

Former ECB chief Mario Draghi set to head new Italian government

To avoid snap elections, Italy's president has summoned former ECB chief, Mario Draghi to form new Italian government. We believe if a Draghi government sees the light of day, it will be to complete the legislature, as it seems unlikely the president would expend so much political capital on appointing a high profile figure only to face an emergency



Former ECB president Mario Draghi to form a national unity government in Italy after the previous coalition collapsed

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The road towards a Conte 3.0 government proved too steep in the end

After the first round of consultations, president Sergio Mattarella decided to give Roberto Fico - the president of the House of Deputies, an explorative mandate to see if a political government can be formed backed by the same alliance which backed the Conte 2.0 government with the possible addition of some pro-European centrists. After a quick round of hearings, the attempt failed yesterday.

According to press reports, there was reciprocal rigidity on divisive themes such as justice reform, use of Covid-related ESM facility and among others, Matteo Renzi's lingering unwillingness to have Giuseppe Conte again at the helm, in our view.

President Mattarella mandates Draghi to form a national government

With his hands tied, President Mattarella took decisive action yesterday evening saying: "in the current emergency situation the country cannot afford a snap election and that a high profile "non-political" national unity government was needed to tackle the multi-faceted challenges of a vaccination campaign, the relationship with Europe on the Next Gen EU plan and managing the upcoming end to the redundancy ban.

Although he refrained from naming Mario Draghi, it was shortly announced that the President had invited the former European Central Bank president.

Draghi has now accepted the nomination this afternoon and will soon start the first round of consultations which we expect to conclude before the end of the week.

Draghi, the pragmatist

Draghi's name has been touted several times as the best candidate to lead a national unity government, both by Renzi on the centre-left side and by Berlusconi on the centre-right as his high profile and track record at the helm of the ECB make him the best candidate to deal with the complexities of NextGen EU management.

His pragmatism and non-ideologic approach could help him strike the necessary balance within the cross-parliamentary majority.

Call it a non-political government if you will, but a national unity government will still need the support of members of parliament, and most decisions will inevitably have political connotations.

Will Draghi receive sufficient parliamentary support?

At the time of writing, the potential backers of a Draghi government aren't clear.

On the centre-left, Italia Viva is clearly in favour as is the PD party, but the 5SM caretaker Crimi and founder Beppe Grillo have said they are against the idea of a national unity government. We suspect that such a decision could open a crack between the different facets of the 5SM party.

The galaxy of small pro-European moderate parties (or parliamentary groups) looks set to give their blessings, while the position of the centre-right remains uncertain. Forza Italia, the League and Fratelli d'Italia have managed to remain united so long as the Conte 3.0 government was going to lead. Draghi's entrance reshuffles the cards.

If Draghi's government fails to gain enough parliamentary, a snap election in late Spring will be the last resort

We suspect that Forza Italia will come out and support a Draghi government. The League's leader Matteo Salvini has so far been saying that there is no prejudice against Draghi and that it will very much depend on the priorities he sets. For the time being, Fratelli d'Italia seems determined not to support it.

Should the League decide to support Draghi's government and the 5SM deny it, the numbers would be enough to assure an ample majority in both branches of the Italian parliament. If both monolithically choose not to support the Draghi government, it is unlikely to fly. Intermediate solutions implying a split in the two parties would give Draghi enough potential parliamentary support.

Should enough parliamentary support fail to materialise, a snap election in late Spring will be the last resort.

A list of obvious priorities, which remain formidable challenges

In his short speech, Draghi sketched very succinctly the key points he would focus on: winning the fight against the pandemic, completing the vaccination campaign and re-launching the country. The latter is itself an overarching objective, which would encompass the theme of the recovery plan - ample enough to occupy the remaining part of the current legislature, which is expiring in Spring 2023.

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We believe that if a Draghi government sees the light of day, it will be to complete the legislature, as it seems unlikely that president Mattarella would expend so much political capital on appointing a high profile figure only to face an emergency and take the country to a late Spring 2021 snap election.

If Draghi manages to garner enough political support, he'll have to leverage all his mediation and persuasion capabilities and to do so, he'll need a high-profile cabinet.

But too early for that just yet.

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