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D-7  
7 days before  
the poll

# The gap shrinks between left and right just one week before the Italian parliamentary elections

Just one week before the elections in Italy all of the polls forecast victory for the left. The Italy Common Good Coalition, led by Pier Luigi Bersani comprising the Democratic Party (PD), Left, Ecology and Freedom (SEL) led by Nichi Vendola, the South Tyrolean People's Party and the Socialist Party (PSI) led by Riccardo Necini is due to win a majority in the Chamber of Deputies and therefore achieve the advantage it needs to clinch 340 seats (out of a total 630). But the situation is not so clear-cut in the Senate (315 members) where a majority bonus is granted to the coalition that wins the election in each of the regions. Four of them are involved: Campania, Venetia, Lombardy and Sicily. In the latter two the gap between the left and the right is less than three points.

Since Italy is a country in which there is equal bicameralism (both Chambers enjoy equal power), the left must absolutely win the majority in the Chamber of Deputies and in the Senate to be able to govern. And nothing has yet been decided.

The latest opinion polls were published on 8th February last (it is now illegal to publish them until Election Day). The Tecne Institute credits the left with 33.1% of the voting intentions; Silvio Berlusconi's right (People's Party for Freedom (Pdl) with 29.4%; the Five Stars Movement (M5s) led by Beppe Grillo with 16.3% and the centre led by outgoing President of the Council, Mario Monti with 12.6%. Demoscopia forecasts 33.6% for the left, 28.5% for the right, 18.2% for M5s and 13.6% for the centre. Piepolo, which is forecasting 35.5% for the left and 30.5% for the right is the only one to position Mario Monti's centre ahead of M5S with 16% in comparison with 14% for Beppe Grillo. Many voters are undecided.

Forecast with 10 points less than the left at the end of January Silvio Berlusconi is now four points behind Pier Luigi Bersani. This is a spectacular recovery, but it might have now peaked however. The polls indicate that there might be an alliance between the left and the centre after the elections. A government led by Pier Luigi Bersani in which Mario Monti would be Economy Minister will probably not encourage the enthusiasm of the most radical party in the left coalition, Left, Ecology and Freedom (SEL). The latter is against any rapprochement with Mario Monti. "Mario Monti's presence in

the government would be .a guarantee of confidence for Europe and confidence for the markets," maintains James Watson, professor of Political Science at the American University of Rome.

The markets are responding to this uncertainty. Italian interest rates have risen and the Milan stock exchange has declined. Italy has borrowed 3.5 billion € over three years at 2.3%; just one month ago the rate totalled 1.85%. According to the Italian statistics institute Istat, consumer moral lay at 84.6 in January, its lowest level ever since 1996, when statistics of this kind were first published.

On the same day as the parliamentary election three Italian regions will be renewing their regional parliaments: Lombardy, Latium and Molisa.

## The Left Struggling

Italy was shaken at the beginning of February by a financial scandal when the Monte dei Paschi di Siena Bank (MPS), the country's third most important financial establishment and the oldest in the world (it was founded in 1472), was accused of having concealed losses of 730.3 million € between 2006 and 2009

thanks to derivated product operations. The bank was saved by 3.9 billion € issued by the Bank of Italy in the shape of special bonds. The State granted the MPS a loan corresponding to the total of the new property tax (tax on the main place of domicile, IMU (*Imposta municipale unica*)), introduced by Mario Monti, which is a burden to many Italians 80% of whom are homeowners.

In 2007 the Monte dei Paschi di Siena bank acquired the AntonVeneta bank for 10 billion €, which a year prior to that was worth 3 billion less. The magistrates are looking into the possibility of bribes having been paid during the re-purchase and suspect the establishment's executives of having taken 5% commissions on all financial operations. This affair is particularly damaging for the left. Indeed  $\frac{3}{4}$  of the members of the administrative board of the Monte dei Paschi di Siena bank are members of Pier Luigi Bersani's Democratic Party.

Although Silvio Berlusconi, who in the 1970's and 80's took advantage of loans from this establishment has spoken little of the affair, Antonio Ingròia, the left coalition Civil Left Revolution's candidate [1] for the post of President of the Council and especially Beppe Grillo, who rushed to Sienna, the bank's HQ to denounce the financiers' management and the waste of public money, are making the most of the situation. "We are sure that the left has a great deal to say about Monte dei Paschi di Siena but instead of that it is saying nothing," declared Angelino Alfano, the PdL leader.

