Italian Prime Minister Berlusconi announces his resignation

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Italian Prime Minister Silvio Berlusconi announced his resignation Tuesday evening. He plans to stay in office until the Italian parliament has adopted the austerity measures demanded by the European Union, a process that could take several weeks. Berlusconi told the newspaper *La Stampa* that he did not intend to stand in the next general election, planned for February.

The immediate reason for Berlusconi's resignation was the loss of his parliamentary majority. In the vote Tuesday on the financial report for the year 2010, only 308 out of 630 MPs voted in the affirmative, eight fewer than an absolute majority. Following the election in the spring of 2008, the government had controlled 344 seats.

In the event, the annual report was adopted Tuesday, but only because the opposition abstained.

Berlusconi's resignation was welcomed with relief by many in Italy. Hundreds of thousands had protested against his policies in recent months, his party had lost a string of regional elections, and in a recent poll 75 percent of respondents declared their opposition. However, the initiative that led to his resignation did not come from the parliamentary opposition, but rather from the international financial markets, the European Union, the Italian employers' associations and his own political camp.

In recent months Berlusconi had come under increasing pressure because of his failure to implement with sufficient rigour the austerity measures demanded by the EU. Business leaders, bankers, credit rating agencies and EU officials had urged him to make way for a new government.

“The fate of the Berlusconi government must be decided in the next few hours, the next few days in parliament,” fulminated Emma Marcegaglia, president of the Confindustria employers’ group. The owner of the luxury shoe brand Tod's, Diego Della Valle, financed a full-page ad in major newspapers with the headline: “Politicians: It's enough!”

Even Pope Benedict XVI intervened and urged a “moral renewal” of Italy in a telegram to President Giorgio Napolitano.

Several MPs from Berlusconi’s People of Freedom (PdL) resigned from the party and his coalition partners turned against the head of government. Northern League (Lega Nord) leader Umberto Bossi called upon Berlusconi “to step aside” and hand over the reins of government to the PdL chairman, Angelino Alfano, who is 34 year younger than Berlusconi.

Financial markets and stock exchanges reacted like a seismograph to rumours about Berlusconi's intentions. When he indicated that he would stay in office, markets went down. When he signalled his intention to resign, they rebounded. Shortly before his resignation announcement, interest rates for ten-year Italian government bonds climbed to a record high of 6.7 percent. This is the highest level since the introduction of the euro in 1999.

However, financial markets in Europe and the US were sharply lower Wednesday in part because Berlusconi’s exit seemed likely to be delayed for a number of weeks.

Along with Greece, Italy--the third largest economy in the euro area and the seventh largest in the world—is now at the heart of Europe's debt crisis. The country's debt of 1.9 trillion euros far exceeds the capacity of the European Financial Stability Facility (EFSF). For days, the interest rates on Italian government bonds have been climbing to frightening heights. Should Italy no longer be able to fulfil its commitments to its creditors, its state bankruptcy would threaten the entire European Union.

At last month’s EU summit in Brussels, Berlusconi was put under huge pressure to undertake a draconian austerity program. In order to satisfy the banks, Italy was called upon to increase its retirement age, collect additional taxes, slash social services, privatise state property, abolish legal job security provisions, reduce public sector wages and lay off large numbers of state employees.

The assembled leaders made no secret of the fact that they did not trust Berlusconi to implement these austerity measures. Asked by journalists about Italian budgetary policy, German Chancellor Angela Merkel and French President Nicolas Sarkozy responded only by exchanging a sarcastic grin.

This month’s G20 summit in Cannes put Italy under the guardianship of the International Monetary Fund (IMF). The Italian government must deliver a report on the implementation of austerity measures to the IMF every three months.

With the representatives of the international financial markets and Italian big business intent on pushing for massive austerity measures and a rapid change of government, the official Italian opposition sought to prevent any popular mobilization. It is concerned that the political instability associated with a change of government could facilitate the direct intervention of the masses into political events. It is seeking to avoid such a development at all costs.

