

On the Brink: Mario Draghi and Italy's New Government Challenges

by Andrea Dessì

Beyond the media frenzy surrounding the appointment of Mario Draghi as prime minister, the incoming premier will face daunting challenges as he seeks to implement the country's most ambitious reform plan in decades.

Draghi is good news for Italy. The country is on the brink due to overlapping political, economic and health crises, further exacerbated by years of public sector mismanagement, rising debt and mounting popular disillusionment towards politics in general and traditional parties in particular. Taken together, these trends have led to repeated governmental crises amidst anaemic growth and successive waves of left and right-wing populism, developments that have weakened Rome's international standing and credibility.

The former President of the European Central Bank (ECB) and Governor of the Bank of Italy is an impeccable choice

as prime minister. His career emanates a veneer of international expertise and trust that is unmatched in the recent political history of the country. Most importantly, Draghi represents a source of reassurance for Italy's traditional allies, as well as markets and investors who are looking with concern at a country – Europe's third-largest economy – whose public debt is expected to skyrocket to even greater heights (about 160 per cent of GDP) due to the unprecedented costs of the pandemic.

"Super Mario" is polling at over 60 per cent approval ratings in Italy, with many acknowledging that Draghi may well be the best pick for the job. Such is his reputation that political parties, which weeks beforehand were at loggerheads over just about everything, have now fallen back in line, providing almost unanimous backing to the incoming premier and his "emergency cabinet". Clearly, almost no one wanted to say

Andrea Dessì is Head of the Italian Foreign Policy programme at the Istituto Affari Internazionali (IAI), Senior Fellow within IAI's Mediterranean and Middle East programme and Editorial Director of the IAI Commentaries series. A slightly longer version of this article was originally drafted for Política Exterior and published online at the following link: <https://www.politicaexterior.com/?p=298209>.

"no" to Draghi, particularly given the high stakes involved as Italy continues to battle the COVID-19 crisis and urgently needs develop a credible plan of investments and reforms to access the over 200 billion earmarked for the country in the EU's Recovery Plan.

How long will Draghi's chilling effect on political infighting last is an open question. Political parties – with the notable exception of the far-right Brothers of Italy party (*Fratelli d'Italia* – FdI) and a sizable number of parliamentarians from the populist Five Star Movement (*Movimento 5 Stelle* – M5S) – have enthusiastically backed the new executive, in turn securing political representation within the 23-member cabinet. Yet, their promise to put national interests above party politics is hard to reconcile with the recent – and not too recent – history of Italian politics.

While no one is debating Draghi's credentials, the key question revolves around the governability and prospective longevity of Italy's new government. These are elements that will define Draghi's ability to actually oversee the implementation – and not only the drafting, negotiation and approval – of Italy's Recovery Plan and ambitious reform agenda.

Italy's never-ending cycle of crises

Italy has had 67 governments and 30 prime ministers over past 75 years and this alone speaks volumes as to the country's reputation for political turmoil and ungovernability.¹ With

¹ Over the past 30 years Italy has had 19 prime

executives lasting on average for 14 months, repeated governmental changes have inevitably impacted the country's reform trajectory. It is no coincidence that successive government agendas have for years – if not decades – focused on similar priorities. Whether it be a reform of Italy's electoral law, improved tax-evasion measures, a modernisation of the education and justice systems, increased investments in Italy's disadvantaged South or improved efficiency in the public administration, successive governments have promised widespread reforms only to see their ambition watered-down by bureaucratic inertia or halted altogether by political infighting.

This is because the country's notoriously fragmented political establishment can rarely agree on a clear political agenda, let alone long-term reform plans or stable political alliances to carry them forth. The result is a general immobilism that pervades the highest echelons of politics in the country, preventing genuine debates on content and policy, or an appropriate urgency to discuss long-overdue structural reforms that everyone acknowledges are vital for Italy's sustainability. Indeed, no sooner is a new executive sworn in that everyone knows, or is

ministers and 30 different governments, compared to three Chancellors in Germany, five Presidents in France and five prime ministers in Spain and Sweden. See, "Why do Italy's governments collapse so often?", in *The Local*, 27 January 2021, <https://www.thelocal.it/20210127/why-do-italy-governments-collapse-so-often>; "Why does Italy go through so many governments?", in *The Economist*, 31 January 2021, <https://www.economist.com/the-economist-explains/2021/01/31/why-does-italy-go-through-so-many-governments>.

betting against, its likely duration.

