

And what if Italy's elections turned out to be an opportunity for Europe ?

By [Francesco Saraceno](#)

The whole of Europe is currently fretting about the election results in Italy. The Centre-Left coalition won a narrow majority – because of an [electoral law](#) that everyone denounces, but no one seems to have the knowledge or ability to change – which gives it an absolute majority only in the Chamber of Deputies. Due to the way bonuses are attributed for majorities won on a regional basis, no coalition in the Senate has a majority. With its system of “perfect bicameralism”, Italy now finds itself in a situation where there is no possibility of forming a government with a political majority. This note explores one possible scenario for the coming few weeks and its economic consequences for Italy and Europe.

Aside from the spectacular political resurrection of Silvio Berlusconi, whose stated goal from the beginning was to prevent the victory of the Left rather than to secure a majority, the two startling results of this poll are on the one hand the defeat of the incumbent Prime Minister, Mario Monti, and on the other the progress of the Five Star (*Cinque Stelle*) movement of the former comedian Beppe Grillo, who now heads the leading party in the Chamber of Deputies.

The defeat of Mario Monti is a stinging repudiation of austerity policies that Italy's citizens view as imposed by Europe and Germany. In Monday's [New York Times](#), Paul Krugman called Monti a “proconsul installed by Germany to enforce fiscal austerity on an already ailing economy”. Called in November 2011 to the bedside of a country left prostrate by the Berlusconi government, Monti has failed to offer anything

other than austerity policies which, unsurprisingly, [did not deliver the growth promised](#). The support the former European Commissioner initially enjoyed slowly eroded as the memory of the problems marking the end of the Berlusconi era faded, and especially as Italy sank deeper and deeper into economic crisis. Mario Monti undoubtedly expected to play a decisive role in the formation of a majority in the Senate, and thus to be able to negotiate his reappointment as Prime Minister. But his gamble failed, and he is now condemned to numerical insignificance.

Beppe Grillo, in contrast, rode to a remarkable success on a tidal wave that now makes him key to the formation of a new government. Thanks to a masterful campaign conducted in the media as well as the street, his movement is the leading party in the Chamber and in the Senate in several regions. He managed to capture the exasperation of the Italians against the “political caste”, and he brought almost nine million voters into a campaign that tapped into right-wing populism (e.g. on several occasions he made remarks on immigration and the euro that are not reflected in his programme). He has also played on key concerns of the traditional Left, such as the rejection of austerity, environmental issues, the reduction of working hours, a national minimum income scheme, the regulation of conflicts of interest, limited terms for elected officials with no cumulation of mandates, and the ineligibility of those sentenced by the courts.

What will happen in the coming weeks? All Europe is wondering, and the initial reactions of the markets seem to betray nervousness about future developments. For institutional reasons, a new election in the very near term is not an option. President Giorgio Napolitano, who is at the end of his term, cannot dissolve Parliament; invoking this option would mean waiting until May for his successor (who is chosen by the MPs elected yesterday). Moreover, it is not certain that the Parliament chosen in any new elections would lead to a

political majority.

The majority electoral law gives the Democratic Party an absolute majority of the seats in the Chamber of Deputies, which makes it indispensable to the formation of a new government. This means there are only two possible scenarios: firstly, a broad coalition between Left and Right (with or without Mario Monti's party). This seems unlikely, firstly, because of the ideological divide between the two parties, which has been aggravated by the return of Silvio Berlusconi; and secondly, because it would be perceived by the voters as ignoring the outcome of the election, which saw the two major parties lose over 11 million votes since the 2008 election.

The second solution would be a minority government of the Centre-Left, which could seek out votes from Beppe Grillo's MPs on a programme that was limited in scope and duration. In this case it would be worth considering what possibilities might exist for a convergence between the Five Star movement (whose programme can be downloaded [here](#) [in Italian]) and the Pierluigi Bersani coalition. There would certainly be a consensus on some very popular measures for dealing with the ongoing political crisis (abolition of the provinces, limits on the terms and multiple mandates of parliamentarians, ineligibility, reducing the cost of the political machinery, etc.), and for fixing some of the most vexing problems from the two decades of Berlusconi (reforms on conflicts of interest and corruption, judicial reform).

The environmentalist wing of the Centre-Left could also find convergences on incentives for energy efficiency and on investment in renewable energy.

In economics, some of Beppe Grillo's key measures could also see a convergence with the Centre-Left, for example on the adoption of a national minimum income scheme or minimum wage, themes which, as has been shown in the [French debate](#), are not necessarily populist or unrealistic.

It would be difficult to agree on any convergence between the Centre-Left and Beppe Grillo within the framework of the current fiscal consolidation, so it's worth repeating that a prerequisite for this would be calling into question the austerity policy repudiated by the voters. This would inevitably pose problems for the Democratic Party which, like the Socialist Party in France, has gone in for austerity. Negotiations with the Five Star movement would imply abandoning the ambiguous position that the Democratic Party has long held on austerity. This would in turn have an impact throughout Europe. In the coming few weeks, Europe's leaders may be faced either with the lack of a government in the third-largest economy in the euro zone or with a government that is likely to turn its back on austerity. Europe could then be forced to rethink its own economic strategies, and some countries that have been tightening up only reluctantly (like France?) could seize the opportunity to call into question the model of growth through austerity.