The behaviour of the largest opposition party, the Democrats (PD), whose roots go back to the collapse of the Italian Communist Party, assumed bizarre forms. On Tuesday, they deliberately refrained from toppling Berlusconi. By abstaining in the vote in the Chamber of Deputies, they allowed the adoption of the government's annual report. Had they voted against Berlusconi and inflicted a defeat, he would have had to resign immediately.

After the vote, PD chief Pier Luigi Bersani directly addressed Berlusconi and called on him to resign voluntarily, declaring: “I do not dare to believe that you would not take this step.”

The Democrats want to avoid early elections because they fear political convulsions and estimate that they have only a slim chance of electoral success. They unconditionally support the dictates of the IMF and the EU and have nothing to offer voters apart from austerity. On Tuesday evening, Bersani explicitly expressed in parliament his willingness to take "his share of responsibility for the country."

At a rally last Saturday at the Piazza San Giovanni in Rome, Bersani had already agreed to cooperate in a successor government with the other parties. At his side were seasoned European social democrats—Francois Hollande of the French Socialist Party and Sigmar Gabriel of the German Social Democratic Party. Susanna Camusso, head of the largest trade union confederation, the CGIL, was also in attendance and stated that Berlusconi had to resign “to enable Italy to reclaim an autonomous cabinet.”

The Democrats favour the formation of a transitional government of technocrats to implement the austerity measures demanded by the financial markets. They have promoted the 68-year-old economics professor and former EU commissioner Mario Monti as the new head of government, a proposal that has bipartisan support.

Should Berlusconi actually resign, the initiative to form a new government lies with the 86-year-old president, Giorgio Napolitano, who also hails from the Communist Party. He can continue the business of the previous coalition government under new leadership, convene a transitional or technical government, or call parliamentary elections for the spring of 2012.

Until then, Berlusconi can use his position as head of government to prepare his succession. Unlike the Democrats, he advocated early elections and has already named 41-year-old Angelino Alfano as his successor.

A native of Sicily, Alfano served Berlusconi from 2008 to 2011 as justice minister and currently heads the ruling PdL. As justice minister, he was responsible for a law named after him that granted Berlusconi immunity from legal prosecution during his tenure in office. The law was subsequently overturned by the Constitutional Court.

Alfano is rumoured to have links to the mafia. In 1996 he was seen kissing the father of the bride at a wedding of the daughter of a mafia boss.

The prospect of Berlusconi determining his own succession was sufficient to send the markets into a tailspin after they had recovered slightly following his resignation announcement. On Wednesday the interest rates for Italian government bonds reached a new high of over 7 percent.

The representatives of the ex-left Communist Refoundation (PRC) and its spin-offs also support the policy of “national consensus” and seek to aid the revival of the Italian economy at the expense of the country's workers.

Paolo Ferrero, PRC chief and leader of the “Left Alliance,” criticized the two major political camps, accusing them of "massacring" the population. But his own demands actually dovetail with those put forward by Sarkozy and Merkel, including "preventing financial speculation," separating commercial and speculative banking, introducing a tax on financial transactions, and stopping so-called “short selling” on financial exchanges.

From 2006 to 2008, Ferrero was minister of social affairs in the government headed by Romano Prodi. During his period in office, Ferrero supported social cuts, attacks on the pension system, the expulsion of Roma, and Italy's military interventions in Lebanon and Afghanistan.

In an interview, Nichi Vendola, ex-PRC leader and governor of Puglia, said that “we need to tackle the Italian problem, which manifests itself in very high debt and low growth.” Vendola called for “a new version of the Olive Tree” alliance, i.e., a repeat of the Prodi government.

Vendola also described President Napolitano as a “beacon” whose words he was always happy to hear. He made it clear that he was ready to cooperate, if necessary, with the most right-wing forces, “Although I am probably the farthest from Berlusconi, I still hope to be able to cooperate with parts of the majority,” Vendola said. In Puglia he had concluded a pact with the regional PdL minister, Raffaele Fitto. “One cannot live as if one were permanently in an election campaign,” Vendola added.

Such politicians, who call themselves “left,” agree on the necessity of austerity measures and unprecedented attacks on workers dictated by the financial markets. The last thing they want is a political struggle that could mobilize the working class.