EUROPE 09.09.2020 | Tobias Mörschel

Italy might have to brace for a 'hot autumn'

With a divided government, an ailing economy and a consolidated right-wing camp, Italy remains Europe's Achilles heel

Read this article in German.

After the traumatic experiences of the Covid-19 pandemic, which cost the lives of over 36,000 people in the spring, Italy was particularly keen on vacation and relaxation. The government's tough, drastic measures had meant a month-long curfew that the population accepted without complaint, resulting in a desire for normality, summer travel and the beach.

But at the end of August, dark, stormy clouds began to gather again. Before the summer break, with around 200 new Covid-19 cases per day nationwide, it was still possible to claim that the pandemic was under control, but the number of daily infections has now risen to well over 1,000. While in the spring it was mostly older people who were infected, half of the new cases are in people under 30 years of age who do not exhibit any symptoms.

Overcrowded beaches and packed clubs and discos that scoffed at all distancing requirements proved to be an ideal breeding ground for the virus to spread again. The clubs are now closed and wearing a mask is obligatory in public spaces. Compared to spring, the hospitals are (still?) empty, but the fear of a second wave in autumn is growing.

The right unifies before the regional elections

In particular, the upcoming school re-opening on 14 September is causing great concern. All political parties consider the return to in-house classroom instruction as an absolute priority. However, when it comes to which hygiene rules and safety protocols apply and how these should be

implemented, Rome and the individual regions have very different ideas. While the Italian educational system succeeded in converting to distance learning very quickly, organising a return to the schools is proving quite difficult. The opposition is already making noise, accusing the government of systematic failure and incompetence and demanding the resignation of the Minister of Education.

In the PD, there is growing aggravation about the unreliability of the M5S, which is in the midst of an adolescent identity crisis and doesn't quite know what it really wants to be.

Whether and how the school opening project succeeds is likely to have a decisive influence on the outcome of the regional elections in September. On 20 and 21 September, there are elections in seven regions (Liguria, Venice, Tuscany, Marche, Campania, Apulia and Aosta Valley), in which the presidents are also chosen. While the rightist and right-wing populist parties Lega, Forza Italia (FI) and Fratelli d'Italia (FdI) concluded electoral alliances and nominated common candidates very quickly, the ruling parties Partito Democratico (PD), the Five Star Movement (Movimento5Stelle, M5S), and Italia Viva (IV) did not. Electoral alliances emerging at the provincial level were stopped by the acting leader of the M5S.

This creates an absurd situation in which the governing parties are weakening each other by sending their candidates into the field to compete against each other. In doing so, they are clearing the way for the united right-wing opposition parties. Currently, four of the seven regions are still ruled by the PD, but only in Campania can a re-election be expected with any degree of certainty. However, if even red Tuscany were to fall to the right, this would send a signal that could also threaten the stability of the government.

A controversial referendum

In the PD, there is growing aggravation about the unreliability of the M5S, which is in the midst of an adolescent identity crisis and doesn't quite know what it really wants to be. Is it a movement or a party, does it want to rule or everything at the same time – except a reliable partner for the PD. The PD is also divided over how it will deal with the pending constitutional referendum, to be held on 20 and 21 September as well, about reducing the size of Parliament.

The demand to reduce the Senate from 315 to 200 and the Chamber of Deputies from 630 to 400 seats is an old campaign warhorse from the

anti-parliamentary repertoire of the M5S, which has also attracted the right-wing populist parties. In the coalition negotiations between the PD and M5S last summer, which had until then been cordially opposed to each other, support for this reform was, as it were, the PD's morning gift. Now, a few weeks before the binding referendum, doubts are mounting as to whether a Senate with 200 people would be able to function at all and whether, in addition to parliamentary reform, an electoral reform would also be urgently needed.

