

Covid-19: The Italian Experience

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EVERY year, visitors arrive in Italy in droves to enjoy its sun and fun, good food and music, its rich cultural heritage and amazing landscape. The country is vibrant and is never dull. Visitors spend huge sums of money and get good value for what they spend. They come to enjoy what Italy has to offer.

Covid-19 has put a sudden halt to all these. The country has never seen anything like it since the Spanish flu of 1918-1920, when 50 million people died and another 500 million got infected. Third only to the USA and Spain in terms of confirmed coronavirus cases, Italy in seven-plus weeks has seen over 130,000 of its citizens getting infected, and over 17,000 dead. The recovery rate in Italy has been lower than other countries and the mortality rate has been higher. The country, which once proudly claimed to have one of the best public health services in the world, is on its knees.

Why is that so for Italy, a rich industrial country with a good universal health service and social security? What went wrong? What are the chances of its quick recovery, and what impact is Covid-19 expected to have on this placid, playful, enjoyable country?

Covid-19 virus, imported from abroad

The spread of Covid-19 in China towards the beginning of winter of 2019 did not ring much of an alarm bell in Italy. There was a general feeling that whatever that was happening in far-off Wuhan would be controlled by China.

Italians overlooked one thing: late winter was the beginning of the tourist season, which was expected to bring a large number of tourists to Italy. The economic prosperity of China was enabling their people to explore countries far away from their borders. Italy was one of their favourite destinations. In 2019, Chinese visitors spent over 650 million euros in Italy, up by 40.8 percent year-on-year. Although this was still a small percentage of their global spending, the growth had been amazing. Milan, the fashion capital of the world, attracted fashion lovers, and the *nuovi ricchi* (new rich) Chinese were flocking there in larger numbers. The lakes and mountains, Venice and Verona, attracted the tourists more than other parts of Italy.

And the industries in the North were also attracting many Chinese business people. Some were not only spending money but were also carrying virus from their southwest Wuhan region. The densely populated region of Lombardy, with a significant presence of industrial workers, provided the right backdrop for the quick spread of the virus.

And the unwary Italians helped spread the virus

The Italians, looking forward to the spring and the Easter vacation, were unaware of what was happening. Their social cohesion, close proximity

in social dealings and gatherings, emotional attachment requiring hugs and kisses created the right “environment” for the quick spread of the virus.

With highest elderly dependency ratio, Italy was very vulnerable Covid-19 affected the elderly (70+ years) much more than the younger population. Italy has one of the highest ratio of elderly in the world. Its elderly dependency ratio of 23 percent is second only to Japan (28 percent). Good life style gives Italians high longevity of about 84 years (86 for females and 82 for males). But with age, body functions decline, organs start failing and the elderly people become deadly targets for Covid-19.

Italians may have had poor immunity to disease



A man walks past the deserted Spanish Steps in Rome, Italy, on March 13, 2020.

But it is not the elderly factor only. Italians probably have much less immunity compared to others, especially compared to the people from the developing countries. Their liking for fresh meat and fish, vegetables and fruits, olive oil, and their general rejection of frozen and unhealthy fast food have given them an enviable food culture. They do have fast food, but these are fresh food like pasta, pizza, panino, tramezzino (sandwiches) and salads. Most bars serve hot food at lunch time, with a liberal choice of fish, fruits and vegetables.

The combination of healthy and tasty food, high sanitary standards, and the general hygienic conditions have a downside: low tolerance to impurity. Purity prepares their body to accept the best only, and even a slight deviation is not accepted. Even a mild form of Covid-19 can become a lethal virus for them.

Whose fault is this? Nobody's. Italy paid the price for its Mediterranean climate, high elderly dependency ratio,

good food and good health standards. It is sad, but this is the reality.

Can Italy roll back the spread of Covid-19 soon?

Responding to the quick spread of Covid-19 in the North, the government has imposed lockdown measures with strict restrictions on movements, between regions and gradually between municipalities. Hefty fines of a maximum 4,000 euros were imposed on violators, and nearly 100,000 cases of penalty were recorded. The fear of Covid-19, the financial setback if caught by the police, or both, made Italians adhere to the guidelines of social distancing rather strictly.

At the same time, the large and well-reputed Italian health service system sprang into action, though a bit late. They were hugely overstretched, without adequate supplies of PPE. The

overall scale of the Covid-19 infection, the critically ill, and death remain huge.

