

## From Fêtes to Fear: Scared of Mr. Monti

Judith Harris (November 15, 2011)



As Berlusconi submitted his resignation, neo-Senator Mario Monti prepares to be Premier Designate

ROME - And what a night it was—in the crowded piazza facing the Quirinal Palace, Romans from all walks of life cheered, the younger ones dancing and fêting with bottles of prosecco. Following Saturday's forced-march approval in Parliament of his center-right government's emergency budget, Silvio Berlusconi had just kept his formal promise to President Giorgio Napolitano, and submitted his resignation, paving the way for the appointment of neo-Senator Mario Monti to be Premier Designate. As the outgoing Premier's black limo fought its way through the crowd, its driver had to ignore a shower of scornful coins and the tossing of a shoe or two. In the back seat Berlusconi,



unusual for this bouncy man who loves a joke and a crowd, sat ashen-faced and still as a stone statue. These were his first moments as post-Premier after seventeen years in power, and they were bitter.

The European markets opened Monday with the same euphoria as the kids atop the [Quirinal](#) [2]. But then a hangover of reality set in, perhaps because, some here suggest, Italy had delayed too long in seeking to remedy an unsustainable situation. Only two hours after markets opened, interest rates on Italian five-year bonds hit 6.29%, the highest in fourteen years. By Tuesday the difference between the cost of borrowing money in Germany and Italy (the “spread”) similarly surged, reaching 6.8%. This was dangerously approaching last week’s peak of 7%, the level at which both Portugal and Ireland had required bail-outs. The problem is that Italy, larger than these or Greece, is also larger than the European stability fund, meaning that it is too large to bail out. In short, Monti’s appointment does not yet suffice to bring calm to a chaotic situation.

This week, as he drafts a list of proposed cabinet members to present to the Chamber of Deputies and the Senate for approval, Monti is holding meetings with delegations from the political parties, the trade unions, the national manufacturers’ association Confindustria and an association of women’s groups demanding half of cabinet offices for women. Simply hearing out the political parties takes time, for there are thirty-four parties and mini parties. One of them, Fare Italia (Making Italy), has just three members, Adolfo Urso, Andrea Ronchi and Antonio Buonfiglio.

These parties remain divided over what is to be done. The largest in the opposition to Berlusconi is the left-leaning Partito Democratico ([PD](#) [3]), which reportedly has fifteen factions. Similarly, Berlusconi’s Freedom Party ([Pdl](#) [4]) is deeply split. Some in the party continue to call the possibilists “traitors” and push for immediate elections even though this would entail at least four months of inaction and a power vacuum. But, fearing a potential rout at the polls, Berlusconi has come to the decision that the Pdl should back Monti’s bid, so as to gain time for re-organization.

Berlusconi, however, is demanding that Monti’s stay in office be strictly limited, and that his cabinet include solely “technicians” and no politicians. The PD leadership shares this view. However, in making Monti a life-time Senator, Napolitano clearly gave him a political mandate, and Monti himself says that, if his proposed government is voted into office by the thousand-member joint Parliament and Senate, he will remain in office into 2013, when the present five-year legislation ends.

If so, a revision of the election law which contributed so heartily to Berlusconi’s power in Parliament would be an almost certainty. This revision would be crucially important because in 2013, after national general elections, a new Parliament and Senate must vote for a successor to President Napolitano. This will require a two-thirds vote for the first three ballots, but for a simple majority afterward. The stakes therefore are incredibly high.

In the meantime hold-outs from the now disbanded far right Alleanza Nazionale ([AN](#) [5]), which had merged into Berlusconi’s Pdl, are forging their own plans to curb Monti’s power and influence. “We can pull the plug [on Monti] whenever we want,” boasted the outgoing Defense Minister Ignazio La Russa, formerly of AN.

Already in its banner headline Monday—everyone is doing splashy banners these days—the rightist daily *Libero* warned: “Watch Your Wallets.” Berlusconi’s government allies in the Northern League flatly refuse to back Monti, and in its rank and file there is bitterness. One disgruntled citizen of Brescia griped, “Monti will make us pay a tax on houses, and it’ll be paid only by us Northerners. The Southerners built illegally, and their buildings were never put into the tax registry.”

The Berlusconi emergency budget package already included a few measures that would pinch. Local taxes will rise, and income taxes for those earning over E300,000 (\$430,000) by 3%. This can be collected only if Italians declare income, which cannot be assumed, so taxes will rise on what’s easy to collect, like owning a stock portfolio, transferring money, visiting the health service doctor, and buying insurance or a pack of cigarettes. That all-time favorite of Italian revenue collectors, gasoline—which already costs around E1.5 a liter—is in for a 5.4% hike in just six weeks, to be followed in 2013 and 2014 by percentage hikes on the accumulated cost.



This may mean hard times, but none suffices. Professor Monti, the skilled and extremely well connected Euro diplomat and economist from the Bocconi University, is where he is today because he is expected to tug Italy back from the brink of insolvency. In April, massive bond payments fall due, and, without even more rigorous action—the catch word is “sacrifices”—Italy could simply run out of money to make the payments, and suffer the consequences of a crisis of liquidity; as is being said here again and again, Greece is a sideshow, but Italy is too big to fail, and already even France is troubled. The risk at this point is of a European-wide recession that will weaken the already struggling U.S. economy. Every step of Monti’s program is therefore being watched by the financial enforcers of the European Union, who have sent nosy, high-level monitors straight into government offices in Rome. The far more stringent measures which the quarreling Berlusconi coalition could not and did not dare to apply reportedly include:

--a tax on wealth, the single measure which is scaring the heck out of the well-to-do;--a reduction in the cost of government itself (i.e., pay less public money for politics and the multiple levels of bureaucracies);

--restore the property tax—that is, the ICI tax which Berlusconi had abolished on ownership of houses classed as first homes;

--25% upward revision of property values upon which taxes are based;--some form of a faster postponement of pensionable age.

So does everyone get it? Not at all. An old farm worker said to me that he despised Berlusconi but now fears that Monti would “take away my pension.” A poll by the prominent sociologist Renato Mannheimer showed that a stunning 40% of the Italians queried simply had no opinion whatsoever on what is happening or who should be in charge.

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[2] <http://www.quirinale.it>

[3] <http://www.ulivo.it>

[4] <http://www.pdl.it>

[5] <http://www.alleanzanazionale.it>