

Luiss
School of Government

Mapping Italy: scenario and political risks

No. 5 May 2021

LUISS



Table of contents

1. Scenario and risks	3
1.1. Scenario	3
1.2. Mapping risks	5

1. Scenario and risks

1.1. Scenario

The Draghi government has presented the Recovery Plan (NRRP), which has now reached the desks in Brussels. The plan has been modified and deepened compared to the versions that had circulated at the time of the Conte 2 government. The executive has focused more on the tools of bureaucratic simplification and has directed resources towards public investments rather than towards welfare measures as emerged from the drafts of the previous government. The Recovery Plan is an ambitious and long-term program and the Draghi's government can only set up the blueprint for reforms. Indeed, reforms such as those of justice, public administration and digitalization will take years and therefore a timeline that will go well beyond this legislature. Not only politics, but also the public administration, the education system, and industry will be put to the test and the possible beneficial effects of the Recovery Plan will only be seen in a few years. But precisely because the NRRP is a program much of its success will depend on the next steps rather than on the drafting phase. In other words, this plan must be translated into law decrees, legislative decrees, laws, regulations and then the organisation of offices, tenders, and public works. All this complex apparatus is not seen today, but it will have to be deployed in coming months.

A process that is complicated by the precarious balance between the parties.

Enrico Letta is in a difficult position. He inherited a Democratic Party (Partito Democratico, PD) which had staked everything on Giuseppe Conte, underwent a government crisis that it did not want and then ended with a Draghi government based on a national unity coalition with League (Lega) and Go Italy (Forza Italia). As a consequence Conte himself then took over the leadership of the 5 Star Movement (Movimento 5 Stelle), a party with which the PD was trying to build a structural alliance. Letta had to accept a government with adversaries from the right-wing forces, portrayed by the democrats as anti-European and nationalist. Moreover, after ten almost continuous years of government it is difficult for the PD Secretary to send clear political messages when there is a technocratic leadership such as Draghi's. The situation is made more complicated by Giuseppe Conte's descent into the arena. The two former prime ministers are competing for "a seat for two" and the seat is that of the centre-left leadership. The race will start with the local elections next autumn, but it is already evident that the two rival offers will tend to overlap and it will not be easy for the Democratic Party to erode the base of the 5 Star Movement, even if the Democrats will almost certainly be the largest party in the alliance. All this is happening while the 5 Star Movement itself is in a long phase of transition and decline. Conte is the new frontman, but his leadership capacity will have to be measured in coming months and it will

be necessary to see whether he will be able to keep the party together or whether there will be other parliamentary exits.

Then there is a second problem which is internal to the government majority. In this grand coalition scenario, Letta is forced to attack the League practically every day to point out the difference between his party and the right. In this context, therefore, the tension between Letta and Salvini appears excessive and risks putting the Prime Minister in difficulty.

The League leader himself is putting great pressure on the government as he leads a declining party. From 34% at the European elections in 2019 today the League stands at around 22% in the polls and it is unlikely that it will be able to return to the top. There is also a problem in the League's future. In the next few years, the League may risk either continuing to be involved in coalition governments that converge in the centre, and not on the right, or becoming the second party in the centre-right coalition. Indeed, Giorgia Meloni's party Brothers of Italy (Fratelli d'Italia) continues to grow in the polls to the detriment of the League and is dangerously close in virtual consensus to Salvini's party. Meloni can take advantage of being the only party in opposition to grow further. For this reason Salvini's future does not appear secure. Even if after the next elections there were to be a centre-right government, it seems difficult for the leader of the League to become Prime Minister. Also because it is the moderate wing of the League, led by the Minister for Economic Development Giancarlo Giorgetti, and not Salvini that manages the negotiations with the other parties and it will be increasingly so in the near future precisely due to the weakening of the League secretary.

In this scenario, Conte and Letta have an arrow in their quiver. The candidates from the Catholic left to replace President Mattarella are close to both leaders and are numerous, and so the previous governing majority as from the fourth ballot on (the first three ballots require a 2/3 majority of Parliament to elect the President of the Republic and if no one achieves that, the President can be elected with an absolute majority as from the fourth ballot) has the numbers, albeit barely, to elect the Head of the State. And it is the scheme that the Secretary of the PD has in mind. For the centre-right it would be a Waterloo, yet another defeat in the election of a President of the Republic, as well as the probable end of this majority. And it is there that the political ability of League and Go Italy will be measured since there is only one possible candidate who can emerge to sink Letta's scheme. And that candidate is called Mario Draghi who could be elected by the same majority on which his government rests. Any other name presented by the centre-right coalition would almost certainly not have the numbers. In these dynamics, which will unfold in coming months, it will be necessary to keep an eye on Renzi's small party which in the current Parliament could become fundamental from the fourth ballot on for the election of the Head of State. The former prime minister will be able to choose whether to unite with his old allies or whether to favour a solution that includes Salvini and Berlusconi. The next few months will tell us whether the grand coalition will resist the election of the President of the Republic.

1.2. Mapping risks

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

- a) **Corporatism and the recovery plan.** Being besieged by corporate interests is the main risk for the Recovery Plan. This problem can lead to two different scenarios. The first is creating a detrimental compromise between the government and the parties of the coalition, with the dispersion of NRRP resources in micro-reforms and micro-policies. It would be a wasted opportunity as it would give oxygen for a short time to the coffers of the Italian state, but without resulting in an overall reform that would lead to economic recovery. The second is that of a division of resources between the strongest actors (parties, trade unions, bureaucracy, large companies) in which everyone takes a substantial slice of the pie, but without shortening the distance between divergent interests. This dynamic would result in an orderly subdivision with the effect of protecting a few and leaving many indifferent (and excluded). Both scenarios are plausible and risky for the future of the Italian political economy.
- b) **Judicial power out of control.** Internal scandals continue in the Italian judiciary, which increasingly appears to be a politicised power without internal and external counterweights to the institution. Meanwhile, justice reform has been postponed for a few months. The risk of institutional chaos and inconclusiveness in the reform of justice is real. Malfunctioning of justice remains a problem for both political stability and legal certainty.

Luiss

School of Government

Via di Villa Emiliani 14
00197 Rome
T +39 06 8522 5052-5065
F +39 06 8522 5056
sog@luiss.it