

# New Italian electoral law fails

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A new electoral law, agreed on by Italy's four main parties, was rejected by the chamber of deputies on Thursday after two days of debate.

Matteo Renzi's Democratic Party (PD), Silvio Berlusconi's Forza Italia, Beppe Grillo's Five Star Movement (M5S) and Matteo Salvini's xenophobic Lega Nord had agreed on a reform of the electoral law the week before. A new electoral law is a precondition for the holding of a new election for the Italian parliament, following the rejection of a constitutional referendum by the electorate last autumn.

The heads of the four parties had agreed to hold the election in September, rather than the original date of May 2018. But due to differences on minor technicalities, the opposition of smaller parties and of MPs fearing to lose their seat, the law was voted down.

A proportional representation system modelled on the German system, including a requirement that parties obtain 5 percent support in order to secure parliamentary representation, was planned. Half of the seats were to be elected in constituencies, while the other half was to be determined on the basis of a party list system.

Matteo Renzi, who resigned his position of prime minister and stepped down as PD chairman after losing the referendum last December, has led the calls for the new electoral law. He was re-elected PD chairman in a ballot in April and intends to return to power as soon as possible.

He won the support of Silvio Berlusconi, who, despite being 80 years of age, continues to play the leading role in Forza Italia. Berlusconi's extremely weakened party would have little hope under the current majority voting system, so Berlusconi backed Renzi's proposal for a system based on proportional representation. The close collaboration between the two men on the electoral law was seen as preparing the way for a future government coalition.

The Five Star Movement backed the proposal because it wants to make use of its present popularity—the party is currently running neck-and-neck with Renzi's PD in the polls at 30 percent—before it declines under the weight of scandals and corruption affairs. However, the party introduced approximately 100 amendments to the motion on the electoral law. This contributed to its failure.

The far-right Lega Nord, which has developed from a regional into a national party, currently has between 12 and 13 percent support in the polls. It has no reason to fear the 5 percent hurdle and would win significantly more seats under a proportional system than it would under a majoritarian one. There is speculation that the party could form a coalition with Grillo's Five Star Movement.

The electoral law was opposed by smaller parties that would likely fail to surpass the 5 percent support required for parliamentary representation. This was the case with Alternativa Popolare (AP) of Foreign Minister Angelino Alfano. The split-off from Berlusconi's party is presently the junior partner in a coalition with the PD, even though it won just 2.2 percent of the vote.

Alfano declared his deep disappointment with the electoral reform and stated last Friday, "My cooperation with the PD is over." However, he held on to his post as foreign minister. He stated that he supports President Paolo Gentiloni and accused Renzi of planning to overthrow Gentiloni with the electoral reform.

Two AP representatives, Pizzolante and Formigoni, accused Renzi of demanding of them that they support his efforts to topple Gentiloni and that in exchange he offered to lower the 5 percent hurdle.

The election reform was not only meeting with opposition from the smaller parties. The financial markets and sections of the ruling elite have also

reacted with extreme nervousness. The cost of Italian government bonds has risen dramatically. The spread between Italian and German bonds rose to 2 percent, expressing fears that the Italian state could go bankrupt.

The corporate press referred to Italy's high level of state debt, which at almost €2.3 trillion currently stands at 133 percent of GDP. This is the highest debt burden among eurozone member states.

Paolo Gentiloni (PD) who took over the government from Renzi six months ago, quietly reached agreement with the European Union (EU) on an austerity programme and harsh attacks on the working class. The agreement with the EU foresees to sharply reduce the budget deficit, which will entail cuts of between €15 and €30 billion. These cuts will be contained in the 2018 budget, which according to EU stipulations must be tabled by October 2017.

Under these conditions, a section of the bourgeoisie would prefer to avoid new elections altogether. An election campaign would inevitably be accompanied by widespread public discussion of austerity policies. The government could hardly afford to adopt unpopular austerity measures in the midst of an election campaign, and even if a new government came to power willing to do this, the election campaign would delay the tabling of the austerity budget.

Renzi, who was praised to the skies by the business press when he presented himself as the "shredder" of the entrenched elites and rammed through the Jobs Act, a brutal labour market reform, is now suddenly viewed as someone who is disrupting stability.

The *Frankfurter Allgemeine Zeitung*, the mouthpiece of the German stock exchange, titled an article "Is Renzi endangering the country's financial stability?"

"Italy's former Prime Minister Matteo Renzi increasingly faces the accusation of risking Italy's financial stability with his advocacy of a snap early election in September or October," the newspaper wrote. "Renzi's critics consider it near impossible to adopt the Italian budget for 2018 on time with an election in the autumn. There could subsequently be no government capable of acting."

The background to this is the renewed intensification of Italy's banking crisis. The EU approved just a few days ago an assistance package of €7 billion for the Monte dei Paschi di Siena (MPS) bank. It is accompanied by harsh conditions to more effectively

organise the financial sector.

The massive burden of toxic assets on the Italian banks remains unresolved. Three additional banks are now in crisis, Popolare Vicenza, Veneto Banca and Banca Carige. In addition, the cooperative banks are on the verge of the abyss. They emerged in the 1970s on the basis of reformist conceptions pushed by the Communist Party, but have taken part no less than the normal banks in speculative activities over the past 20 years. Several coop banks, like the Mondragon-bank in Spain, are highly indebted.

An election is seen in this situation as a disruptive factor, even if all parties participating are committed to enforce the EU's austerity measures. An election also raises the danger of the Five Star Movement and Lega Nord coming to power, which would initiate Italy's break with the EU and thereby seal the fate of the bloc.

The 91-year-old former president Giorgio Napolitano has also spoken out against an early parliamentary election. There was no reason for this, he said, because the Gentiloni government had the reins of power firmly in its grasp. It would thrust Italy into political instability, he warned.

The financial elite has been on good terms thus far with the Gentiloni government. His unelected government quietly agreed with the EU over a new bank rescue package. He has strengthened the state, adopted measures against refugees and is preparing a military intervention in oil-rich Libya.

The pseudo-left parties, the Sinistra Italiana of Nichi Vendola, and two other new split-offs from the PD, have rejected the latest electoral reform proposal. All three parties were founded at the beginning of the year with the great promise of building an opposition movement to Renzi. But they have supported the Gentiloni government without protest ever since.



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