As of April 8, the total confirmed cases in Italy stand at 135,586 and total deaths at 17,127. The rate of mortality in Italy is much higher than the global mortality rate. The higher death rate is the reflection of the higher proportion of elderly patients and low initial preparedness of the country.

The decline in new infections is expected to ease the pressure on the overstretched health care providers. It will allow them to focus on their own health and at the same time on the Covid-19 patients, leading to a better rate of recovery, and decline in the rate of increase of the critically ill. While the death rate will probably continue for some more time, the decline in the patient intake will gradually choke it.

How quickly can the spread of the infection be rolled back?

So far, Italy has been able to contain the spread of the virus in its places of contagion (i.e. the North) and the infection rate has declined slightly in recent days. The government has been able to stop the southward drift of the virus, but still the danger lurks.

Recovering from this dire situation is not just about containing the virus now, but also ensuring that it does not recur, like the Spanish flu which relapsed three times. Research and containment measures have to keep pace with the growing challenge of keeping track of the virus in all its mutated forms. Hopefully, new vaccines under test will be a game changer in this scenario.

What are the economic and social impacts of Covid-19 for Italy?

With a deepening of the crisis, a severe recession for the global economy has been forecasted by many. Italy will have its share—the tourist industry

(which contributes 13 percent of Italy's GDP), and SMEs are likely to be hit hard. The small operators will not have the capacity to restart their broken and bankrupt businesses, unless they are rescued by appropriate financial support. Million of workers will be affected. The agricultural South will also be hit, but maybe much less intensely as their working capital requirements for starting a new agricultural cycle would be smaller compared to that for small and medium industries. The “hidden” economy of Italy, the family-run businesses, the arts and craft industries, can provide the much-needed support to the recovery of the rural economy.

The ethnic Italians, with their usual social bondage, fall back support in terms of rural properties, local communities, and relatives, will be better placed to recover than the migrant workers.

The government has already announced that all workers who have INPS would be paid a subsistence allowance of 600 euros per month during the lockdown period; the unemployed will be given food and 100 euros a month. These programmes will stretch the fiscal capacity of the country, and national debt will increase significantly. The announcement by the president of the European Union about a support fund of 800 million euros for worst-affected countries, as well as a solidarity fund for recovery, are right initiatives under the present circumstances.

Apart from the lowering of living standards of the poor, Covid-19 will also leave some social scars. Italy will be looking for 200,000 additional agricultural workers. The generally tolerant and welcoming Italians may also drift to the right, and take their frustration on the migrant workers. There could also be a political shift of countries to the right, unless government policies can restore their jobs and income early.

The Covid-19 crisis will also impact Italy's elderly population. The economic downturn, price increase, lowering of the value of stocks and assets may impose a severe downward pressure on the welfare of the elderly people. It will increase their isolation and their sense of insecurity. The care service provided to them through the traditional family institutions will continue, but a large number of them who would need such services may find it difficult to get them, both because of the shortage of such services as well as their own resource constraints.

And lastly, the Covid-19 fallout can be expected to have a serious impact on the unity of the European Union. A number of questions will be debated intensely: what value did EU add when the countries were on their knees? Much anger is expected to be ventilated. But then, it can also lead to a new resolve to give the EU project a new life, to work together to defeat something which no country working alone can defeat—pandemics like Covid-19 and climate change.

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How crisis awakens altruism in humanity



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BEGINNING in December in China's Wuhan City, the highly infectious COVID-19 has crossed boundaries and oceans with supersonic speed. It has already claimed more than 83,000 lives, with one million and a half infected so far. In the process, the world has come to a standstill. The numbers of deaths and confirmed cases are rising by leaps and bounds. No one knows when this will end.

Obviously, Covid-19 has shaken the global economic and social fabric to its core. Economists are predicting a re-run of the 1930s' Great Depression. But unlike then, the third wave of globalisation beginning in the 1990s created a complex web of interdependence. With the global supply chains located across continents, companies are wired into a complex web of production networks, having little or no autonomy over individual units. Thomas Friedman in his book *The World Is Flat* in 2005 wrote about a world growing increasingly flatter and interconnected, when most of the latest social media instruments like Facebook, Skype, Twitter or LinkedIn were not even in sight. Since then, all these connectivity tools really wired the world, making it truly interdependent and rendered national boundaries somewhat irrelevant.

