.6
Other	75.9	83.0

Sources: based on Data from the historical archives of the Survey on Household Income and Wealth

It should be added that in the strategy to contain the damage deriving from globalization, that damage could be seen as caused by the disharmony of the income distribution. In any case, it must be emphasized that a country like Italy, with its long history of excessive public debt, has accumulated a social gap in incomes greater than in countries such as Germany, which has faced the same problems arising from the economy globalization process, but maintaining a more virtuous behavior regarding the public spending.

1.3 *The potential evolution of the stall condition in the community-politics relationship in Italy*

The relative continuity of the relationship between the community and politics in Italy could have reached a turning point. In the sense that the request made for decades by the community to the politics in order to correct the large income inequality in Italy could mark a direction change. Actually, it seems now probable that the long story that brought many welfare programs may not be over yet and that for some time we could still oscillate between perseverance on the usual clichés and the breaking, finally, of this model without prospects.

Meanwhile, it seems evident that insisting on this choice, intended for the benefit of the lower classes, actually does not lead to the desired rebalancing nor to solve the great poverties emerged (not only in Italy) during these years. The debt misuse leads to an efficiency decline of the system, which is paid mostly by the weakest part of the country with a structural unemployment. The poverty increase led by the system reduced efficiency is greater than the modest relief derived from assistance forms, even if repeated.

Therefore, the water of the new liquidity added to the system is not enough compared to the income contraction deriving from the unemployment increase and the stagnation of wages. The community should be aware of this negative balance because, as we know, intrinsically has the tools to evaluate the economy interventions, through the spending capability even of the lower social classes.

It should be deduced that failure of the treatment, although repeated, cannot fail to be noticed by the community. Which, moreover, always moves in the perspective to find measures and programs able to contain the inequality of the income distribution in the country. Can we therefore assume that the errors accumulated according to a distorted perspective could finally start a change, not so much regarding the quality of request, but rather the strategy to follow in order to achieve the goal?

At this point it's necessary to recognize that this possibility, that is the opinion change in the community about the ways to achieve a better social balance, is not confirmed among the political forces that do not seem to be moving towards a break with the past. Is now prevailing the hope, at least in the government majority, that in the next elections for the renewal of the European parliament, the current political majority would be altered to the advantage of an Europe of nations, according to the Gaullist model. A return to the past indeed, which is expected would allow the acquiescence policy on public budget, with the purpose of perpetrating the welfare policy just to gain consensus.

This goal clearly shows all its fragility. Europe is now a very integrated reality and indeed it becomes somehow problematic that individual governments would retain all their powers in the economic policy matters, with the result that the policies of individual states could counteract the monetary policy objectives, entrusted to the European Central Bank. On the other hand, the Euro countries have set for themselves some common objectives in the field of economic policy, just to contain the undesirable effects caused by deviations of the less virtuous. The crisis in one of the Euro countries has negative effects on all the others, as already shown by the experience of Greece.

As demonstrated also by the reaction of general is sent among the Euro countries regarding the attempts made by the Italian government to force the European Commission on the 2019 public budget. Moreover, a further alarm arises in many European chancelleries for the publication of data on the Italian GDP trend in the last quarter of 2018. The Italian recession is perceived as a signal that the negative wave of the economic situation could widespread in the Old continent like a virus born in Italy.

There would therefore be a growing dystonia between the mobile dynamics of the community in Italy and the forced immobility of the ruling élites, who do not have the flexibility to adapt the programs by which they obtained the consent to the unexpected evolution of the economic and social framework. In fact, it seems that this possible collapse was also supported by the sudden change in the vote expression in the latest regional consultations. Actually, this isn't the first time that the electorate shows a break with the past.

Let us consider that the political framework emerging from the latest consultations has favored a new political lever, without experience in power managing. This sudden movement of the community towards a side not legitimized by the experience could be a sign that the electorate dynamism isn't resolved yet and therefore that the current framework is unstable. The problem, however, is not so much if the mobility demonstrated by the electorate could anticipate another equally sudden change in the next consultations. But rather, if the undiminished tension of the community, in search of a methodology able to reduce the serious social imbalance in incomes, could be channeled towards a project that would reject the attempts to reduce poverty through the public debt increase. If the failures recorded so far, with all those measures intending to redress the problem of a greater social balance by debt, are finally enough to abandon any new experience in that direction.

This does not mean that, due to the demonstrated dynamism, the electorate is ready for a conversion of the project towards new implementation models. Rather, there could be a predisposition towards new political subjects that, without denying the objective of poverty reduction, emphasize the issue of the gradual decline of the cumbersome public debt.

The question we should ask is therefore whether the community feeling, which believes that the economy growth is a constant and the recession is a political lack, could also go beyond in order to analyze the problem. Problem that in the Italian case it's certainly the long journey of the country bearing the heavy burden of a growing debt. Unfortunately, it must be assumed that in the country the long inattention to the problem of public sector indebtedness has created a near acquiescence not only of families and companies but also of a certain eminence that believes in the resolving power of Keynesian policies.

"If the horse doesn't drink, adding more water doesn't solve the problem". As saying that when the recession is the consequence of the long exposure of the economy to excessive debt, and particularly public debt, the phenomenon cannot be curbed or silenced by public deficit spending. If we have exceeded the 90-100% threshold of debt in terms of GDP, perhaps we could hope for some slowdown in the economic downturn but nothing more. On the other hand, the economic system reacts with the recession strength after giving a continuous series of warnings, which have the forms of a deflation tendency and an efficiency fall. It is certainly not unreasonable to think that this bad behavior would finally bring the economy to the hard reality of the abrupt recession.

We are used to imagine the recession just as an unlikely event, while it is rather a measure adopted by the economic system to try to resolve the damage caused by political errors. Not a bad thing, therefore, but a remedy for the evil accumulated by living beyond resources in the attempt, repeated in the Italian case, to push anyway the sick economy. We should admit that as we diverted from the right path for a long time, then it would be necessary to accept the recession, understood as a necessary evil for the gradual return to the stability path.

The problem is not the recession, which is unfortunately the consequence of a behavior against the limits imposed by the environment which is hosting life. The issue is instead the improbable action of the governments that are scrambling to seek solutions that at best may just postpone for a while the bill to pay, accumulated in the bad relationship with the mother nature.

2. The current political uncertainty and the potential drift in the near future

2.1*A challenge that is proving loser*

The relative continuity of the community behavior in Italy does not seem to be the key to clarify the turnaround of the electorate in the last electoral tests. The abrupt reversal of consensus towards new forces, without government experience, seems indeed to be in line with the search for a relief to the social inequality. And indeed, the consents have moved at astonishing speed towards the new political area that wants to defy the economic laws, even before the EU rules (anyway approved by the Italians through the previous governments).

The new problem is therefore the challenge that is taken up by the community to try to balance the unbalanced social framework. A challenge that we can consider as collected and spread by the movement self-proclaimed as populist. Nevertheless, there isn't anything new in the political proposal that collected the greatest support in the last consultation. Actually, everything is moving following the usual and exhausted request for greater social equality. What is new is the singular and strong demand to force the same rules of the economy, because the measures launched in the past were not enough to produce a perceptible social evolution.

