

Luiss
School of Government

Mapping Italy: scenario and political risks

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1. Scenario and risks

1.1. Scenario

In recent weeks, Health Minister Roberto Speranza has been put under pressure to manage the pandemic by the right wing of the ruling coalition (League and Go Italy). The chaos in the supply of vaccines and the prolongation of the lockdown weakened the position of the minister, who kept his place in the transition from the Conte to the Draghi government. President Draghi defended Speranza in public and dismissed the rumors about his possible replacement but was also forced to correct his policy providing for a reopening plan that will be implemented in the coming days. Draghi showed his method: intervening on policies without altering the balance between parties, which however remain largely influential on the executive. For this reason, continuity with the Conte 2 government remains strong, both in the composition of the executive and in its basic program, despite Draghi's adjustments. In order to maintain his position, the Prime Minister risks appearing a prisoner of the parties and perhaps excessively tied to the old approach of Giuseppe Conte.

This situation is also important for understanding the future of the reforms that Draghi will have to develop with the Recovery Plan. There is the possibility that the plan may not vary much from that of the previous executive precisely because of the resistance of the parties and ministers of the old majority. In particular, on the side of youth and research and development measures, there are still many uncertainties about the policies as well as the risk that one-off bonuses and clientelist policies could be undertaken rather than programs for providing a boost to the technological and economic development of the country. The right-wing parties of the government coalition for the moment limit themselves to pressuring Speranza and Draghi and defending the interests of self-employed workers and small businesses, but without offering wide-ranging solutions to Mario Draghi. However, it is not excluded that the Prime Minister may find a stronger cooperation from Salvini and Berlusconi on economical issues to counterbalance the conservatism on the program of the left parties.

To date, there is still no draft of the Draghi government's Recovery Plan and in the coming weeks we will understand if there will be a request for an extension (as Spain has already done) or if a list of reforms and investments will appear. The previous executive had been accused of being late and of having concentrated too much effort on measures relating to welfare and the hiring of public personnel instead of designing new infrastructures and investing in businesses. Draghi's task should be to bring the Italian Recovery Plan into line with European and international standards. Will he succeed? Much will depend on his ability to impose himself on the parties, but it is not an easy match. Italy is a parliamentary republic and the risk that the vested interests of the parties prevail in Parliament is high. The impression is that Draghi can fix the previous government's Recovery Plan, but that he is not

strong enough to radically change it. A situation that risks ending the Draghi experiment, or at least this majority, in 2022 after the election of the new President of the Republic by Parliament.

A continuity with the past is that of state intervention in the economy. Draghi confirmed the previous public plans that provide for State intervention in Alitalia, Autostrade and in the former ILVA steel plant. The indebted Italian state, therefore, will face the challenge of directly managing production companies that will require high-level public management. Looking ahead, this will be one of the most interesting challenges of the Draghi government. The Italian state transiently assumes new economic risks that can turn into success or failure. Certainly, the public capital in Italy today shows more vivacity than the private one. And this increases the unknowns related to a strong economic recovery.

Instead, Draghi's break with the past is clear as regards foreign policy. In this field, the PM is freer from relations with parties and therefore can act with more incisiveness. The extensive use of golden power on strategic public and private assets shows the growing hostility of the Draghi government towards Chinese investments and highlights a pro-American line. A big step forward with respect to the ambiguities of the Conte governments. The protection of national interest on the Mediterranean front is also much more assertive. Draghi used harsh tones against the Turkish leader Erdogan, who threatens investments and Italian influence both in Libya and at sea. Draghi was in Libya recently and tried to give Italy a leading role and to mend an alliance with France for the management of the Libyan chaos. On these dossiers, Draghi's personal ability has a greater weight and the Italian strategy is clearer and more muscular.

1.2. Mapping risks

There are three major risks at this moment concerning the Italian political system:

- a) **Social tensions.** In the last week in Rome there have been numerous tensions due to the protest of restaurateurs and traders affected by the lockdowns. They are small riots, but they should not be underestimated. If the lockdown were to continue into the summer, social tensions could convert into political tensions among the parties of the majority;
- b) **State-regions relationship.** The government is trying to centralize healthcare decisions and standardize vaccination policies. However, the resistance of some regional governors remains who intend to protect their interests by choosing which categories to vaccinate first. A dynamic that slows down and increases the uncertainties relating to the immunization process of Italians;
- c) **Big vs small capitalism.** A risky scenario is emerging in the economic field: the State is increasing its interventionism to safeguard some large companies, but at the same time the small business, most affected by lockdowns, feels sacrificed and abandoned. The risk is a growing wave of unemployment and bankruptcies in trade and tourism and an excessive concentration of public resources towards large companies in difficult situations (Alitalia; formerly ILVA). A lack of

balance in the distribution of these resources risks exacerbating the political indifference of the less guaranteed.

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