The task of breaking the political impasse has increasingly fallen on Italy's President of the Republic, who is charged with picking a new prime minister or calling fresh elections. This trend periodically leads to the appointment of a political outsider to overcome deadlock, providing a convenient cover for political parties to overturn electoral promises, moderate their discourse and realign behind a new technocratic or national unity government. In the short-term, everyone gains from this outcome. Political parties can effectively skirt their responsibilities for the present crisis, avoid being tainted by the tough reforms that will follow while simultaneously depict themselves as responsible actors who have backed a national emergency cabinet in times of crisis. Meanwhile, the new head of government, who generally enters power with remarkably high popular support, will gradually see this support dissipate as campaign rhetoric and manoeuvring return to dominate the prerogatives of political parties and leaders, thereby setting the stage for the next impending crisis. And so the cycle continues.

Draghi's national salvation government

This time, in February 2021, a chorus of relief and financial relaxation, accompanied the appointment of Mario Draghi as Italy's new prime minister. Draghi, who has now secured formal and bipartisan endorsement from Italy's two houses of parliament with a very wide margin of votes,

replaces Giuseppe Conte, who had the peculiar task of leading two very different governing coalitions in Italy between 2018 and 2021, but had grown to enjoy widespread sympathies of many Italians'.

The first Conte government saw the populist M5S, which secured the most seats in Italy's last general election and picked Conte as their prime minister even though the former premier was never active in the party, ally with the far-right and anti-migrant League party lead by Matteo Salvini (June 2018–August 2019). The second government, the so-called Conte Bis cabinet, was instead formed by the M5S with a number of political forces from the centre and centre-left, led by the Democratic Party (*Partito Democratico* – PD), which governed since September 2019, leading the country's pandemic response and lasting until the political crisis that began in late January 2021.

This was triggered by Matteo Renzi, former prime minister while still with the PD and now leader of the small Italy Alive (*Italia viva* – Iv) party. Iv decided to pull out from the Conte Bis government citing concerns over the management of the 209-billion-euro Recovery Plan and a host of other issues tied to Conte's governance style. Italy must provide its detailed plan to the EU Commission by the end of April in order to begin gaining access to the funds, a lifeline that is desperately needed to relaunch its economy, and in the process upgrade its digital and environmental infrastructure in line with EU prerogatives and the ongoing energy transition.

Renzi, first triggered a government crisis and then worked to end the premiership of Conte, who rose to become Italy's first "populist" prime minister back in 2018. As Conte failed to cobble together a stable parliamentary majority in a last-ditch attempt to stay in power, the President of the Republic, Sergio Mattarella, had little other choice but to pick Draghi, a technocrat, to lead a new government, having excluded new elections due to the pandemic and the impending need to submit Italy's investment agenda for the EU Recovery Plan.

The next general election is scheduled for 2023 but widely expected to be held sooner, most likely in 2022, when the present mandate of President Mattarella will expire. Given the importance of this post for Italy's delicate politico-institutional stability, many expect Draghi – who is also earmarked as a possible successor to President Mattarella – to stay in power until this issue is resolved. This means his government is expected to last for about 12 to 14 months, again confirming the above trend of governmental instability that has characterised Italian politics since the end of the Second World War.

During this time, the incoming Draghi cabinet faces mammoth task of expanding Italy's COVID-19 vaccination programme, drafting Italy's formal request for EU Recovery funds and promoting further reforms to the educational, health and public administration sectors. Setting guidelines for an efficient ecological transition, advancing digitalisation and more general efforts to promote macroeconomic stability in a country

that had yet to recover from the 2008 financial crisis when the COVID-19 pandemic hit early last year, also figure at the top of the new government's agenda.

By no means a simple "technocrat", Draghi, who is widely credited with having saved the euro during the sovereign debt crisis thanks to the ECB's programme of quantitative easing (in itself a highly political decision), has already demonstrated a certain pennant for political manoeuvring. His experience with tough negotiations in the EU (and internationally) during his time at the ECB will no doubt come in handy as he seeks to navigate the minefield of Italian politics, as will his knowledge of Italian finances and structural challenges.

While at first many expected the designated prime minister to announce a caretaker government composed of experts, Draghi later unveiled a mostly political cabinet. Composed of 23 ministers, 15 come from the major political parties – many with previous experiences in government since 2011 and nine ministers who served under the previous Conte Bis cabinet – while the remaining eight are technocrats. Draghi clearly appointed trusted technocrats to oversee the most sensitive dossiers linked to the EU Recovery Plan, and it is within these ministries that real political power and influence will be concentrated.

While the drafting and submission of Italy's reform programme is likely to proceed smoothly, it is the implementation phase that poses the most challenges. This will rest on the

efficiency of the Italian bureaucracy and the often-difficult relationships between the central government and regional authorities. While Draghi will no doubt succeed in injecting a dose of expertise in overseeing Italy's delicate transition out of the COVID-19 crisis and managing relations with Europe, he and his team of trusted technocrats will have difficulty in confronting Italy's dysfunctional politics, bureaucratic inefficiency and general reform immobilism, once the time for implementation comes.

