

THE ECONOMISTS

By Paolo Mondani

PAOLO MONDANI VOICE-OVER

Giovanni Dosi is a member of the Presidency of the Council of Ministers task force that will be looking at the effects on the production system in the medium term. We asked him for some key numbers regarding the recession.

GIOVANNI DOSI - INSTITUTE FOR ECONOMIC STUDIES, SANT'ANNA SCHOOL OF ADVANCED STUDIES, PISA

The IFO forecast puts it at anything from minus 7.2 percent to minus 20.6 percent...

PAOLO MONDANI

For Germany.

GIOVANNI DOSI - INSTITUTE FOR ECONOMIC STUDIES, SANT'ANNA SCHOOL OF ADVANCED STUDIES, PISA

For Germany. For Italy, we might be looking at something like minus 15, minus 20, minus 25 percent.

PAOLO MONDANI

You've seen the measures the government has taken, particularly with regard to businesses.

GIOVANNI DOSI - INSTITUTE FOR ECONOMIC STUDIES, SANT'ANNA SCHOOL OF ADVANCED STUDIES, PISA

I think they should be re-opened, at least partially. With a reduction in working hours. With all employees wearing FFP2-P3 masks. And with younger employees.

PAOLO MONDANI

Even businesses deemed to be "non-essential".

GIOVANNI DOSI - INSTITUTE FOR ECONOMIC STUDIES, SANT'ANNA SCHOOL OF ADVANCED STUDIES, PISA

Even businesses deemed to be "non-essential". To me, that seems absolutely crazy. Yesterday the F35 aircraft assembly line reopened in Cameri, and we aren't even able to produce masks, and have to wait for them to arrive from Russia.

SIGFRIDO RANUCCI IN THE STUDIO

And yet we have ten million workers who are at risk. That's why the state intervened and put 10 billion on the table: self-employed people are receiving 800 euros for the months of April and May, but for temporary workers, the coffers are empty. The credit decree, meanwhile, has earmarked a total of 400 billion euros in addition to the 350 billion already allocated by the CuraItalia decree. But with this decree, we will be providing our companies with more liquidity; 200 billion for those engaged in the internal market, and 200 billion for those businesses dedicated to exports. However, it may be necessary to introduce a number of filters, as there is a risk that a few smart operators will succeed in taking resources from more honest entrepreneurs. But the point is: when does phase 2 start? Paolo Mondani has listened to the opinions of the leading economists of the moment.

PAOLO MONDANI

You said that credit should only be provided to those companies that decide to stay open; that is, those that decide not to lay off staff.

GIOVANNI DOSI - INSTITUTE FOR ECONOMIC STUDIES, SANT'ANNA SCHOOL OF ADVANCED STUDIES, PISA

Yes, and to have the courage, as Merkel - who is certainly no socialist - decided to do, to take the opportunity to take over the premises of companies that are either about to close down or are being replaced by foreign companies. She says no, the state is stepping in. With fragile companies...

PAOLO MONDANI

The Mafia comes in and buys the businesses...

GIOVANNI DOSI - INSTITUTE FOR ECONOMIC STUDIES, SANT'ANNA SCHOOL OF ADVANCED STUDIES, PISA

And the businesses are bought for nothing.

PAOLO MONDANI

In Italy, the decision was made to give 600 euros in bonuses to 5.3 million workers. As of April, and even May, this sum will reach 800. The cost: 9 billion. Then another billion euros for the two million temporary workers who are set to get 4-500 euros a month, but only if they can prove that they have worked 4 weeks in a year. Do these measures seem sufficient to you?

GIOVANNI DOSI - INSTITUTE FOR ECONOMIC STUDIES, SANT'ANNA SCHOOL OF ADVANCED STUDIES, PISA

No. No, because there are those temporary workers who are off the books, and so find themselves with nothing. After all, around 50% of the economy in the south is "informal". These are the people we should have sent a cheque to, yesterday. It makes it a fertile breeding ground for the Mafia, so the 'citizens' income' should be extended to everyone, by removing practically all the conditionality attached to it.

PAOLO MONDANI

Chloroquine has been in high demand on the market for weeks, both from governments and private individuals. There's a French company that makes it. Now, it's used to treat COVID-19. But there are thousands of people with rheumatoid arthritis who can't find it in pharmacies anymore. What do you think this story signifies?