Basically, the new direction of the consensus, as given by the latest consultation, has no "populist" motivation at all, meaning with this expression the attention paid to the *vox populi*, which is by the way the real root of democracy. The consensus goes in the direction of the new political actors who claim to have accepted the challenge against the common rules and the common sense.

It's not like going against the windmills like a modern *Don Quixote*, because it has its own strategy instead, though based on deception. The usual deception of the many who believe that the new expenditure, consistent but in deficit, could force the economic situation so opening the horizon to a strong recovery of the country. Needless to say, this is obviously a losing bet, and it wasn't born from any new eminence, but it's essentially a sort of "swan song" for the collectivity disappointed by the continued insignificance of the welfare measures launched by the previous governments.

The meaning of the unexpected displacement of the community towards the so-called populist area becomes clearer if we consider that the economic climate before the vote in 2017 was in a state of relative health. The recovery was strengthening in parallel with a high public debt, which anyway was going towards a slow but gradual decrease. As saying that the good prospects of the economy have played against the outgoing political group! And this in clear contrast with the normal position of favor there should be towards those rulers who have kept the economy healthy.

It should be added also that the choice of the previous government to favor the debt slow reduction was going to conflict against the community's position, in the continuous search for a rise of the low incomes. Evidently the community wanted to play yet another card, even if almost desperate, to avoid losing its great hope.

It's therefore unavoidable that the recession announcement anticipated in Italy in advance of the European framework, is putting a tombstone over an attempt that now appears highly unlikely. It follows that yet another attempt of the new rulers to consider a new impossible challenge, appears senseless and deviant to most of us: that is, to focus on the formation of new political relationship in Europe within the so-called populist area for a final farewell to the policy of austerity and budgetary control conducted by the European Commission. A highly unlikely hypothesis because the challenge also this time would not be against the rebalancing rules of the public and banking sector in Europe, but rather against the market and the common sense, which instead actually dominate the daily lives of families and companies.

All this suggests that the line of continuity shown by the collectivity of the country, during decades of tension towards a gradual rebalancing of social relations regarding incomes, is exhausted at least in its plan to force without limits the collective debt. As already mentioned, the man in the street and our neighbor are quite able to have a general and summary knowledge of the economy state, together with the price analysis and the spending possibilities. Furthermore, there are also implicit messages generated inside the market and constituting the general feeling about the country's economy state. Therefore, it seems unlikely that our neighbor doesn't fully understand the failure of the plan to force the public budget and to mitigate the social tension on incomes. Even if he doesn't know about these subjects, our neighbor will surely understand that the advertised welfare measures, do not create wealth but will generate new unemployment.

As saying that remaining on this road leads to new sacrifices and new poverty. It could be deduced that the consensus framework that has so far supported the so-called populist government may become tightened. Not because the community would renounce to a better social balance, but because the consensus direction could be adjusted for the next consultations. It should be added that the acceptance that led to take the challenge against the economy laws and rules was provided maybe with a certain consistency.

In fact, that acceptance was based on the hypothesis that the economic cycle was now turned upwards and even improving. That is a potentially favorable opportunity to support again a program, only apparently new but copied from the earlier ones cancelled by the vote, but with the addition of a conceptually high value about the welfare distribution measure. With the assumption that the new income provided in deficit, although nominally high and unsustainable, could be partially reabsorbed thanks to the economy development driven by the higher current expenditure.

A project certainly risky and unlikely that immediately caused the rigors of the adverse cycle. Notwithstanding, it would be erroneous to think that in this challenge the community by promoting that project had in mind to force the rules of the European Community. Otherwise we should think that the majority of Italians shows hostility towards the Europe and even the Euro. What is denied instead by the most recent polls on the subject.[1]

Following this line of thought, we can think that the community gave a partial consent to the populist area in the vote of the 2017 spring, with the now usual strong motivation of the social rebalancing. Without paying, however, the due attention to the political actors who have taken this repeated choice at a political level. Therefore, these political actors took up the challenge against the economy rules, following the wake of the economy trend that promised to be positive but was not confirmed because its realization was truly unlikely.

Therefore, given that we cannot in any way invoke the thesis of the error since the project was risky but not impossible, the issue remains about the opportunity and practicability of the proposal made and offered by the new political groups in the last electoral event.

2.2*History does not repeat. It could be also the case of Italy in the near future*

The basic issue therefore lies in the probability that the same dynamism shown by the electorate during the previous years, migrating easily between different political formations, may once again recur in a forthcoming national consultation. As already said, it could be objected that the economy framework and the social context are changing compared to the previous year. In the sense that the prospect of a favorable economic horizon has abruptly changed into a recessive framework with the usual reflections on collective sensitivity. Furthermore, it could be argued that we are facing a different challenging framework.

In fact, in the recent past the social proposal moved in the context of requests made for a social rebalancing of incomes, although with the strengthening of a more incisive intervention always charged on the fragile public budget. So, we spoke about a challenge caused by the underlying hope of the community that an increase of the public intervention amount could finally mitigate the steep social ladder. It can therefore be argued that the proposal moves in the context of the popular demand continuity, taken over by the populist formations, thus managing to procure unexpected and so far unlikely consents.

Then the picture also from this point of view, that is of the subject inspired by the welfare method, has changed equally abruptly in my opinion. In fact, the position taken by the populist government of contrast with the European Commission, which is in charged for the judgment of compatibility on the national public budgets, didn't meet the consensus of the same community that just a few months earlier had approved its electoral program. A disagreement that forced the government to find a difficult agreement with the EU.[2]

All this is meaning certainly something. It should tell us that this difficulty, that is the EU's dissent with the renewed and progressive increase of the public debt in Italy, was not envisaged inside the proposal made by the community during the electoral process. This shouldn't be surprising anyway, given the absurd but repeated belief that a substantial increase in public spending, whatever would be the condition of the public sector, must lead to a cyclical rebound, which then would allow to curb the pressure on the debt.

Unrealistic hypothesis that now suffers the collapse of all illusions. Therefore, to argue that there is still the community consensus in Italy on a hypothesis of the challenge reinforcement inside the renewed European parliament after the next elections in May, seems quite unrealistic. More reasonable seems the presumption that a repeated challenge to the European institutions for another assault on public debt, again for reinforced welfare reasons, seems really far from the orientation of the community in Italy.

In any case, we could talk about the thesis of the collectivity estrangement from new challenges, which leaves quite surprised as the long queue of welfare requests over time. Maybe. On the other hand, together

[1]According to a recent survey conducted by the Eumetra MR Institute in Milan (interviewing a representative sample of the population over the age of 17), 60% of respondents, in case of referendum, would certainly vote for Italy's stay inside EURO. But the others are not all against: only 20% (one Italian in five) would vote against. Many, another 20%, are undecided or more often in favor of abstention. Those in favor of the single currency are therefore prevalent, though not so much: the part of population remaining skeptical about euro is anyway somehow considerable.

