

Italian government in turmoil after resignation of Prodi

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13 October 1998

After losing a vote of confidence over his planned budget by one vote, Italian Prime Minister Romano Prodi tendered his resignation to President Oscar Luigi Scalfaro on October 9. Prodi's fall was precipitated by Rifondazione Comunista (RC-Communist Refoundation), the party set up by one faction of the former Italian Communist Party (PCI). His 'Olive Tree' coalition government was dependent on RC for a majority in the Chamber of Deputies.

Olive Tree came to power two and a half years ago. On several occasions RC threatened to withdraw support from the government, only to retreat when offered minor concessions. This time its leader Fausto Bertinotti opposed calls by a minority within the party and a majority of the party's MP's to back Prodi.

For two years RC combined support for Olive Tree with appeals for increased public spending to reduce unemployment. Prodi's latest budget paved the way for massive public sector cuts and attacks on state pensions and health provisions. Bertinotti feared that this would provoke an explosive reaction in the working class from which his party would not recover.

Prodi offered the immediate introduction of a 35-hour week as a sop to RC, and said that Italy would not take part in an offensive against Serbia without the approval of the United Nations Security Council. Despite this, on October 3 RC's National Political Committee voted against the Finance Act containing next year's budget.

In response, Armando Cossutta, RC president, resigned his post, expressing 'total contempt' for the party's decision. He now leads the majority of RC deputies who voted for Prodi's budget.

In the aftermath of the vote, president Scalfaro asked the government to remain in place to handle day-to-day business. The president is consulting party leaders in order to find a workable majority before he resorts to

dissolving parliament. He hoped Prodi would patch together a wider-based coalition to push through the 1999 budget and avoid elections, but Prodi has refused.

Scalfaro will probably try to secure parliamentary backing for the appointment of a 'technocratic' prime minister in order to push through the budget and other important legislation, such as reform of the electoral system. Among the possible leaders of such a government are Carlo Azeglio Ciampi, treasury minister, and Lamberto Dini, foreign minister, both former prime ministers, and Nicola Mancino, head of the upper house, the Senate. This could only be a temporary measure. Silvio Berlusconi, leader of the right-wing opposition party *Forza Italia*, has called for immediate elections. Moreover, Scalfaro's seven-year presidential mandate ends next spring and he cannot dissolve parliament during the final six months of his term of office. This means that under the constitution elections must take place before November 24.

Some leading political figures have suggested that Massimo D'Alema, leader of the Left Democrats, the largest party in Olive Tree, could form a new government with support from smaller parties. The Left Democrats was formed by the Democratic Party of the Left (PDS), the largest group to emerge out of the break-up of the Communist Party. One possible variant is an accord between D'Alema and Francesco Cossiga, leader of the newly formed group of former Christian democrats, the UDR. D'Alema and Cossiga have already held discussions.

Prodi's resignation comes less than three months before Italy was to become a founder member of the European Monetary Union (EMU). His government's mission was to ensure that Italy met the criteria for entry into EMU next year. He did so, but just barely. In May Italy's budget deficit came within the required 3

percent, but much of this was due to changes in interest rates. The country's public sector debt remains almost double the supposed limit of 60 percent of GDP, and accounts for almost one-quarter of the EU's public sector debt.

On top of this, the growing crisis on world markets has hit Italy hard. Official forecasts for GDP growth have been scaled back to 1.8 percent, down from 2.5 percent. Unemployment stands at 12 percent, and more than double this figure in some areas. The incoming administration being cobbled together is faced with imposing the same attacks that Prodi tried to legislate, but under conditions where it will have little credibility.



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