

## Italian election puzzle: tentative progress in the making

A Five Star Movement and Centre-right ticket now seem the obvious starting point for the government formation guessing game. Putting it in place will require a strong willingness to compromise on both camps. Easier said than done



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### PM Gentiloni remains the caretaker for now

The election of the presidents of the two houses of the Italian parliament turned out smoother than feared. After some inconclusive votes on Friday, when all parties were still testing ground, the solution to the puzzle was found overnight, with an agreement between the Five Star Movement (5SM) and the Centre-right coalition.

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Passing the European 'test' won't be easy*

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When the voting process resumed on Saturday, it was soon apparent that the parties involved in the agreement will stick to their word. In a couple of rounds, Roberto Fico, a top representative of the left-hand of the 5SM, was elected as the new president of the House of Deputies, supported by its party and by the whole centre-right. PD's MPs continued supporting their candidate, instead.

The same agreement made Elisabetta Casellati, a long-term Forza Italia lawmaker the speaker of the Senate.

After the election of the two presidents, the outgoing PM Paolo Gentiloni submitted his resignation to President Mattarella, who asked him to remain as a caretaker for the time being.

## A meaningful test, but no guarantees it'll be enough

After the inconclusive electoral result, the election of the presidents of the parliament was the first test of the parties' willingness to compromise.

The relatively quick agreement on the names provided some evidence of a constructive approach for most players. Many commentators have seen in the agreement between Luigi Di Maio and Matteo Salvini, the preamble for a 5SM-League government ticket. To be sure, this remains a possibility, but it's far from a done deal.

Indeed, after the election of the two presidents, most parties involved took a prudent stance, denying that the agreement reached on the presidencies would be immediately replicable to form a "political" government. Silvio Berlusconi seemed particularly keen on dismissing this hypothesis but Salvini remained silent and did not dissent from his coalition partner.

## Stumbling blocks remain on the way to a "political" government

In our view, the road to a future government is far from smooth.

The possibility of a 5SM - Centre right alliance has become the obvious starting option for the government formation guessing game. Reaching the same agreement for a new "political" government will require more willingness to compromise on both sides. Redline crossing would become almost inevitable, with a substantial risk of disappointing an electorate which had been attracted by strong calls. Notwithstanding some similarities in public order and migration themes, differences in programmes remain substantial on key economic issues: the so-called citizenship wage, one of the 5SM's strongest campaign themes and the Centre-right's flat tax idea look scarcely compatible.

Also, the cohabitation with arch-enemy, Silvio Berlusconi might cause many headaches within the 5SM ranks, particularly if it is set to last. The alternative of a 5SM-League ticket, with a relatively small majority margin in the Senate, might be scarcely attractive to Salvini, who would be joining a government as a junior partner.

In the meantime, the PD seems for the time being determined to play the opposition game. In the background, the possibility of some form of national unity government (which could eventually include the PD) might re-emerge as the solution of last resort.

### President Mattarella's consultations to start after Easter

Over the next few days, the formation of parliamentary groups will complete the list of institutional to-dos before President Mattarella is able to start the first round of consultations to form a new government.

The consultations should start after Easter, possibly on 3 April, and might take more than one round to complete. In our view, President Mattarella will give all those involved the time

they need to submit proposals, possibly aiming at forming a government without the maturity attached. In doing so, he is likely to check for proposed government programmes to be compatible with Italian obligations and commitments to our European partners. Given the rather overt intolerance to current fiscal rules shown by both the League and the 5SM during the campaign, passing the “European” test might not be easy, but something might be changing.

In a televised interview yesterday, the deputy leader of the League, while re-affirming that a different approach in the relationship between Italy and Europe was a non-negotiable item, he was less adamant in his call for the introduction of a flat tax, referring to a more general need for a tax shock and for incentives to reduce the labour cost.

If the view is shared by 5SM, the chances of a possible compromise on a government alliance will clearly increase. More to come after Easter.

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