The impacts of this unfolding peril on our economies will thus be far-reaching. ILO estimates that about 25 million workers will face unemployment. To face this exponentially rising mortal threat, governments, rich and poor the world over, have announced stimulus packages to support the working people and the economy. The prime minister of Bangladesh has also announced a

sizable package, but compared to the needs, it may prove to be inadequate. For example, over 85 percent of our active labour force—i.e. more than 50 million people—work in the informal sector, who have no social protection or employment benefits.

But government efforts alone will not suffice. Crises like that of the coronavirus have historically brought out the latent side of humans, i.e. altruism—sacrificing self-interest to benefit others. The 72-year-old Italian clergy who embraced death refusing the ventilator for himself, urging instead that it be given to a young infected, is a shining example of altruism. Globally, many foundations, charities and individuals are coming up with big amounts to support the most vulnerable. Even in India or Bangladesh, which are low-income countries, several big businesses and organisations have announced huge contributions to face the current crisis. Individuals from different sectors are coming up with donations for the poor.

Actually, this unprecedented pandemic should be taken as a wake-up call to expose the basic organising principle that our societies and economies today are founded on, namely the rational actor model based on maximising individual self-interest. This western model, led by the US, had its contagious effect in the developing economies. American education is excellent in imparting scientific knowledge and technical skills, but the rational actor model tends to create “rational fools” (an article with this title was written by Amartya Sen in 1977). Human beings are not motivated purely by selfishness; they also have altruistic genes. They are not just calculating automations, they do not always think logically, but emotionally and socially as well. But American education tends to undervalue such ethical/moral teachings. This explains why the American rich always resist

progressive taxation, but Scandinavians don't grumble against such taxation and the polluter-pays principle. The Nobel prize winning economist Joseph Stiglitz, with his writings including *The Price of Inequality* (2012), keeps warning the Americans about the dangers of rapidly increasing disparity in their society.

It may be recalled that Adam Smith, the father of classical economics, wrote the *Theory of Moral Sentiments* back in 1759, 17 years before publishing

economics (what is), separating the “should be” part from human behaviour.

Actually, the philosophical debate on whether competitive or cooperative genes dominate in human nature goes back to centuries. We are familiar with the cut-throat competition-based models of Hobbs-Darwin vs the cooperative models of Rousseau and others. Even the experiments under game theory (a tool of neoclassical economics) show that ultimately



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the *Wealth of Nations*. In the former, Smith argued that each human has a *Man* within, brave enough to stand in adversity, as a higher call to maintain self-dignity/respect. Though he postulated that the “invisible hand” of market will ensure collective good, his understanding was that rational actors will play fair, guided by moral values. So Smith's economics had a strong normative lens (what should be), but his genetically-muted descendants overwhelmingly focused on positive

cooperation pays off better than purely individual decisions. Karl Polanyi in his classic *The Great Transformation* (2001) argued that economics and culture co-evolve, impacting each other. So cultural values of a society matter in shaping individual behaviour. In many indigenous societies, private property is not a culture even today. Actually, the idea of private property and wealth accumulations were absent in much of human history. So it is hard to argue that these artefacts are in-built, inherent

in human genes. With already negative population growth in many countries, coupled with rapidly developing nanotechnologies and increasing mass production, it is plausible that in a few centuries, private property may again be irrelevant soon!

Obviously, behavioural economists increasingly question the standard view of human self. Hundreds of experiments show that most people are pro-social, preferring to sacrifice in order to benefit others. In recent years, due to increasing concerns particularly about environmental sustainability, development engineers, with assistance from psychologists, have been focusing on better understanding of human behaviour. The World Bank has named its 2015 annual report as “World Development Report: Mind, Society and Behaviour”. After so many decades of promoting market economy along with the neoclassical model of rational choice, the World Bank has come to terms with the limitations of such a lens.

So, while practicing altruistic interdependence at this moment of crisis, let us internalise the fact that human beings are not individual atoms; our societies, our relationships and our germs have little degrees of separation, from each other and from the Mother Earth. This is what Ecological Economics, in which I was a Fellow in the mid-1990s, teaches us. Let us refocus on our age-old values of collective care, as we infect each other with both ills and joys. Infectious diseases like Covid-19 is a useful reminder of our interdependence and interconnectedness. At this perilous moment, we need morally authoritative global leaders who will advise not just on how to wash our hands, but inspire the better angels to come out of our Being.

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