[2]Italy escaped, so far, the European procedure for excessive deficit because the Italian government delayed the three main electoral promises by underestimating the costs of the planned measures. The initial draft of the Italian budget of October 2018 envisaged a budget deficit of 2.4% in 2019. However, after a lively discussion with the European Commission, a deficit of 2.04% was agreed. This compromise allows Italy to avoid the European procedure for excessive deficit, in addition to being already quite above the limits considered compatible with the budget rules of the Stability and Growth Pact. At the end a compromise was reached because the Italian government has reduced the three main electoral promises: citizenship income, pension reform and (for 2020 and 2021) safeguard clauses on VAT. Nevertheless, despite the assurances of the government, there is a significant gap between the agreed allocations and those theoretically needed to really cover the cost of basic income for the seven million Italians who are potentially entitled.*Milano-Finanza, 28 February 2019*

with economic factors there may be and there are other factors not only related to the economic aspect. On this subject a recent essay by the US political scientist Francis Fusiyama argues that the scars to democracy are not caused by the economic crisis, but by the search for human dignity that the market cannot satisfy. However, in the case of Italy, the same long series of economic requests seems to put aside the hypothesis of a democracy laceration, although it cannot be excluded that the issue of human dignity could be closely related and linked to the economic question.

If we admit the thesis that at the end there is and there was also in the past a strong discontent for the loss of purchasing power and for the poverty increase, we can ask ourselves why and according to what logic the repeated welfare request continues over time, despite the succession of governments with different political traditions. Moreover, on what assumptions can be based the thesis that is now changing the mood of the community. As already said, the man next door has a concise but adequate information on the economy state of the country.

It follows that the possibility of some rebalancing of the income distribution to be successful must rely on a much favorable economic cycle. An axiom that cannot be missed by our neighbor. In the decade following the 2008 economic crisis, the consensus parable followed the political formations more open to receive the economic demands of the electorate, but in the high hope of an economic growth able to finance the operation.

In other words, the rising wave of bad moods has grown in relation to the slow recovery of the Italian economy. Even in the last consultation, was respected this implicit rule linking the protest wave and the consensus direction to the economic course. It couldn't otherwise be explained the consensus direction towards the populist area, even though just before the vote the outgoing government had a final balance with the economy in moderate growth and a slight reduction in public debt.

We can therefore assume that the (partial) step towards the populist area in the last consultations was based on the usual economic welfare request, in the wake of the economic situation extension and in view of the support given to the cycle by the new deficit spending. *Ergo*, a more substantial request for welfare spending would have solved the problematic puzzle. Now we can ask ourselves how has been possible this evaluation error made by an important part of the voters.

It seems legitimate to argue in this regard that there is now in the country a sort of historical habit to the public budget deficit and to the debt long-term growth, with a sort of collective addiction to the consequent disadvantages in terms of weak growth and recessive tendency. On the other hand, there is a widespread belief that in any situation the public deficit spending could strongly help to maintain and sustain the economy. As saying that the feeling on the economy state is inevitably linked with the widespread opinions on the ability to manage the economy. Unfortunately, these opinions are inaccurate, as it's wrong that we have at our disposal the buttons commanding a hypothetical economy control framework.

The picture of the current economy certainly does not allow any optimism. Not only because of the recession that invested Italy first among the Union countries, but because fails the hypothesis that new indebtedness means economic growth. At least when we look at the picture of public finance in Italy that doesn't offer now any support to the hypothesis that borrowing from debt can anyway provide a *stimulus* to the economy, when the threshold of excessive debt has long been exceeded.

2.3 *Which evolution can be foreseen, given the dynamics of the electorate in Italy during the past decade*

The subject under consideration is not which form of government or political program will prevail in Italy. Rather, the issue to be examined is the possible reaction of an electorate in search of relief from the social imbalance of incomes, when the country is facing a confirmed recession. Therefore, the methodology based on welfare interventions is still insufficient to obtain the desired relief. The landscape has now changed because the expected growing horizon is now in recession.

The issue therefore is whether the man next door can feel, and to what extent, that the desired outcome of reducing the high gaps in incomes cannot be achieved through the welfare strategy paid in deficit. In other words, the excess of public indebtedness undermines the hopes placed in this program, long-running but fruitless in Italy. This is not a change of objective, which seems destined to remain, but a criticism on the project and on the way to seek a gradual social rebalancing.

Now, the problem of the sensitivity of the man next door to the economy is certainly not in doubt. We must indeed believe that this sensitivity of each one is an aspect of the relationship between humanity and the nature around us. As already said, the long mission of life on earth would not be explainable if we don't admit that there is a link between the human mission and the planet, which has adapted itself to the progress of living beings. So if we admit this bond lasting since immemorial times and, consequently, the general but acute perception that each member of the community has on the economy state, this combination is exactly the centre of gravity to maintain the economic system on the stability road.

On the other hand, the electoral body is called not only and not so much to choose the future rulers but specially to select the government program that is considered the most appropriate to allow the straight and constant development of the economy. The instability habit of economic systems instead of stability doesn't really oppose to this structure of natural relations. It's just confirming the tendential character of this basic orientation and therefore leads us to reflect on the ways and times needed to avoid that the harmony of this essential relationship could be seriously disturbed.

It follows that even the orientations of the community can deviate, but they must however return to the straight scheme of the stable economy growth. We can therefore think that a community would become aware over time of the error made in the choice of programs deemed useful for a better economic and social state. It goes without saying, however, that the government program that turns out to be improper, as in the documented case of a run towards recession, is a parameter not only effective but even unavoidable for the social rejection during the work in progress.

Therefore, it may be imagined that the choice made by the community during the electoral consultation could be deceptive and unsuitable to achieve the objectives. Anyway, the fact remains that the mistake comes immediately out with the decline of the economic situation and the loss of job opportunities. In the case of Italy, the unexpected drop in government consensus (Gentiloni government) and therefore the entry of populist formations can be traced back to a double misunderstanding. On the one hand, the recovery of the economy made to hope that the economy's time was improving structurally. On the other hand, the alarm sounded for the polite and necessary choice of that government to put the public debt on a decrease path though cautious. As saying that with this choice the outgoing government wanted to end the strategy of containing the income inequality through a welfare strategy.

The economy improvement, in fact, was largely due exactly to that cautious and prudent strategy to control the debt evolution. However, the idea prevailed that the structural improvement of the economy could guarantee even more massive welfare interventions, albeit in deficit. But now is sounding the alarm of the economy decline, dragged down by the prospect of a progressive increase in public debt. What could be the expected behavior of the collectivity in this new dropping scenario?

There is no doubt that the shock can cause a disappointment and therefore a gradual abandonment of the project to use the deficit to mitigate the bites of the income gap. But is it enough to abandon also the idea of relying on welfare maneuver to contain the social malaise? The alternative is to control the deficit pressure and to shift the available resources to incentivize work and to improve wages, at least those more at risk of poverty. It is a way requiring a progressive commitment over time and therefore doesn't have an immediate social impact.

