

Harmony and Discord in Italy

by Michael Curtis



Matteo Salvini (right) and Luigi di Maio (left) (BBC)

Volare, oh, oh, away from the maddening crowds, we can leave the confusion and all disillusion behind, has often been the chant of Italians in search of the elusive political rainbow. *Così Cosa* may have had little meaning when sung in the Marx Brothers film, *A Night at the Opera*, but its gist of tolerant acceptance is meaningful in the effervescent world of Italian politics.

Changing of governments is a familiar fad in the country. Since the end of World War II 73 years ago, Italy has had 64 governments, and six in the last ten years.

On June 1, 2018 agreement was reached by the two leading parties in parliament to form the 65th, a coalition government, an improbable and unnatural mixture of left and right, a populist coalition, with contradictory policies to end the weeks of political chaos and wrangling, the longest

stalemate in Italian politics.

The political and economic crisis since March 2018 not only destabilized the Italian but also the European financial system at least temporarily. With the appointment of a new government European stocks closed higher. Yet, are the “barbarians” within the city walls? The question remains of whether the populists in power with their sharp rhetoric and outlook are a danger to democratic institutions, and whether they can reach harmony with the Italian elite and abide by the fiscal rules of the European Union, already troubled by Brexit and other matters.

Italy is the fourth largest country in the EU, accounting for 15.4% of Eurozone’s GDP, and 23% of its public debt. But 32% of those under 25, and 10% of all Italians, are unemployed. Only 64% of young people with degrees are employed. Next to Greece, Italy has the highest debt level in the EU, 132% of GDP, more than twice the EU requirement.

A variety of issues confront the new government: membership of the eurozone; the need for economic growth and productivity; the proposals for guaranteed income, pensions, and flat income tax; more foreign investment; reversal of EU free trade rules; immigration, 181,000 in 2016; and change in international relations and closer ties with Russia.

The new coalition brings together the two leading parties, the Five Star and the League (formerly the Northern League), and an odd couple of young leaders. To this has been added a compromise figure, a little known University of Florence academic lawyer, 53 year old Giuseppe Conte, a man with no previous political experience, as prime minister heading a cabinet of 18 of whom five are women. It is curious that Conte has stated he “perfected” his legal studies at NYU and the Sorbonne, though neither university has any record of him.

In the inconclusive March 2018 election for the 630 seats in

parliament, the two populist anti-establishment and anti-European parties won 349 seats. Five Star, a party formed in 2009 mainly by stand up comedian Beppe Grillo got 32% of the vote and 222 seats, mostly in the South, while the League got 17% and 124 seats, mostly in the industrial North.

The Five Star is now led by a telegenic, easy going, youngish looking Neapolitan millennial, 31 year old Luigi Di Maio. He spoke strongly against corruption, and for direct democracy. He came out equally strongly for a referendum on the eurozone, which he called a failed economic and social experiment, but seems, taking the position of minister of labor and industry, to have moderated his position in recent weeks.

The leader of the League is the Milanese born 45 year old Matteo Salvini, college drop out, tireless campaigner and shrewd manipulator of social media, who changed the stance of the party from a regional group calling for the wealthy North to secede from Italy to a far right party like the French FN. Much of his success was based on his opposition to immigration, especially the 750,000 who had entered since 2011, and his call for mass deportation and for deportation centers around Italy. Now that he has become interior minister it remains to be seen whether he will implement his proposals. He is said to have praised Russian President Vladimir Putin, opposes sanctions against Russia, and seeks closer ties with Russia. For the U.S. this appears more significant than his complicated sex life.

The two populist parties are divided on issues, the League is supported in the North and Five Star in the poorer South with higher unemployment and poorer local government. Salvini, a more fiery individual than Maio threatened to organize a March on Rome, evoking the 1922 Fascist march that brought Benito Mussolini to power. He has spoken of the euro as a crime against humanity, calls for a flat tax and tax cuts, and protectionism. Not surprisingly as someone whose guiding principle is "Italy first" he endorsed Donald Trump with whom

he had a picture taken in Washington in 2016.

The basic economic question troubling Europe is whether Italy will remain in the eurozone or not. Though neither of the two parties actually proposed leaving the eurozone during the electoral campaign, they were critical of it and the fear within and outside the country is that Italy will leave the euro. The market in Italian bonds and in world markets have already responded to this possibility. European banks which held large amounts of Italian government debt sold shares and bonds. The Dow Jones index dropped 391 points, and the euro fell against the dollar. The price of Italian government bonds declined sharply.

Italian President Sergio Mattarella like the EU and most economists thought this would be a disaster for financial markets, and would need large capital controls to prevent large movements of money. To prevent this, President Mattarella, 76 year old Sicilian Christian Democrat and constitutional expert, objected to the appointment of the Euroskeptic 82 year old Paolo Savona, distinguished economist, and former Bank of Italy official and government minister, to be part of a government as head of the economy ministry because of his support for exit from the euro which the president considered too great a risk for the economy. Mattarella is applauded for his protection of Italian democracy and financial health.

Italy confronts three main issues: fiscal and budgeting policy, immigration, and foreign policy. The Italian situation reflects the general problem of the eurozone that had been manifest since the sovereign debt crisis of 2010 which showed the problems of a fragmented European banking system when countries were unable to repay or refinance their government debt.

The populist parties in the new coalition had proposed expensive programs, costing more than 100 billion euros, a 20%

flat tax, and guaranteed income for all. Concern that Italy could cause a crisis for the eurozone led to increase in value of the dollar on the market, and quick sell of Italian government bonds. Bank bond investors and shareholders are still troubled, and people may pull money from banks in Italy.

The populist parties, especially the League, have emphasized the need to deal with immigration. The League proposed to deport more than half a million who have entered Italy over the last four years, having crossed the Mediterranean. The proposal to close Italian ports to migrants is a challenge to EU policy. Salvini has called for cuts in funding for migrant reception centers, and has declared that migration has meant Italian culture, society, traditions, and way of life are at risk.

The foreign policy proposals of the populists challenge the U.S. and NATO. They seem to favor stronger ties with Russia, opposition to international sanctions against Moscow, criticism of U.S. and Allied action in Syria, and less interest in NATO inspite of important naval and air bases in Italy. Knowing this, should the Trump administration begin to sing *Così Così*?