Interestingly, the German model, which involves a proportional majority vote with a blocking clause as an option (the so-called 'Germanicum') is currently very popular, though its disadvantages are being ignored. Officially, the chairpersons of Lega and Fratelli d'Italia, Matteo Salvini and Giorgia Meloni respectively, are in favour of the reduction in parliamentary seats, but in reality they want the referendum to fail because they expect the government to be further weakened. Silvio Berlusconi, leader of Forza Italia and old master of the populists, has not yet decided how he will vote – he wants to look at the opinion surveys first and then decide.

An economic and social crisis looms

So far, the government made up of the Partito Democratico and the Five Star Movement, under the leadership of Giuseppe Conte, has handled the immediate crisis rather well. However, the effects of the pandemic on the country's economy and finances are immense. More than €100bn in new debts were raised to cushion the consequences of the pandemic (in Germany, however, the amount was significantly higher), added to tax losses of over €24bn. The national debt rose from 132 per cent to over 160 per cent. For 2020, GDP is expected to drop by over 11 per cent (compared to around 6 per cent in Germany).

Up to now, the social consequences have been cushioned reasonably well with support payments and special benefits. However, this autumn a deep social crisis looms, when ad-hoc measures to support incomes and the labour market expire and a wave of bankruptcies is to be expected. Although the government – against the vehement protest from industry – extended the ban on dismissal until the end of October, well over 400,000 temporary contracts have already expired. Even if there have been only very isolated social protests and no anti-Corona protest movements comparable to those in Germany, the Italian government cannot rule out the possibility of a 'hot autumn' with social unrest.

Politically there is a wait-

Therefore, the greatest challenge facing the government is averting or at least mitigating the

and-see attitude in the country.

looming economic and associated social crisis. The results of the Brussels summit in July have lent strength to the government and opened up room for manoeuvre; both must now be utilised. By September, it must develop a coherent overall concept that addresses the traditional deep-rooted problems – such as crippling bureaucracy, ailing infrastructure, overloaded justice system and the north-south divide in the country – and brings Italy on course for the future with new impulses, especially in the area of green economy and digitisation.

The recovery fund will make an additional €209bn available to Italy over the next few years (81bn of which are grants); this does not have to be financed by borrowing on the markets. The EU's SURE fund will relieve the Italian budget by a further €27bn.

Whether Italy will also request funds from the European Stability Mechanism (MES) is still politically controversial; on the other hand, it urgently needs the money for its failed health system and could save over €5bn in interest with the interest-free MES funds. While the PD is clearly in favour, the populists from the right and the Five Star Movement see it as a trap, as soon after the application the Troika would step in and subjugate Italy. The fact that such a fanciful horror story arises is a clear sign that large parts of the Italian population, once so pro-European, has moved away from Europe or feels that it has been abandoned by it.

Europe's Achilles heel

Politically there is a wait-and-see attitude in the country. The high approval ratings for the Conte government in the spring have levelled off again and the ruling parties are stagnating in the polls, with the PD at around 20 per cent and the Five Star Movement at 15. In the polls, support for the right remains constant at over 50 per cent, although interesting shifts are taking place. Salvini's Lega has fallen to 26 per cent, while the votes he lost went to Giorgia Meloni's neo-fascist Fratelli d'Italia, who are now as strong as the M5S in the polls.

Salvini's zigzag course for combatting the virus, along with mismanagement on the part of the Lega governor in Lombardy, the region most severely affected by the pandemic, have helped put an end to the Lega's precipitous rise. Salvini is resisting the demographic decline

and trying to earn political capital by linking Covid-19 to migration. In terms of programming, the differences between Lega and Fratelli d'Italia are manageable. Both rely on the same political offer of rude, strict nationalist right-wing populism that incites xenophobia against migrants and openly flirts with an exit from the EU and the euro.

Italy must therefore be seen politically and economically as Europe's Achilles heel. The decisive question for the future of the Conte government and the current coalition is whether it will survive the storms looming on the horizon and whether it will be able to develop a convincing future vision for the country with the help of the recovery fund.



Tobias Mörschel
Brussels

Tobias Mörschel heads the EU Office of the Friedrich-Ebert-Stiftung in Brussels, Belgium.