Nevertheless, the choice of welfare measures cannot be understood as a remedy but rather as an interlude waiting for a more positive labor market. It should be considered also that the prospect of a structural improvement in the economy suggests a near future with greater job opportunities. So all this seems to confirm that the renewed willingness towel fare shown by the community could be just a transitory way towards a future with more job opportunities, within an economic climate expected in improvement.

Having said that, it remains still quite vague if the disillusionment for the economy reversal would mark the *de profundis* for the old bankruptcy strategy. A run towards the choice of a program in favor of new work and higher wages, that is a social rebalancing through the labor market: all this can be envisaged only on condition that the most recent welfare intervention satisfies, though only partially, the social need for equality. In other words, we could face at this point a new anomaly. That is, the partial and limited success of the populist welfare project could fuel a new dynamism of collective push towards a government program, intended instead to support work and wages.

In other words, a sense of social relief deriving from welfare aid could favor a new direction for the majority of the electorate towards the work dignity and the right pay. This is because the current recession of the economy could finally end the long-standing project that has entrusted the social equilibrium to the public hand, although the increasing public debt has always cancelled every prospect of success.

We could therefore witness a double hyperbole. A return hyperbole, we could say, so that the conclusion of populist government may derive from the eventual modest success of the poverty relief program. This scenario would follow the previous hyperbole, which saw the Gentiloni government to obtain a good result for the economy and then to be beaten in the electoral consultations despite all odds.

3. An unexpected confirmation from the other side of the Atlantic

3.1*The effects on the economy state caused by a pro-cyclical intervention*

The irrepressible hope of governments to be able to govern the economy according to their own interests and to support their own destiny, is the main bias of those governments. However, this hope is dissolving, if only because the economies are now facing the new century in conditions of serious instability. And the deep depression following the speculative crisis that hit the global economy is a sign of persistent instability. Unfortunately, this instability has not been resolved due to the massive use of ultra-Keynesian policies to try to fight the crisis.

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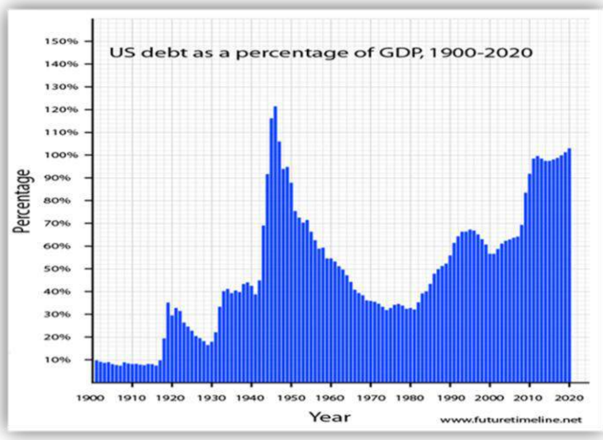
The depression is the treatment used by the economic system to mitigate the deviations from the stability path caused by errors in the economy management. It's a natural path of instability correction and not a system disease because instead it's the incisive maneuver to free the economy fallen into the instability sub-world.

The United States has faced the hard crisis of 2008 by the use of a public intervention program in deficit, of unusual dimensions. As can be seen from **Figure 3**, the curve of public debt marks a surge in the years 2009-2016, so that the debt rate relatively low in 1980 rises to almost double in 2016.

The advantages on the economic and social level are obvious, because the strong treatment can control and mitigate the harshness of the recession and anticipate the economy recovery. However, "not all that glitters is gold". Indeed, the doubt remains that this choice may have some future repercussions, not only on the rising debt but also on the future of the economic situation. In fact, the limitation to the correction natural process of the economy instability could cause a residual instability, with some limitation to the economic system efficiency. To this scenario, unfortunately quite widespread, in the USA was added the choice to support the economic situation through a fiscal measure that, approved in 2017 and entered into force in 2018, essentially has cut taxes with great benefit to the privileged classes.

Therefore, the issue is the effects on the economy state caused by a pro-cyclical intervention producing its revival effects on the US economy, which is running at a growth rate of around 2% per year. In fact, 2017 ended in line with the average of recent years. For 2018 until 2020, that is the three-year period of application of the new tax system, the forecast formulated by the CBO in April 2018 shows a real GDP growth higher than the potential growth, which then decreases gradually compared to the potential growth during the following years until 2028.[3]

Figure 3 -*Public debt trend in USA 1900-2020*



Source: www.futuretimeline.net/

Examined in comparison to the forecast of the same Agency in the following January 2018 ended with a +2.6%, compared to the expected 3.3, and the expected result for 2019 and 2020 is attenuated by 0.1%. Again the same Agency, just playing on defense by the way, warns on the quality of these projections, given the growing critical issues since the end of 2018: "**Uncertainty.** Many developments, such as unexpected changes in international conditions, could make economic outcomes differ significantly from CBO's projections. Recent and prospective changes in U.S. trade policy and possible further retaliatory actions by key U.S. trading partners add to that uncertainty. Moreover, recession risks may have risen over the next few years due to current, relatively long periods of expansion".

The decline on the expected result for 2018 is attributed to the bad winds blowing over the global economy: 2.6% in the fourth quarter of 2018, compared to 3.4% of the previous three months and to 4.2% of the second quarter 2018; however, this could

[3] *CBO - The Budget and Economic Outlook: 2018 to 2028- April 2018*

The largest effects on GDP over the decade stem from the tax act. In CBO's projections, it boosts the level of real GDP by an average of 0.7 percent and non-farm payroll employment by an average of 0.9 million jobs over the 2018–2028 period… In CBO's projections, real GDP expands by 3.3 percent this year and by 2.4 percent in 2019 (see Summary Table 1). It grew by 2.6 percent last year. Most of the growth in output in the next two years is driven by consumer spending and business investment, but federal spending also contributes a significant amount this year. After averaging 1.7 percent from 2020 through 2026, real GDP growth is projected to average 1.8 percent in the last two years of the 2018–2028 period.

CBO - The Budget and Economic Outlook: 2019 to 2023- January 2019

Output. Real GDP is projected to grow by 2.3 percent in 2019 and by an average of 1.7 percent per year from 2020 through 2023 (see Figure 2-1). Most of the growth of output in CBO's forecast over the next few years is driven by consumer spending and, to a lesser extent, business and residential investment and exports. Compared with the robust pace of output growth in 2018—3.1 percent, the fastest annual growth since 2005—output growth is projected to slow in 2019. That projected slowdown largely results from an anticipated slowdown in the growth of business fixed investment, as the positive effects of recent tax legislation on investment growth begin to wane, and from a sharp reduction in federal purchases starting in the fourth quarter of 2019 that would occur under current law.