GIOVANNI DOSI - INSTITUTE FOR ECONOMIC STUDIES, SANT'ANNA SCHOOL OF ADVANCED STUDIES, PISA

The incompetence of a state that has been incapable of either finding or producing chloroquine. Chloroquine is very easy to produce. We should start making it at the Military Chemical Pharmaceutical Institute in Florence. And masks and chloroquine are two essential priorities.

SIGFRIDO RANUCCI IN THE STUDIO

Before, it seemed as if the market ruled the world, but all it took was a microscopic organism to bring it to its knees. The pandemic has forced us to re-examine the meaning of welfare, as well as the meaning of revenue, and to what extent inequality can ultimately crucify a civilisation. Italy, Spain, France and six other countries have asked the European Council to issue 'Corona Bonds', or in practical terms, "a joint debt instrument issued by a European institution to raise funds on the market on the same basis, and for the benefit of all Member States." That is, a debt guaranteed by all parties at equal cost, in order to tackle the emergency situation that the virus has triggered. This

is exclusively a bond to aid recovery; nobody has asked or wishes to bring sovereign debt into it. Germany, Austria and the Netherlands are opposed to the idea, and are asking that these countries draw from the ESM fund instead. Under what conditions? Will the austerity policy that has already brought our healthcare system to its knees and put immense strain on it continue? Will some countries continue to cannibalise their more fragile counterparts? Or will the indelible images of this period, of these days, succeed in making people think and imagine a new world?

PAOLO MONDANI VOICE-OVER

New York is half-empty. Most of the shops are closed. Initially, there were no major restrictions on leaving the house. The rules state that non-essential gatherings are prohibited, and a distance of two metres must be maintained. But hour by hour, things began to change, and now New York is the sickest state in the world. On Hart Island, the island opposite the Bronx, dozens of coffins are buried side by side in mass graves. The families of coronavirus victims who can't afford funerals or a grave at the cemetery end up here. We ask Joseph Stiglitz what he thinks of all this.

JOSEPH STIGLITZ - NOBEL PRIZE FOR ECONOMICS - COLUMBIA UNIVERSITY NY

The coronavirus has made it clear that we need a completely different type of capitalism.

PAOLO MONDANI

Why is it so hard to convince Americans that we need more input from the State?

JOSEPH STIGLITZ - NOBEL PRIZE FOR ECONOMICS - COLUMBIA UNIVERSITY NY

Because there is a very high level of inequality in the United States. The richer classes do all they can to protect themselves, and are afraid of the state, which has the power to redistribute income and wealth. They would rather go through a pandemic than consider the possibility of a fairer, more equal society.

PAOLO MONDANI

What do you think of Trump's economic policy response to the coronavirus?

JOSEPH STIGLITZ - NOBEL PRIZE FOR ECONOMICS - COLUMBIA UNIVERSITY NY

At first, Trump denied there was even a problem. Now Congress - and not Trump - has passed a decent bill. But it was hard won. The Republicans wanted a \$500 billion slush fund to be managed in total secrecy, but the Democrats managed to ensure supervision of the funds allocated; the money should not just be handed out to everyone, only to those who need it.

We anticipate unemployment levels of 20-30%, and many Americans have no more than a thousand dollars in their account. If they miss out on a month's salary, what's going to happen to them?

PAOLO MONDANI

In the U.S., a scandal is emerging, concerning the senators who, in January, used confidential information to sell their shares before the coronavirus crisis hit the stock exchange.

JOSEPH STIGLITZ - NOBEL PRIZE FOR ECONOMICS - COLUMBIA UNIVERSITY NY

It's symbolic of the kind of corruption that the Republican Party is wrapped up in. And it's embarrassing that the Democrats had to insist that none of the \$500 billion earmarked for private companies goes to the Trump family. One might expect the President to be the first to say, "I will not take a single dollar from this fund." But no: the Democrats had to fight to get the President to make such a declaration.

PAOLO MONDANI VOICE-OVER

Berlin is semi-deserted at the Brandenburg Gate. The same goes for the suburbs. Merkel's package to combat the effects of the coronavirus includes credits of 550 billion euros and financial aid to the tune of 156 billion euros, of which 50 billion will be grants for the self-employed.

PAOLO MONDANI

You wrote that small businesses don't just need loans, they also need non-repayable grants. In the end, the German government allocated the money.

