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## UNCERTAINTY IN THE ITALIAN ELECTION

### TOWARDS A POLITICAL STALEMATE?

*On 4 March, Italians will elect a new parliament. While forming a government will prove difficult, a radical change in Italy's political and economic course appears unlikely.*

The Italian parliamentary election takes place at an important time for the EU. The election of Emmanuel Macron in France in 2017 and the recent agreement on a new grand coalition in Germany have rekindled hopes of EU-wide reforms in the EU and the member states. In the Eurozone, a modest economic recovery has improved chances of containing the rise of Euroscepticism and the crisis unleashed by Brexit.

Despite the uncertainty of its outcome, the Italian election is unlikely to alter this picture significantly. Following the December 2016 constitutional referendum, which led to Matteo Renzi's resignation from the post of prime minister, some commentators predicted instability and a negative impact on the economy. In fact, a new

government was swiftly formed with Paolo Gentiloni as its leader, and in 2017 the Italian GDP grew by around 1.5%.

Traditionally one of the most Europhile nations, Italians have become more critical of the EU during the financial crisis. According to a widespread sentiment, other EU member states left Italy to deal with the refugee crisis by itself. Nevertheless, surveys consistently show that a majority of Italians remain in favour of both EU and Eurozone membership. This is most likely due to the persistent belief that, even if the EU and the Eurozone underperformed in recent crisis management, Italy would be worse off if it were to leave either. Significantly, in the run-up to the election, the top candidate of the anti-establishment Five Star Movement, Luigi di

Maio, shelved the idea of holding a referendum on Italy's membership of the Eurozone, which his party had previously touted.

Moreover, the EU and its policies do not play a central role in the current political debate, which is dominated by domestic issues. Despite last year's modest economic recovery, Italian society is still reeling from a decade of recession and stagnation. Unemployment stands at over 11%, with much higher peaks in the South and among young people (nearly 36% for those aged 15–24); according to surveys, it remains the greatest concern for Italians. Renzi – who is still Secretary of the centrist Democratic Party (PD) and its top candidate in the upcoming election – argues that the reforms he passed between 2014 and 2016 created 1 million new jobs,

but a large number of them were in fact short-term or occasional employment.

Discontent with the economic situation and other governmental policies largely explains why support for Renzi's PD dropped from nearly 41% in the 2014 European elections (the first election with Renzi as leader) to around 23% in current polls. Moreover, political infighting and Renzi's domineering leadership style have led to an internal split and the birth of a new party, named Free and Equal. Free and Equal now includes some of the more experienced and prominent centre-left politicians, such as Massimo D'Alema and Pierluigi Bersani. They blame Renzi for having adopted unsuccessful and centrist policies, and for stifling debate inside the PD.

Conversely, a new electoral law that rewards coalitions has spurred right-wing parties to join forces. The right-wing alliance includes Silvio Berlusconi's Forza Italia (FI), the xenophobic and anti-EU Northern League and the nationalist Brothers of Italy. Although he is unable to run in the election due to a conviction for tax fraud, 81-year-old Berlusconi appears as the *de facto* coalition leader. His recent rhetoric has combined anti-immigrant statements with relentless

electoral promises. Support for the League is almost as high as that for FI. Polls show that the centre-right coalition would receive around 35% of the votes, but not enough seats to form a government.

The prospect of a hung parliament led many analysts to hypothesise a grand coalition between Renzi's and Berlusconi's parties. Such a coalition would most likely need the support of other minor parties in order to have a majority in parliament. While Renzi and Berlusconi have often found common ground, political differences would probably make the coalition unstable. For instance, the PD's position on topics such as immigration and fiscal policy remains quite different from that of right-wing parties.

Most probably, such a weak and controversial grand coalition would bolster support for the Five Star Movement, which according to polls is already the largest single party (with 27% of the votes), but has shown little inclination for coalition-building. The prospect of an anti-establishment, anti-EU alliance of the Five Stars with the League appears highly unlikely due to political disagreements and the inability to muster a majority in parliament.

Hence, it is unlikely that any coalition will have a solid and stable

majority. A new government born out of compromise could steer the country for some time, otherwise the President of the Republic will call for new elections. In either case, the Italian economy will muddle through, unless large external shocks hit the country or the Eurozone. Italy's foreign policy will continue to focus on the Mediterranean and on tackling the migration crisis. Rome will keep supporting European integration, even if perhaps with less enthusiasm than in the past, and playing a lesser role than its size would theoretically allow. A right-wing government including the League and Brothers of Italy would however be much less supportive of EU reforms and further integration.

Better prospects for Italy would only be possible with a political leadership that tackles deep-rooted domestic issues, such as corruption and tax evasion, encourages innovation and investments, and addresses the growing generational and social inequalities. This would also reflect positively on Italy's image and influence in the EU. /