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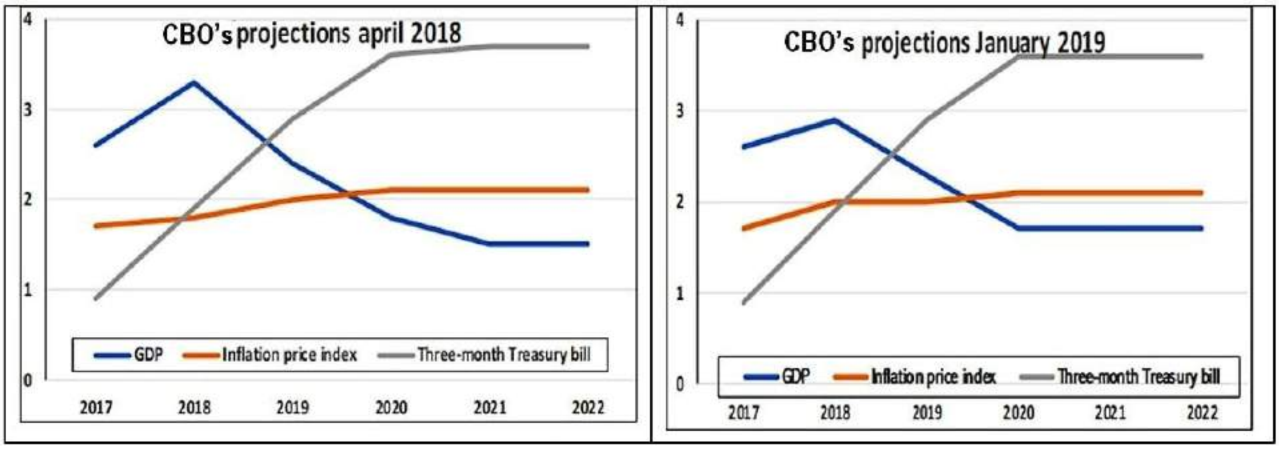
be a sign of problems internal to the US economy. Looking at 2018 trade balance, goods deficit ($ 878.7 billion) was the highest on record. As well was the highest number of imports and exports of goods in 2018. In other words, we do not find in these cumulative data any trouble at the level of trade relations with the rest of the world, which may motivate the unexpected fall of US GDP in the 4th quarter 2018.

Figure 4- *CBO's projections April 2018 and January 2019*

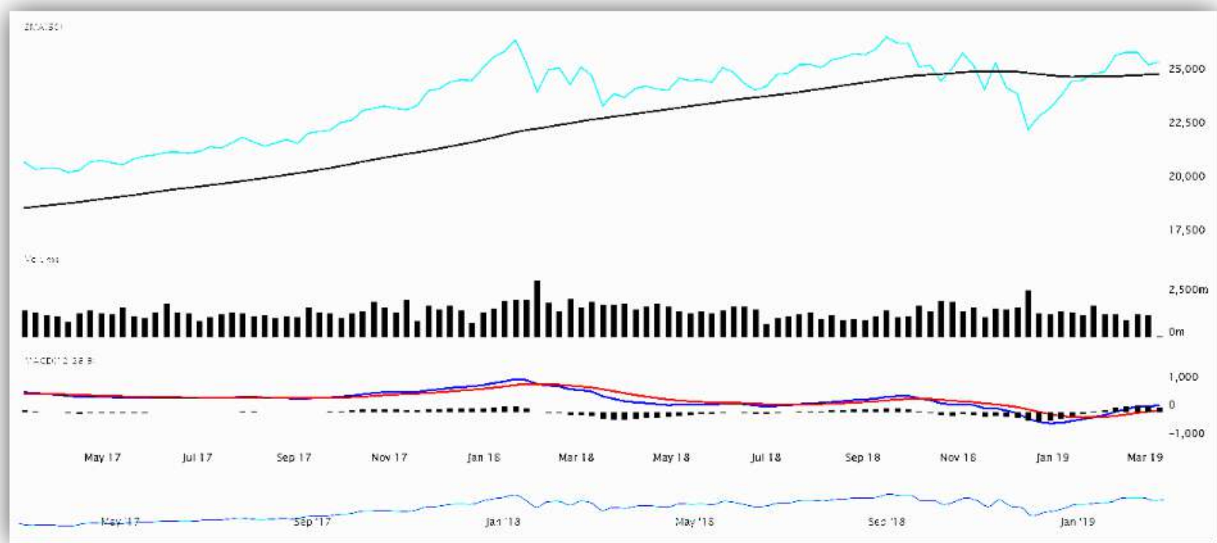


- Elaborations on CBO (USA Congressional Budget Office)'s data

3.2 *It can be excluded that the slowdown at the end of the year could be accounted to the the monetary authority*

On the other hand, the deceleration of the US economy in the last quarter of 2018 is not the only sign of an unexpected change in the trend. In fact, the shock of the Dow Jones was strong, losing 25% of the value in that quarter, going from 26180 in August to 21792 at the end of December. The fall in DJ prices has been interpreted as a "Bear" start in the Stock Exchange. However, just three months after the fall it was almost recovered, so that the prices of the major US Stock Exchange are again at 26000. The long wave of the DJ trend during the 2017-2019 period is shown by the **Figure 4.**

Figure4 - Dow *Jones trend May 2017- March 2019*



Source: Financial information website **Market Watch**

From **Figure 4** are evident the deep ripples affecting the Stock Market during 2018, followed at the end of the year by a deeper decrease. As saying that the tensions troubling the US economy mark the whole year 2018 but increased at the end of the year. The FED policy, less accommodating, which led to the reference rate increase of 2.5%, moved therefore in accordance with the economy evolution, so marking in the second and third quarters a GDP increase by 4 % on average.

No less meaningful, on the other hand, in this context of development over potential, the conclusion of the QE Program and the start in 2018 of the bulk reduction of equity securities in the financial statements, at the rate of a high amount of million dollars per month. Moreover, with the appearance of slowdown symptoms at the end of 2018, the FED has frozen the rate increase intentions up to 3.5% in 2019 and the balance sheet normalization program as well. [4]

It can be excluded that the partial slowdown at the end of the year could be accounted to the decisions of the monetary authority, which indeed seems to act promptly as market conditions change. In other words, the monetary policy followed the market and not vice versa. That said, it remains to be seen whether the economy trend in the coming months would confirm and to what extent the slowdown in the US economy. Moreover, problematic conclusions about the evolution of the world economy, and in particular of the USA, are now coming from IMF and OECD.

[4]The Committee intends to continue to implement monetary policy in a regime in which an ample supply of reserves ensures that control over the level of the federal funds rate and other short-term interest rates is exercised primarily through the setting of the Federal Reserve's administered rates, and in which active management of the supply of reserves is not required. The Committee continues to view changes in the target range for the federal funds rate as its primary means of adjusting the stance of monetary policy.

