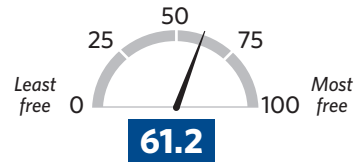


ITALY

Economic Freedom Score



World Rank: **86**

Regional Rank: **36**

Italy has undertaken a range of reforms over the past year. The Jobs Act, approved in December 2014, revises protections for new hires and has instituted use of an open-ended contract with gradually increasing protections. A new banking law that obliges the largest cooperative banks to become joint-stock companies was passed in 2015.

ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **61.2 (down 0.5 point)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **86th**
- Regional Ranking: **36th in Europe**
- Notable Successes: **Trade Freedom and Monetary Freedom**
- Concerns: **Corruption, Management of Public Spending, and Labor Freedom**
- Overall Score Change Since 2012: **+2.4**

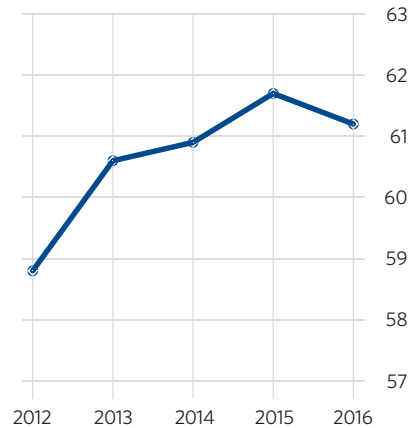
Sharp increases in public debt aggravated by institutional weaknesses undercut long-term competitiveness. Due to the burdensome regulatory environment, the informal sector still accounts for considerable economic activity, particularly in the South. Corruption, often involving government officials, continues to undermine public trust.

BACKGROUND: In February 2014, former Florence Mayor Matteo Renzi won 80 percent of the vote and became Italy's youngest-ever prime minister, succeeding Democratic Party leader Enrico Letta. He leads a coalition government consisting of the center-left Democratic Party, the center-right People of Freedom Party led by former Prime Minister Silvio Berlusconi, and the centrist Civic Choice Party. Renzi has pledged to reform entitlements, taxes, and labor laws. The government has passed electoral reforms meant to ensure cleaner outcomes, a major Democratic Party campaign issue. Italy has an immense public debt, entrenched organized crime, a large informal sector, and high unemployment, particularly among the young. Huge disparities between the industrialized North and less developed South persist, including in education, economic growth, employment, infrastructure, and rule of law.

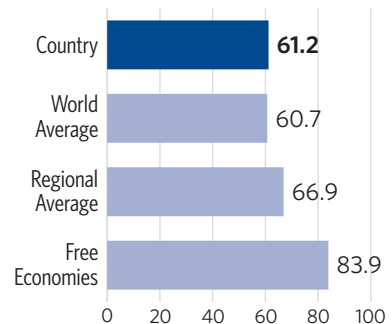
How Do We Measure Economic Freedom?

See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

Freedom Trend



Country Comparisons

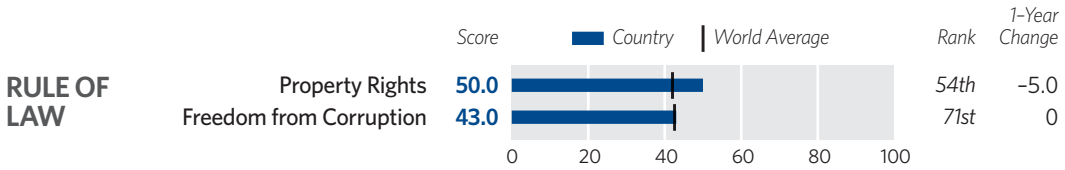


Quick Facts

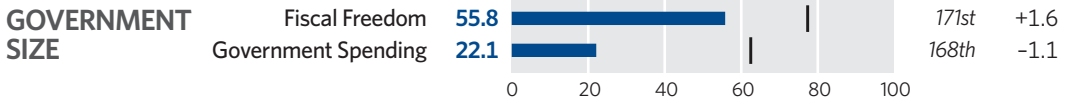
- Population:** 60.0 million
- GDP (PPP):** \$2.1 trillion
- 0.4% growth in 2014
- 5-year compound annual growth -0.5%
- \$35,486 per capita
- Unemployment:** 12.5%
- Inflation (CPI):** 0.2%
- FDI Inflow:** \$11.5 billion
- Public Debt:** 132.1% of GDP

2014 data unless otherwise noted.
Data compiled as of September 2015.

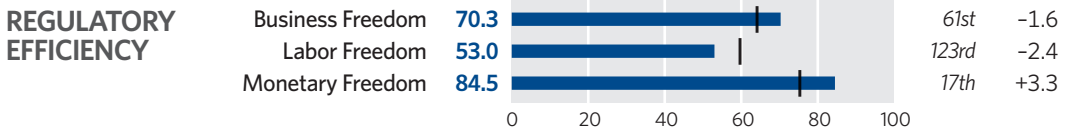
THE TEN ECONOMIC FREEDOMS



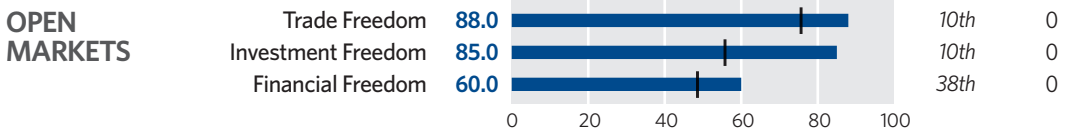
A series of high-level, politically destabilizing corruption scandals culminated in a December 2014 investigation of numerous Rome municipal officials implicated in a public contracts corruption case, known as “Mafia Capitale” owing to the involvement of local organized crime. The legal system is vulnerable to political interference. Property rights and contracts are secure, but court procedures are extremely slow.



The top personal income tax rate is 43 percent, and the top corporate rate is 27.5 percent. Other taxes include small regional and municipal income taxes, a value-added tax, and an inheritance tax. The overall tax burden equals 42.6 percent of GDP. Government spending amounts to about 51 percent of GDP. The deficit remains high but has been reduced by recent spending cuts. Public debt exceeds 130 percent of GDP.



Regulatory complexity causes delays and increases the cost of entrepreneurial activity. Licensing requirements are time-consuming and costly. Serious labor market rigidities constrain job growth, and the informal labor market accounts for a large proportion of employment. As of 2015, Prime Minister Renzi had not fulfilled his pledge to liberalize the economy or reduce subsidies to railways and other state-owned enterprises.



EU members have a 1 percent average tariff rate. Trade agreements are currently being negotiated with countries that include the United States and Japan. The government’s Strategic Investment Fund invests in so-called strategic companies. The financial system is subject to political interference, and banks have been seriously strained by the European sovereign debt crisis.

Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-20.0	Fiscal Freedom	+12.2	Business Freedom	-14.7	Trade Freedom	+10.2
Freedom from Corruption	-27.0	Government Spending	+18.5	Labor Freedom	-21.5	Investment Freedom	+15.0
				Monetary Freedom	+3.4	Financial Freedom	+10.0