

# NATIONAL REVIEW

## Italy's Electoral Graveyard

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March 3, 2018

Last year, when Emmanuel Macron won the French presidential elections over Marine Le Pen, markets and international observers experienced universal relief.

The election of Donald Trump and the Brexit vote shook political establishments and shocked pollsters. But Trump and Brexit could be regarded as minor nuisances compared with a truly nationalist candidate, Le Pen, gaining power to sabotage the eurozone. You may have your reservations about the European Union, but France's quitting it would have triggered events that could have made the 2007–08 financial crisis look mild.

The problem with the Italian elections this Sunday is that there is no Macron around.

Italy is a country of 60 million people, and the third largest economy in the eurozone. After World War II it quickly became an industrial powerhouse, astonishing observers all over the world. But back then the fiscal pressure through taxation was 11 percent of GDP, and public spending 15 percent of GDP. Since then, government spending has grown inordinately, producing an enormous public debt: 132 percent of GDP (compared with 96.5 percent in France, 99 percent in Spain, and 68 percent in Germany), which costs Italian taxpayers 65 billion euros a year in debt service.

The country's economic performance has been meager for years now. Twenty-five years ago Italy's GDP per capita was 92 percent of Germany's, 137 percent of Spain's, 95 percent of France's; now it is 75, 81, and 107 percent, respectively. In 2017, Italian GDP grew 1.5 percent and industrial production was up by just 4.9 percent.

Dismal growth has fed insecurity. As many as 5 million Italians have a living standard below the poverty line. Demographics suggest that Italians may need immigrants, as Italy's fertility rate, one of the lowest in the European Union, has declined every year since 2010 and in 2016 was 1.34 children per woman. But with little economic growth, hostility toward immigration has grown stronger and stronger, fed by the perception that the pie is not big enough for all.

All of this may explain Italians' resentment and rage toward their ruling classes. But Italians are also great savers, with a homeownership rate over 70 percent, and public debt held 60 percent domestically. This would suggest a need to temper their rage with some prudence.

Most likely, though, on Sunday they will not. Prudence is not really on the menu of the political parties vying for election. It is highly probable that so-called populist parties will win, together, over 50 percent of the votes.

While the label "populism" is sometimes loosely applied, we may use it to define movements that present themselves as a reaction against a corrupt establishment and reject forms of international integration, which they see as a by-product of this corrupt establishment.

This description fits the leading party in the polls, the Five Star Movement, but also the Northern League and the Italian Brethren, which run at the fringe of the right-wing coalition. These parties have found convenient scapegoats for the country's poor growth: the European Union and euro membership. If none of those parties campaigned on leaving the common currency, all of them have floated the idea in the past. In their view, by quitting the common currency, Italy could inflate itself into prosperity. Immigrants provide easy scapegoats too — Matteo Salvini, leader of the Northern League, has campaigned on an "Italians first" credo and proposed massive deportations, of course ignoring the sheer costs such procedures would entail.

The Five Star Movement is consistently polling first with 28 percent, which won't be enough to form a government. The Northern League and the Italian Brethren are in a coalition with Silvio Berlusconi's Forza Italia. Berlusconi has consistently smoothed the edges of his rebellious coalition partners, often to the bewilderment of international observers who used to consider him an Italian caudillo.

But anything could happen this Sunday. The electoral law facilitates the forming of coalitions, and there is a chance the center-right coalition may win a majority in the Senate and a plurality in the House. If this happens, what would matter the most is whether Mr. Berlusconi's party remains the largest within its coalition or is overtaken by its populist allies. In the first case, the Italian right will keep a moderate bent; in the second, it will go the nationalist way.

In this latter case, given the intricacies of the electoral law, populist right-wingers might well form a post-election alliance with the Five Star movement. If that happens, Italy will become the first country in Western Europe with a populist government. None of the ensuing scenarios are pleasant. Even if the European Central Bank manages growing uncertainty through more non-traditional monetary policy, Germany dreads this option. It could be another way of destabilizing Europe.

Certainly Italy ought to be a cautionary tale. An entire political establishment risks being wiped out because it wasn't capable of delivering reforms. The cost of reforms in the short term — that is, the very reason they weren't done — pales in comparison with their cost in the long term.

This would be a kind of poetic justice, if newcomers seemed likely to be more effective in reforming the country. They don't. The Italian political scientist Vilfredo Pareto, the very man who introduced the word "elite" into the social sciences, warned that "history is a graveyard of

aristocracies.” But the Italian problem is not one elite superseding another. The problem is the graveyard.

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