The Committee is prepared to adjust any of the details for completing balance sheet normalization in light of economic and financial developments. Moreover, the Committee would be prepared to use its full range of tools, including altering the size and composition of its balance sheet, if future economic conditions were to warrant a more accommodative monetary policy than can be achieved solely by reducing the federal funds rate.*FED - Statement Regarding Monetary Policy Implementation and Balance Sheet Normalization 30/1/2019*

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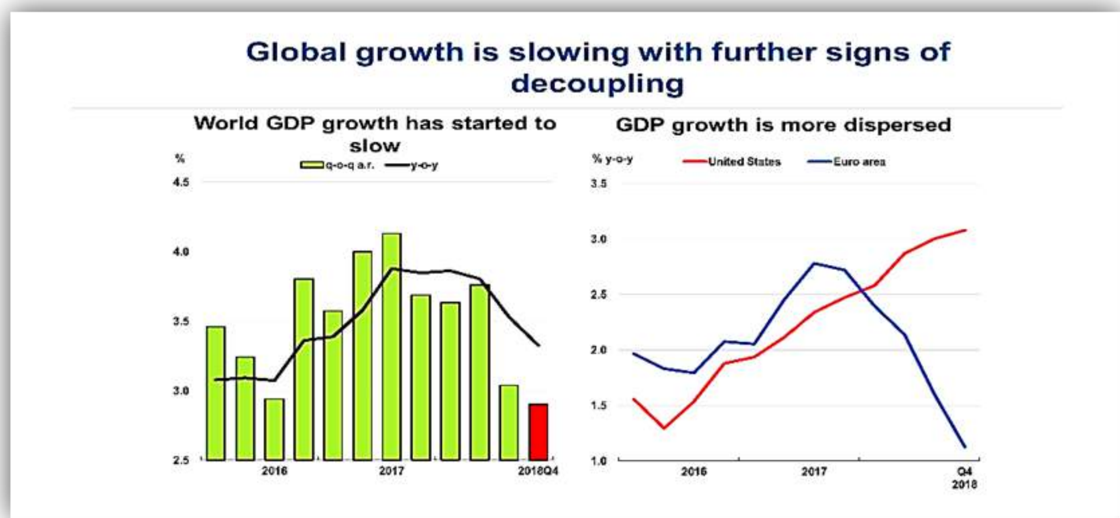
Figure 5 - OECD–*World GDP growth is slowing. GDP growth for US and Euro countries*

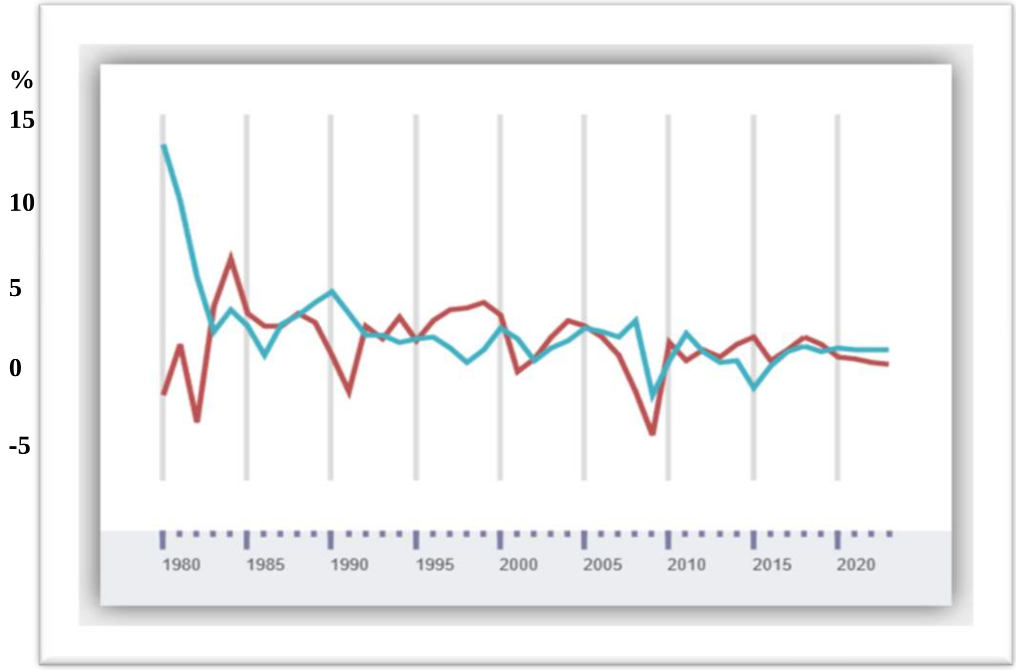


Source: OECD Economic Outlook and Interim Economic Outlook

In **Figures 5 and 6**are shown the global growth according to OECD and the IMF forecast for growth and inflation in the USA. In summary, the OECD is expecting the US economy should continue to grow from 2010but at a moderate pace of 1.5%. Inflation (average consumer prices) would also follow the same destiny, gradually going at 2%. The issue is then focused on the downgrade of economic growth in the third quarter of 2018, followed by a 2019first quarter still weak. We exclude a negative impact deriving from the weakness of the global economy, given the evolution of US international trade which is progressing and at its highest level in 2018. It can be deduced that the disturbances perceived by the economy should arise for an internal shock. As on the other hand is understandable from the behavior of the FED that calls for patience in order to evaluate the next developments.

Figure 6 -*IMF - US data at glance*

- ---Real GDP growth (Annual percent change) 2.5
- ---Inflation rate, average consumer prices (Annual percent change) 2,1



Source: OECD Economic Outlook and Interim Economic Outlook

In short, there is a reason internal to the US economy, which moved in 2018 by jumps and declined with the same decision. We also consider that the alarm of the main US Stock Exchanges is a warning, a sign that the season of limitless growth and liquidity as a source of development is ended. In addition, it is also important that during 2018 the main US Stock Exchange trend shows a rhythmic tendency, almost to represent in advance the possible development, also rhythmic and declining, of the American economy.

3.3*The possible prelude to start the speculation-financial crisis paradigm*

The behavior of the North Atlantic economy may therefore give so on a confirmation of the negative interference that an increase beyond the threshold of public debt can induce, in terms of system efficiency degradation and inflation rate decline. And this last aspect is the most careful messenger that gives information on the instability degree of the economy. So that an inflation falls below the 2% line (*Cossiga, 2018*) is the characteristic sign of the tendency to deflation within an economy with excess debt. While a value exceeding the inflation-base threshold can be almost as worrying and could mark the beginning of a new speculative phase.

Based on the forecasts of the major agencies, an upward trend in the US economy seems to be excluded. A slow decline from 2019 is more likely with a following growth stagnation around 1.5%. In other words, the most valid perspective reports a slow inflation decline and a stabilization of the US economy at just over 1%. The convergence of GDP and Inflation with a downward trend seems to confirm that the US economy is now suffering for a debt excess, particularly the public debt that has reached and exceeded 100% in terms of GDP.

The pressure on public debt has increased due to initiatives aimed at accelerating public investment and due also to the Tax Cuts and the Jobs Act strongly backed by the US presidency. The Joint Committee on Taxation (JCT) estimates that the legislation will reduce government revenue by $ 1,456 trillion over the 10-year budget, due to the cut made on income taxes for companies and families. The economy rebound expected for the introduction of new liquidity essentially stopped in the fourth quarter of 2018. In other words, the excessive public debt threshold would have been reached, then further ultra-Keynesian interventions do not seem to have the desired effect.