MARCEL FRATZSCHER - PRESIDENT OF THE DIW ECONOMIC RESEARCH INSTITUTE, BERLIN

Yes, but it's not enough. The State of Berlin and the State of Brandenburg are thinking of distributing grants of 5,000–10,000 euros. Today it is important that fresh money is provided not only to micro-entrepreneurs, self-employed people and the baker on the corner, but also to families in which nobody has a job any more. During this period, unemployment benefits or redundancy payments are not enough. Low incomes are the real emergency.

CLEMENS FUEST - PRESIDENT OF THE IFO, MUNICH

We must bear in mind that there are going to be huge losses. For months, production will stop, and for this reason, we will slide into a deep recession. We need an extraordinary Community budget or extraordinary financing from the European Investment Bank.

PAOLO MONDANI

And what do you think of the request put forward to Europe by Italy, France and Spain to issue Eurobonds?

CLEMENS FUEST - PRESIDENT OF THE IFO, MUNICH

I think it was the right choice. The problem is that the definition of "Eurobond" has been sullied. In northern European countries, it is understood as sharing all the debts of the various States. But that's not what we're talking about here. We're talking about Corona Bonds.

PAOLO MONDANI

The ECB has adopted a 750 billion euro government bond purchase programme. In your opinion, is monetary policy enough to combat the coronavirus crisis in Europe?

MARCEL FRATZSCHER - PRESIDENT OF THE DIW ECONOMIC RESEARCH INSTITUTE, BERLIN

The ECB's monetary policy cannot bear all the costs of the health systems. This is the task of the various governments. And because we need a lot of money to invest, we need Corona Bonds.

PAOLO MONDANI

The Stability and Growth Pact has been suspended in Europe. And when the pandemic passes, do you think that Europe will be forced to go back to the fiscal rules of the past?

That is to say, 3% with regard to the deficit/GDP ratio, with the debt to GDP ratio ceiling at 60%?

JOSEPH STIGLITZ - NOBEL PRIZE FOR ECONOMICS - COLUMBIA UNIVERSITY NY

Even before, there was no economic justification for these numbers. After the coronavirus has passed, Europe will be called upon to deal with climate change and the construction of a new healthcare system. And this will require major investment. The traditional 3% deficit will have to be surpassed.

PAOLO MONDANI

Will the various European sovereigntist movements take advantage of this situation, in your view?

JOSEPH STIGLITZ - NOBEL PRIZE FOR ECONOMICS - COLUMBIA UNIVERSITY NY

If, in the wake of the coronavirus, Europe attempts to impose the old rules with regard to the deficit at 3% and debt at 60% of GDP, the nationalist movements will run riot.

PAOLO MONDANI

And once this chapter is over, what will the coronavirus leave us?

JOSEPH STIGLITZ - NOBEL PRIZE FOR ECONOMICS - COLUMBIA UNIVERSITY NY

We will be left with a world in which the balance between people, power and profit must be restored urgently. If we don't understand this, the current crisis will herald another which is even worse. Can you imagine... a worse one than this?

SIGFRIDO RANUCCI IN THE STUDIO

The thing that hurts the most is the very concept that when face to face with such tragedy, there are people out there who are aspiring to protect their personal interests. There are some politicians in the United States who wanted to manage information and funds in secret, while on the other side of the country, people are being buried in mass graves. The absence of the state means that they cannot afford a proper burial. And this happens in a country that has been touted as the greatest democracy in the world. Meanwhile, in the cradle of human rights, there are countries in Europe including Germany, the Netherlands and Austria, that would like to keep poking their noses into the budgets of other countries, even in the face of tragedy. Will they want to keep profiting from the bond spread? Well, if you'll excuse the metaphor, they need us alive, but in the ICU. If that's the case, let's not forget it. The Netherlands is one of the biggest tax havens in the heart of Europe, as are Luxembourg, Malta and Ireland; it is allowed to live by fiscally cannibalising other countries. In the Netherlands, there are a number of Italian subsidiaries that have some of their own companies, with headquarters in the Netherlands; FCA and Mediaset are among them. So there we are. Let's bring them back here. And then, when they reopen, we should remember not to book our hotels through the Dutch-owned Booking.com: they take a 20% cut from our hoteliers, and above all from Italy's great beauty. They siphon off resources by channelling them into tax havens, taking money away from the welfare system. Let's remember this and make them pay dearly for our beauty. In the meantime, however, we can begin to change our outlook, and as the winner of the Nobel Prize for Economics advised, invest in the fight against climate change.