It is far from certain that Pier Luigi Bersani's coalition will win the majority that will enable him to govern on 25th February next. He is carefully sparing the outgoing President of the Council, the only candidate with whom he might join forces. "After the parliamentary election I shall be prepared to form an alliance with all of those who are against populism and Silvio Berlusconi. Amongst these feature Mario Monti," he indicated in Berlin on 6th February last. "I shall be available for an alliance with those who commit to structural reform," answered the head of government.

The leftwing leader maintains that the Democratic Party is the most pro-European movement in Italy. He reassures the financial markets about the entry of the

left into office saying that he wants to continue the reforms introduced by Mario Monti even though he wants others to be set up.

### Mario Monti's First Campaign

A political neophyte, the outgoing President of the Council called on David Axelrod, the American political consultant and advisor to Barack Obama, for this electoral campaign. "I realise that I am changing," declared Mario Monti. "The last thing I was thinking of was to run as a candidate," he maintained.

Supported by the Christian Democratic Union and the Centre (UDC) led by Pier Ferdinando Casini, Future and Freedom for Italy (FLI) led by Gianfranco Fini, several centrist groups and Towards the III Republic, a think-tank led by Luca Cordero di Montezemolo, the leader of outgoing Council, want to continue towards spending control and balanced political action, but he is promising the Italians a better future. "We shall block present public spending. The State will not spend one euro more in comparison with 2012. This means a reduction of 4% between public spending and the GDP by the end of the legislature," he indicated. Hence Mario Monti's programme anticipates property tax deductions this year as well as a doubling of the deductions granted to children living at home rising from 50 to 100€. Finally he is promising to reduce taxes on the main place of domicile over the next five years and that on manufacturing activities (IRAP) by 11 billion € and on income tax revenues by 15 billion €. He is standing at the candidate of a European Italy, of the return of growth, of the building of a dynamic social market economy and finally of a change in mentality on the peninsula. "I have seen that many within the Italian economic forces and also those abroad were worried, as far as Italy was concerned, about what might happen after the elections and I thought I ought to try to free the energies we have in Italian civil society," he indicated. "Italy needs radical reform in support of those who do not belong to protected interest groups, as well as for young people who cannot find work because some are over protected," stressed Mario Monti. For example he has criticised the Italian General Labour Confederation (IGLC) which he has qualified as "conservative" and invited Pier Luigi Bersani to silence the most radical

1. Civil Revolution coalition includes Italy of Values (IdV) led by Antonio di Pietro, the Left Federation led by Paolo Ferrero and Oliviero Diliberto which rallies the Communist Revival Party (PRC) and the Italian Communist Party (PdCI) and the Green Federation led by Angelo Bonelli.

members of his coalition *"who want to maintain a fossilised world of work."*

Mario Monti repeats that given the state in which Silvio Berlusconi left Italy he did not have any other choice but to increase taxes. The former President of the Council, who qualifies his successor as a "little leader of the left" answers that the head of government is responsible for the country's situation after an excessive use of austerity. *"The possibility of the Italians still trusting Silvio Berlusconi reminds me of the piper of Hamelin who cast a spell over the rats in order to drown them more easily,"* says Mario Monti ironically, who is trying to be confident. *"The Italians aren't mad,"* he says about a possible return by the *Cavaliere*.

Although the Italians believe that further sacrifice will be inevitable and do not believe in a return of the lire and although they know that thanks to Mario Monti their country has regained its credibility and dignity, they are suffering from the austerity cure that he imposed on Italy and are not as enthusiastic as the European leaders about him. *"In one year Mario Monti has done more than all of the Italian governments since the 2000's,"* stressed Gianni Toniolo, a professor of economic history at the LLUIS University in Rome. The Professor's results are certainly positive but unfortunately incomplete and campaigning on a promise of more austerity, as he faces his rivals who are quick to make the craziest promises, is extremely difficult.

### **Silvio Berlusconi: all guns blazing**

The rightwing leader is undertaking *"his last major electoral and political battle"* banging his drum. He is proud of the length of time he managed to stay in office (he was president of the Council from 1994 and 1996 and then between 2001 and 2006 – when he became the only Prime Minister of the Republic of Italy to have undertake a complete five year term in office – and between 2008-2011); he boasts of his relations with the leaders of Europe. *Sua Emittenza* dominates the media.

