

# New government crisis in Italy after resignation of five ministers

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Just five months after taking office, the Italian government is set to collapse. On Saturday, the coalition led by Enrico Letta, comprising the Democratic Party (PD) and the People of Freedom (PDL), broke apart when all five PDL ministers resigned, following a call from PDL leader and ex-Prime Minister Silvio Berlusconi to bring down the government.

Shortly beforehand, Prime Minister Letta (PD) had called a vote of confidence for Tuesday, to establish a clear majority, as he said. He was responding to the threat of the PDL to leave the government if Berlusconi was excluded from the Senate.

To justify its decision to pull out of the Letta government, the right-wing PDL cited its opposition to Letta's tax increases, which the PDL had criticized during the election campaign. Berlusconi published a letter calling on the PDL ministers to resign, "so that they and the People of Freedom are not complicit in measures with which the left oppresses Italians."

Besides manoeuvring to make a populist appeal to discontent with the Letta government's reactionary social agenda, Berlusconi aims to evade the political fallout from his sentencing to one year of suspension from political activity and house arrest in August, for tax evasion. In mid-September, he also lost his trial on charges of bribing judges. Further trials for having sex with minors and for bribing parliamentary deputies are also due to conclude shortly.

In mid-September, the Senate Immunity Committee ruled against him, and on Friday, the chamber of deputies will make the final decision as to whether he can conserve his parliamentary immunity. Last Thursday, several PDL deputies resigned to protest Berlusconi's exclusion from the Senate.

Letta, who last week participated in the UN General

Assembly in New York, announced a vote of confidence immediately after his return. Then on Saturday, his deputy, Berlusconi confidante Angelino Alfano (PDL), announced the resignation of all five PDL ministers.

The government crisis takes place amid a deep economic and political crisis. Italy is in the longest recession in its history and has fallen deeply into debt. The IMF forecasts that the Italian economy will contract by 1.8 percent this year. The national debt amounted to over €2 trillion, or over 130 percent of gross domestic product (GDP). The new debt is expected to rise above the Maastricht limit of 3 percent of GDP.

Letta threatened that the political crisis will continue to drive up the cost of borrowing for the Italian government, plunging Italy into chaos. The interest rates for ten-year government bonds have recently risen to 4.5 percent.

The government needs to raise €84 billion a year just to make interest payments on the debt, which consume over 10 percent of total government expenditure (€808 billion). The government must present a so-called stability budget for 2014 by October 15, and which must meet the requirements of the EU.

The new 2014 budget faces a gaping hole of €6 billion. The Letta government is therefore planning new attacks on working people. From Tuesday 1 October, VAT (sales tax) will be raised from 21 to 22 percent, bringing in €1 billion. Two and a half billion more will come from real estate tax on a first house, which Berlusconi's party has previously blocked.

The government now wants to partially privatize state firms; Letta used the visit to New York to win over foreign investors. Spanish company Telefonica wants to come on board at Telecom Italia, and Air France

wants to increase its share of Alitalia to 50 percent. Both sales will be tied to deep job cuts, with an estimated 16,500 jobs lost at Telecom Italia and 2,000 at Alitalia.

These measures will further drive up unemployment. Officially, it stands at 12.5 percent, having risen by 1.5 percent over the last year—though this massively understates the extent of unemployment, as anyone who has worked at least one hour in the last week is counted as “employed.” Unemployment is about twice the official figure.

Nonetheless, youth unemployment is at a staggering 39.5 percent, 10 percent more than two years ago. Nearly 600,000 people have lost their jobs over the last year.

All this has raised tensions to breaking point. For this reason, most leading politicians are opposed to new elections.

President Giorgio Napolitano sharply criticized the PDL, and called on the government to close ranks. The country needs a stable government, Napolitano said. New elections were only “the last resort”. He continued, “We need a parliament that debates and works, but that does not keep dissolving itself. We do not need this constant election campaign. The government needs continuity.”

One exception is Beppe Grillo, who wrote that Napolitano was to blame for the crisis and should not oppose new elections.

Grillo’s Five Star Movement is, if anything, even further to the right politically than the government parties. He has long called for drastic cuts in the state budget. In a recent interview with Germany’s *Zeit*, Grillo defined Italy’s problem as follows: “Our problem is that we have nine or 10 million pensioners and nearly five million state employees, some of them vote for Berlusconi, another part for the Left Democrats (PD).”

All the others would vote for him, Grillo, and he is ready to form a government alone, using the old undemocratic electoral law. This law awards a “majority bonus” to the party that wins the most votes, even if it did not achieve an absolute majority. The electoral law is “absolutely unfair”, Grillo said, “I want to abolish it and introduce proportional representation—but only after I have triumphed under the current election law.”

Guglielmo Epifani, leader of the Democrats and former CGIL (General Confederation of Italian Labor) union leader, called the resignation of the PDL ministers the last act in the collapse of a fractious government. He was sitting with Nichi Vendola and other centre-left politicians on the podium of a colloquium in Torre del Greco near Naples when the government crisis broke out.

Epifani also warned against new elections, which would only bring fresh instability. Together with Vendola, he supports the regrouping of the “left” to enable the formation of a government without Berlusconi. The Democratic Party could no longer participate in a government that can be paralyzed by threats and blackmail, Epifani said.

Vendola, head of SEL, the successor to Rifondazione Comunista, and State President of Apulia, called on the PD to give “a strong response”. He said, “I appeal to the PD to end the alliance with the crocodile [i.e., Berlusconi]. In parliament, a majority must be found both for the new electoral law and for the stability pact.”

In the House of Representatives, the Democrats have a large majority, but in the Senate they need the votes of representatives from the PDL, or from the opposition, to form a ruling coalition. They could hope to win a layer of renegades from the PDL, which is badly divided.

At the weekend, Berlusconi renamed his party Forza Italia—the name of the populist party with which he won the 1994 elections, and which joined with the “post-fascists” to form the PDL in 2009—manifestly hoping to make a similar populist appeal. Napolitano and Letta hope to win PDL members and deputies who do not want to join the new Forza Italia for a change of sides.



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