The road ahead

Given the extent of the challenges, managing expectations will be important. In this respect, the Draghi cabinet should be understood as a transition government with clearly defined objectives and a relatively short lifespan. Notwithstanding these challenges, one should not lose sight of a number of important developments that have already materialised in the short time span since Draghi's appointment.

Internationally, the new government has succeeded in raising Italy's profile and credibility, particularly in the EU, indispensable if Italy is to make its voice heard on key decisions and protect its economy from speculative attacks. Draghi's statements on the "irreversibility of the euro", on the fallacy of nationalism's attachment to sovereignty in a globalised world and his reiterated commitment to the transatlantic relationship are clearly aimed at reassuring Italian partners.

While Italian foreign policy tends to be characterised by trends of continuity, being effectively shielded from the repeated governmental crises and solidly anchored within Italy's traditional European, transatlantic and Mediterranean dimensions, the country's recent experiences with right- and left-wing populism had rattled allies and diminished Italian negotiating power. In this respect, Draghi serves as a powerful "reset", formalising what had already been a gradual trend of realignment towards the EU undertaken by the *Conte Bis* cabinet.²

Most importantly, Draghi serves the purpose of raising the political bar in Italy. His government is forcing politicians and parties to come to terms with age old challenges that have plagued Italian politics for decades, confronting them with their responsibilities but simultaneously handing them a chance for redemption by taking part in the reform drive.

In this, Draghi has succeeded in sidelining the most uncompromising, nationalistic and populist voices in the Italian political setting. His "emergency government" has effectively divided the centre-right coalition, leaving the far-right FdI out of government and forcing Matteo Salvini's League party to shed its anti-European orientation, moving closer to Silvio Berlusconi's

² For an analysis of Italian foreign policy during the Conte Bis cabinet see, Ferdinando Nelli Feroci and Andrea Dessì (eds), *Il governo Conte bis, la pandemia e la crisi del multilateralismo. Rapporto sulla politica estera italiana. Edizione 2020*, Rome, IAI, 2020, <https://www.iai.it/en/node/12687>.

Go Italy party (*Forza Italia* – FI). In so doing, the League is moving to re-discover its original entrepreneurial and industrial roots as the “Northern League” (*Lega Nord*) centred in Italy’s northern regions, thereby moving away from Salvini’s efforts to re-brand the party into a nationalist movement kept together by virulent anti-EU and anti-migrant sentiments and a dangerous fascination with strong men such as Russian president Vladimir Putin.

The new government has also led to an implosion of the populist M5S, the largest party in parliament, forcing a reckoning within the leadership and a split within the party. Forty parliamentarians defied orders and voted against the Draghi government, being subsequently expelled from the Movement’s parliamentary group. The remaining M5S parliamentarians will likely continue the party’s metamorphosis away from its populist and anti-establishment roots and closer to the traditional centre-left in Italian politics, also through a re-invigorated parliamentary alliance with the PD and other centre and left-leaning parties.

The opposition, meanwhile, will be defined by two blocks, a far-right block led by FdI and a yet-to be defined parliamentary alliance of ex-M5S members now in search for a new political home. Healthy for the sake of parliamentary democracy, this opposition will work to garner political capital by playing on the fears and economic hardship faced by many Italians.

It is for this reason that Draghi and Italy’s political parties must not lose

sight of ordinary citizens, families and workers – particularly the youth, which are facing 30 per cent unemployment rates in the country – when delineating his agenda of reforms. Investments will necessarily focus on large companies and Italy’s industrial base, but finding the correct balance between protecting Italy’s large productive centres and making sure that the galaxy of small and medium enterprises that form the backbone of the economy are not left behind will be crucial for the success of Draghi’s reform agenda (as well as his chances to succeed Mattarella as President).

A carefully planned communication strategy will be indispensable, not only to reassure the electorate but also to ensure that members of the governing coalition are not tempted to jump boat and side with the opposition when times get tough and the next election nears. Political parties who have joined the coalition must be reminded – repeatedly and in public – of their responsibilities and commitment. These cannot be left to their own devices but rather should be “boxed in” by the government through programmatic statements and clear reform or investment timetables that create buy-in and accountability for citizens and political parties alike. Only in this way can Draghi protect his government coalition and agenda of reforms, while simultaneously bringing politics (and accountability) closer to ordinary citizens, thereby mitigating the possibility that Italy again experience a wave of populism and anti-establishment politics in Draghi’s wake.

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Via dei Montecatini, 17

I-00186 Rome, Italy

iai@iai.it

www.iai.it

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