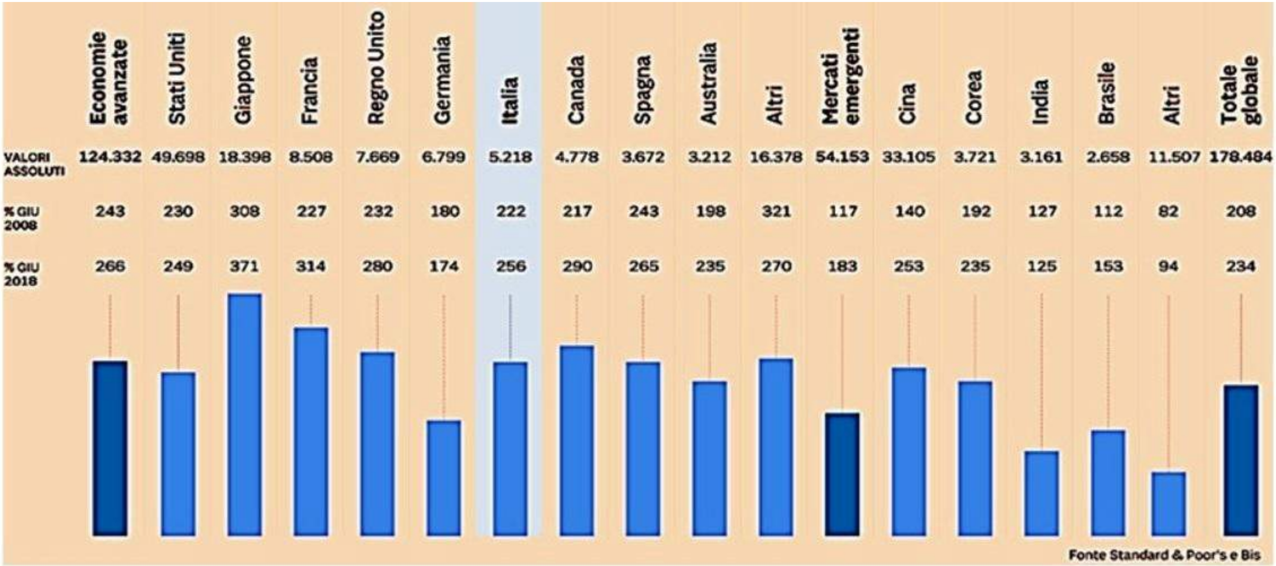
It's necessary to know the economy trends during the first half of 2019 to ascertain that the planing of the economy is faster than expected. However, according to IMF, the US economy will grow by 1.5% from 2020 and maybe less, then indicating a decline in what expected as performance. So it seems to be proved that not only the hope of a leap forward in the economy pushed by fiscal incentives has weakened very soon but also that in the coming years, the trend that seems more certain is a long-term slowdown. As saying that the choice to stimulate the economy in a phase of moderate growth appears an improper decision regarding the economy, perhaps motivated by partisan requirements. Stimulating an economy that grows at 2% per year could mean, in the US case, creating a virtual growth that will be partly eliminated by the slowdown of the subsequent cycle.

Moreover, to attempt an operation to support the economy through the public budget deficit, when the public debt exceeds the 90-100% threshold of GDP, just means trying to force the system flexibility and wanting to live beyond the available resources. This operation can become dangerous because it's the possible prelude to start the speculation-financial crisis paradigm, which we have already experienced ten years ago precisely because of the excessive debt emergency at a global level.

The dangerous overheating of the US economy, under the pressure of tax incentives to companies and families, seems to be averted so far, at least according to the forecasts on the global economy evolution. On the other hand, the possibility of a new ultra-speculative phase starting from the USA does not appear probable because there is an evident asynchrony in the development pace between the various continents. In particular, the Europe of the Euro area is lagging, and the ECB has started a new T-Ltro III transaction from next September, to introduce new liquidity and to stimulate the credit to companies.

These refinancing operations of the financial system are just a little help for the EU's growth prospects. They are rather monetary policy tools that could contain a potential recession of the continent, essentially favoring a postponement to a next future of the economic turnaround. Therefore, a sort of dragging over time of the system reaction (recession) in the search for necessary economic and social stability. However, these measures don't lack negative aspects, especially in the current situation where the main players in the world economy are highly indebted. In fact, the greater liquidity and the cautious management of interest rates contain also the risk of encouraging a new cycle of indebtedness, to support a growth limited and unhealthy.

Figure 7 – *Ten years of global debt. Total debt in billion $ and ratio between public and private debt and GDP in 2008 and 2018*



On the other hand, the broken synchrony in the development between the different continental areas also characterizes the major Asian economy. China is suffering from an economic development slowdown that is currently weak, but the prospect is for a more marked decline. On the other hand, maintaining a high growth threshold is achieved at the expense of growing debt, which as mentioned is synonymous with artificial and virtual development. As saying that even China, willing or not, is facing a crossroad leading to a recessive crisis of unknown proportions. Like the Europe of the EU, therefore also China is facing the issue of a long economic instability, postponed through a long negative familiarity with a growing debt. The debt trap does not allow alternatives. Sooner or later you have to get off the ride!

The probability that the world would meet a new ultra-speculative phase is low for now: the previous explosion of over ten years was started by the speculative euphoria that involved the entire world economy. Today this condition does not exist. The asynchrony between the development lines of the various continents is an obstacle to the spread of a common outbreak. The possibility that the speculative fire could soon explode was linked to US growth over the potential. Nevertheless, the prospect of a weakening of the economic situation in the United States removes this possibility.

The world of economics is now linked by a common factor of excitement: the Finance. It is the financial factor that on the one hand makes the global economy *unique*, on the other hand it is the main factor of insecurity. In fact, if the financial excitement is global it can start a virtual growth of the economy and lead to the financial crisis that we have experienced. In short, the economy's pins fall all together or they do not fall at all. But the fact that they do not fall and therefore that the reduction of the severe economic instability is postponed it's not in itself good news. Because when we have exceeded the compatibility limits with our environment and we try to live beyond the available resources (debt excess), the instability of the systems is set to increase and sooner or later we must pay the bill.

We should also consider that another factor seems to play now in order to remove the threat of a new financial crisis, which would purify the excesses in order to allow the economic system to resume the path of compatibility and economic and social rationality. In fact, is increased the risk that the decline in the global economy prospects would extend the duration of the accommodative monetary policy. The economy fall in the Europe of Euro area has pushed the ECB, under market pressure, to start a new distribution of liquidity (T Ltro III) from September 2019 until 2021.[5]

On the other side of the Atlantic, the FED has decided to stop the gradual rate increases, waiting for more

[5]A new series of quarterly targeted longer-term refinancing operations (TLTRO-III) will be launched, starting in September 2019 and ending in March 2021, each with a maturity of two years. These new operations will help to preserve favourable bank lending conditions and the smooth transmission of monetary policy. Under TLTRO-III, counterparties will be entitled to borrow up to 30% of the stock of eligible loans as at 28 February 2019 at a rate indexed to the interest rate on the main refinancing operations over the life of each operation. Like the outstanding TLTRO programmed, TLTRO-III will feature built-in incentives for credit conditions to remain favourable. Further details on the precise terms of TLTRO-III will be communicated in due course. *EBC - Monetary policy decisions 7 March 2019*

information,[6] and to curb the quantitative tightening (QT).[7]Moreover, the BOJ decided to support the market with new liquidity.[8] In China, "significant cuts to taxes and fees will be enacted in 2019 and while monetary policy will remain "prudent", officials will strike an "appropriate" balance between tightening and loosening, according to a statement published after the annual *Economic Work Conference* that concluded in Beijing Friday."[9]

Well, this new wave of liquidity was made necessary to satisfy the thirst for credit of the hyper-indebted economy. Now it's undoubted that this new harvest is pushing away a potential recession in the global economy, actually just postponing the payment of the high bill. But this way out has a limit. If the economy shows that it can grow with an acceptable pace for some time, the brightening situation could help to dilute and finally to reduce the debt. However, if this prospect, somehow difficult indeed, remains problematic, then the hunger for new liquidity and new surplus credit may advise not to interrupt the permissive monetary policy, which has allowed the continuous progression of the debt excess.

