

Populists in Rome

The [political whirlwind that has swept Italy](#) looks to be dissipating, at least for now. Giuseppe Conte, a little-known academic with an embellished resume, has been sworn in as Prime Minister, after weeks of wrangling between President Sergio Mattarella and a coalition with a slim parliamentary majority. The two-party combine, the anti-establishment Five Star Movement (M5S) led by Luigi Di Maio and the far-right League headed by the rabble-rousing, anti-migrant Matteo Salvini, disbanded plans to form a government after Mr. Mattarella exercised his powers to block the appointment of Eurosceptic Paolo Savona as Finance Minister. The President then decided to order fresh elections and appoint an ex-IMF official as interim Prime Minister, a decision that, if implemented, could have made a bad situation worse. The Eurosceptic coalition partners wasted no time in using the President's actions as a rallying point for their cause. They charged that France and Germany were running Italy and called for Mr. Mattarella's impeachment. The prospect of snap polls, which could have resulted in the populists getting a stronger majority, rattled markets early this week. Italian bond yields hit highs unseen in years and share prices dropped not just in Italy but across Europe, the U.S. and Asia. The coalition, which began serious talks in early May, had toned down some of its anti-European Union demands such as leaving the single currency and some €250 billion in debt forgiveness. But it still planned to spend some €170 billion on income support, and lower the pensionable age and taxes. Without plans to raise adequate revenue to fund the spending, the markets and Brussels got jittery. Italy's government debt is at 132% of GDP, well above the Eurozone average. However, as the week progressed, all sides saw opportunities and a deal was struck, with the President assenting to economics professor Giovanni Tria taking over the finance portfolio. The new government will now have to win a confidence vote next week.

The road ahead for Italy is far from clear. According to official EU surveys, although 59% of Italians favour the euro, just over half "tend not to trust" the EU. Both Europe and Italy would sustain significant damage if Italy left the Eurozone. Fortunately, that is still an unlikely scenario. The current situation, a coalition of populism and the right, is not ideal. But it provides an opportunity to address some of the underlying Italian disenchantment with the EU, perhaps by striking a balance between austerity and populism. Also, Brussels, along with France and Germany, could work with Italy to address economic and social anxieties. A way can be found that protects both the democratic choices of Italians and the stated values and integrity of the EU.

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