

Italy: Government crisis now formally opened

Prime Minister Conte's resignation opens a new phase, where the master of the game will be President Mattarella. He will decide how to proceed after a round of consultations which will start Wednesday afternoon and might end by the end of this week



After trying to avoid a formal resignation, PM Conte had to bow out

PM Conte had hoped to resist the blow of Renzi's departure from the government coalition without having to formally resign, but the thin majority obtained in the confidence vote at the Senate was a clear indication that the challenge would be steep. In a weakened position, he tried nonetheless to rework a sustainable majority by fishing in the pool of moderate pro-European MPs in the opposition ranks, but his attempt proved unsuccessful, admittedly also because of a strict time constraint.

This Thursday Conte would have had to face a parliamentary vote on a controversial issue on judicial reform, which Renzi's MPs would have very likely voted against (not abstaining as they did in the confidence vote). The awareness that a possible defeat in that vote in the Senate would

have severely reduced his chances to get a new mandate might have been at the heart of PM Conte's decision to resign, in our view. He did so comforted by the endorsement of the leaders of 5SM, the PD and Leu, the remaining partners in the government alliance after Renzi's departure, who confirmed their intention to support him for another mandate as a PM.

President Mattarella accepted his resignation, and asked him to stay for current affairs, as it normally happens.

President Mattarella enters the scene, now

President Mattarella will now be the master of the game; starting on Wednesday, he will run a round of consultations (possibly completed before the end of this week) with parties delegations before deciding if conditions exist for a new mandate.

What to expect now

We see three main options ahead. The first option which might be explored is that of a new mandate for a Conte 3.0 government. We suspect that this solution would aim at coopting a new group of "willing" MPs from the ranks of pro-European moderates in the opposition under a common flag to expand the majority, but could hardly do without the support of Renzi's Italia Viva. A success in this sense would imply the end of cross-vetoing between former coalition partners, under the influence of President Mattarella's moral suasion, reinforced at this stage by the presidency's constitutional role in government crises.

We see three options – new Conte government, national unity government and snap elections

Should this first option fail to prove viable, a possible alternative could be that of a national unity government with broader parliamentary support led by a technocrat. Openings in this direction have already been made by Silvio Berlusconi, the leader of Forza Italia, the pro-European moderate party in the opposition. Notwithstanding the League and Fratelli d'Italia have so far ruled out the possibility to support such a government, we would not be completely surprised if Salvini eventually changed his mind. Should the previous options (or eventual variations on the themes) fail to materialize, a third one, the least likely in our view, is that of snap elections "by accident". These would be hard to justify to a dismayed electorate in pandemic times and in view of the upcoming inflow of Next Gen EU funds.

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