The weak economy requires the assistance of the permissive monetary policy, which in turn can become the real cause of the economic system weakness. In fact, the liquidity is not enough to give a boost to revitalize the economy, but at the same time creates the conditions for a sort of blackmail between *more credit - (low) growth*, which is an index of market dystonia. The problem is what happens if we would continue along this false path at idle speed fueled by new liquidity.

Well, it's clear that the relationship *low growth - accommodative money* is acceptable only provided that a decisive turning point in the economy could be seen, caused by the continuation of cheap credit. Otherwise the degeneration of the economic system due to accommodative policies would force the Central Banks to start the call back of the liquidity river created. In other words, if the economy wouldn't start again, despite a very permissive long season, there is no other choice but to start a gradual return of the liquidity excess, which basically means to start the recession. That is, means to allow the system to start the natural correction through a turning point in the conjuncture that will have the necessary intensity to put the unstable system back on the path of compatibility with the environment.

However, remains uncertain the possibility that the economy, long fed with easy money and with the burden of public and private debt excess, may find the virtuous path of compatible growth. That is to say, should be rediscovered the virtuous forces that can renew a natural and not doped growth. Therefore, it's to be excluded that we can use the Keynesian deficit policy to give a boost to the exhausted economy. In this case, in fact, the acceleration that could mark the economy will travel in the sense of opening the way to a new ultra-speculative session.

In the case of the US economy, the choice to boost the economy strength by public debt could have been the start of a new speculative emphasis. And perhaps could have infected the global economy if the speculative excitement would have affected the major economies. According to this point of view, the slowdown in the US economy in the last quarter of 2018 and the expected development decline over the next few years turns out to be a very good news. In other words, the moderation

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[6]Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. In support of these goals, the Committee decided to maintain the target range for the federal funds rate at 2-1/4 to 2-1/2 percent. The Committee continues to view sustained expansion of economic activity, strong labor market conditions, and inflation near the Committee's symmetric 2 percent objective as the most likely outcomes. In light of global economic and financial developments and muted inflation pressures, the Committee will be patient as it determines what future adjustments to the target range for the federal funds rate may be appropriate to support these outcomes. - *Federal Reserve issues FOMC statement March 20, 2019*

[7]The Committee intends to slow the reduction of its holdings of Treasury securities by reducing the cap on monthly redemptions from the current level of $30 billion to $15 billion beginning in May 2019.

The Committee intends to conclude the reduction of its aggregate securities holdings in the System Open Market Account (SOMA) at the end of September 2019.*FED - Balance Sheet Normalization Principles and Plans March 20, 2019*

[8]The Bank will purchase Japanese government bonds (JGBs) so that 10-year JGB yields will remain at around zero percent. While doing so, the yields may move upward and downward to some extent mainly depending on developments in economic activity and prices. With regard to the amount of JGBs to be purchased, the Bank will conduct purchases in a flexible manner so that their amount outstanding will increase at an annual pace of about 80 trillion yen…. The Bank will purchase exchange-traded funds (ETFs) and Japan real estate investment trusts (J-REITs) so that their amounts outstanding will increase at annual paces of about 6 trillion yen and about 90 billion yen, respectively. With a view to lowering risk premia of asset prices in an appropriate manner, the Bank may increase or decrease the amount of purchases depending on market conditions. As for CP and corporate bonds, the Bank will maintain their amounts outstanding at about 2.2 trillion yen and about 3.2 trillion yen, respectively. *BOJ - Statement on Monetary Policy March 15, 2019*

[9]See: *Bloomberg News - December 21, 2018*

currently taking place in the USA and the economic downturn in Europe and Asia are all signs that the danger of a new speculative trouble is now over. Although this does not mean that the global economy is moving towards a new stability and a compatibility with the evolution of our planet.

4. Conclusion

In conclusion, we continue to think that the economy weakness in Italy, as in Europe, depends on the weakness in consumption and public and private investment. And that therefore the resumption of these engines of the economy can be achieved by mechanisms of demand support, especially of the lower classes, and at the same time by re launching investments, particularly in the public sector. It's a line of thought difficult to remove, that essentially relies on the ruling political class who is pursuing the task of encouraging the growth through the usual tools of ultra-Keynesian policy.

An illusion that relies on the idea of muscular government that would be strong enough to lead on the recovery road even difficult cases like the Italian one, which instead moves relentlessly towards the recession. It may be an illusion to believe that the governments, through the tax manipulation and an accommodative fiscal policy, could be able, as in the USA, not only to bring into line the economic situation but even to give a further boost to the economic train that is already running. A real illusion indeed, based on the presumed ability of economic science to place the economy growth at the service of political needs. At the bottom of this illusion there is the unstoppable hope that once the mechanism of an exhausted economy is restarted, through a deficit fiscal policy intervention, a virtuous movement of autonomous growth may arise. Hypothesis probably incorrect.

In fact, in the current circumstances of the economy, the positive movement that the addition of public spending would provoke is not able to restart an autonomous and virtuous development. But unfortunately, it is exhausted in a short time, and therefore it would rise again - as in Italy - the need to propose new welfare interventions, which consequently will also end in a short time. Not only that, because these welfare interventions can also contribute to the recessionary tendency which thus becomes acute, so worsening the country's economic and social climate.

Now, looking for a way out by the muscular politics is another blunder. In the Italian case, but also in the USA, the debt excess, which dominates the economy, makes the country to move very slowly along the development path due to the deterioration caused by the excessive debt trap. Continuous liquidity injections are needed, so that the unstable economy due to debt overload can postpone the pending recession of the economy to a next future. We are therefore in the hypothesis of virtual growth quite similar to that which is fed by the irrational effervescence in the speculation-financial crisis paradigm. The growth of the economy becomes virtual, that is a sort of *ectoplasm* that will be absorbed and canceled by the financial crisis that will bring the economic development back to the rhythm of life on our planet.

So, we can say finally that the narcosis created by the overabundance of liquidity and cheap credit is just a phase in the economy instability, leading to the corrective recession and, over time, to the speculative excitement.

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