

Berlusconi's Latest Clown Act

Italy's former prime minister turns populist euroskeptic. Too bad he never delivered on promised reforms.

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When Silvio Berlusconi left Italy's political stage last November, paving the way for a technocratic government led by Mario Monti, he appeared to have resolved to keep his peace. He pledged the conditional support of his party, People of Freedom, and insisted that Mr. Monti be allowed to govern until 2013.

But Mr. Berlusconi is now reclaiming the attention of the Italian people—and in customary spectacular fashion. As impatience with the slow struggle for solutions to the euro crisis grows, he has taken up the mantle of populist euroskepticism.

Mr. Berlusconi has always been a skilled political tactician. A series of recent mayoral elections in Northern Italy saw a surge in support for the euroskeptic and antiausterity "Five Stars Movement," founded by former comedian Beppe Grillo. Mr. Berlusconi may see in the support for Syriza in Greece an anticipation of a popular wave of antiausterity feeling in Italy.

The rabbit he has lately pulled from his hat is a proposal that Italy exit the euro zone. A few weeks ago, in a private meeting with his parliamentary forces, Mr. Berlusconi suggested that Italy start issuing euros with its own printing presses—if Frankfurt fails to agree "to act like the Fed does." This may have been the first time a former prime minister has called for his country to counterfeit its own currency, in what he later admitted had been a deliberate "provocation." During a speech last week in front of his party's youth, Mr. Berlusconi asked for Germany to allow more quantitative easing and debt mutualization, and he suggested quitting the euro.

But the real question is whether an exit from Europe and an end to austerity, however popular with voters, would be in the real interests of Italians as a whole, and particularly Mr. Berlusconi's longtime supporters: the enterprising middle class of Northern Italy. Exiting the euro would bring Italy into uncharted waters, but with at least one predictable consequence. If liras are issued anew, whatever the exchange rate set with the euro, markets will immediately bet on the devaluation of the new currency. It is pretty clear who will be the true losers of such a scenario: savers, businesses seeking private investment, and workers in the private sector.

In responding to the growing demand for decisive action, Mr. Berlusconi seems also to be seeking revenge against the European elite. His unprintable (but well publicized) personal slurs against German Chancellor Angela Merkel appear, for the time being, to have become the cornerstone of his economic thinking.

Mr. Berlusconi's beef with Germany serves only to distract from Italy's real problems, epitomized by public debt of nearly two trillion euros. Public spending counts for more than half of GDP.

Although containing the debt was a priority prior to Italy's entry into the common currency, it soon slid out of the political agenda thanks to a political class that included Mr. Berlusconi. Italy's public spending grew during Mr. Berlusconi's "golden age" as prime minister between 2001 and 2006. He had campaigned against the taxes he then helped raise and the regulations he fully backed. The advertisement was glorious, the product miserable.

The great irony is that what Italy needs is precisely the therapy Mr. Berlusconi promoted but never acted upon: a mixture of austerity for the public sector and pro-growth, supply-side measures for the private economy.

Mr. Berlusconi knows he can no longer credibly make the promises he has previously failed to keep, and so he is turning to populism. More than ever, Italy needs a credible, market-oriented and fiscally responsible right wing.

It is very unlikely that Mr. Berlusconi will be able to win another election—as his reputation within the country is by now almost as ruinous as his reputation abroad. But his stand will hinder any serious attempt to enact the measures Italy desperately needs.

His message—down with Germany and austerity—is not dissimilar to that of the leader of the Italian left, Pierluigi Bersani. Mr. Berlusconi has already achieved one spectacular comeback in the course of his career. After five years of unsatisfactory rule, voters turned him out in 2006. But he returned to power two years later. Another turn at the wheel for a 75-year-old man whose reputation has been devastated by public and private scandals would mean the definitive Latin-Americanization of Italian politics and an easy win for the left at the next elections. Italy deserves better.

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