On 27th January last, the day devoted to the Memory of the Holocaust, he was quick to say all of the good

he thought of Benito Mussolini. *"By recalling the "good things" achieved by Mussolini, Silvio Berlusconi is simply saying to the Italians: today we need a new strong man for the country and I am that man,"* indicated Ilvo Diamanti, professor of political science at the University of Urbino. *"Just one month from the elections it is a way for Silvio Berlusconi to rally his electorate as far to the right as possible and that share of the Italian population – which is large – who think the same as he does about Mussolini,"* stresses Marc Lazar. *"Regarding fascism, I say what half of the Italians think,"* conclude *Il Cavaliere*.

Silvio Berlusconi has no hesitation in offering a fiscal amnesty – a regular habit in Italy and a measure that was beneficial to him in the elections on 13th and 14th April 2008. He says he will abolish the main residence tax (IMU) introduced by Mario Monti and will give back the Italians the sums they paid in 2012. He has declared that this restitution (effective within one month) would be the first measure he would have the Council of Ministers approve if he became Economy Minister. He believes that it will cost 4 billion € and is planning to conclude an agreement with Switzerland to tax Italian capital (between 100 and 130 billion €) established in the Helvetic Confederation to fund this operation. It would take time for this measure to be implemented and in all events it would be difficult to achieve because of the mobility of capital *"It can work if we find other revenues but I think it is rather more a dream of utopia and demagogy and it would make Italy the only country where main places of domicile were not taxed,"* stressed Fabio Marchetti, professor of fiscal law at the LLUIS University. Mario Monti, who supports a gradual reduction in fiscal pressure, has accused his predecessor, whom he qualifies as a "snake charmer", of corruption. *"It is a nice try at corrupting people"* he added saying *"If we abolish the main residence tax, it would be re-introduced at twice the rate in a year's time."*

*"Any idiot can invent new taxes and impose them on the citizens but only an intelligent man can reduce costs,"* repeats Silvio Berlusconi, who is promising to reduce fiscal pressure by 5 points (from 45% to 40%) in five years. In his opinion the cost of this will total 16 billion € this year, 32 billion next. The former President

of the Council intends to finance this tax reduction by reducing public spending by 800 billion €/year, which is a significant sum indeed.

Silvio Berlusconi has also promised to abolish the regional company tax and not to increase VAT, not to introduce wealth tax, to freeze social charges on any entrepreneur who takes on a young person or someone who is unemployed and to bring down the debt that represents 126% of the GDP down to 100%. Finally he is promising to reduce the cost of government, to reduce the number of MPs (945 in all) and to put an end to the public funding of political parties.

### **Beppe Grillo: an irresistible ascension?**

Beppe Grillo, the leader of M5s, is attracting a great number of voters, notably the youngest, standing as the advocate of ecology, political transparency, the fight to counter corruption, of direct democracy and the opponent of economic austerity and relocation. He wants to reduce working hours down to 20 hours a week and to introduce the popular classes into government. He is suggesting a citizenship revenue of 1000€ per month for 3 years for any Italian who needs it, without saying however how he intends to fund such a measure. Beppe Grillo is asking for a ban on political

parties and the unions. He is against the main residence tax arguing that "*the home is sacred, how can Mario Monti tax it?*"

Anyone without a criminal record can become a candidate for M5s in the elections. Beppe Grillo has never taken part in an election. The *grillini* campaign (the *grillons* – the name given to Beppe Grillo's supporters) has a high profile on the internet and having said this is not costing a great deal of money (in May, Federico Pizzarotti won in Parma with a campaign budget of under 6 000 €, Roberto Castiglione won the town hall of Sarego having spent 300€). Every M5s candidate must promise not to serve more than two mandates in his/her lifetime. The populist leader is refusing to take part in any TV debates and prefers to organise public meetings, which he has done since the beginning of the electoral campaign calling it the "tsunami tour".

Just days from the vote it is difficult to see what the post-electoral scenario might be. On 24th and 25th February the Italians have to choose between the consolidation of their membership of the euro zone (Pier Luigi Bersani or Mario Monti) and supporting the overthrow of the European system (Silvio Berlusconi or Beppe Grillo).

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