

# Italy's crisis and the question of democracy



*The last seven days in Italy have proven that a week is indeed a long time in politics: after a political crisis emerged following Italian president Sergio Mattarella's decision to veto the Five Star Movement and the League's choice of finance minister, a government led by Giuseppe Conte was eventually sworn in on 1 June. [Andrea Lorenzo Capussela](#) argues that Mattarella's veto was wise because the risk of Italy leaving the euro would have risen more than negligibly, but while the new government might restore some stability, it is unlikely to tackle the real roots of the crisis, namely low growth, rising inequality, and political distrust.*



Luigi Di Maio, Sergio Mattarella and Giuseppe Conte on 1 June 2018, Credit: [Presidenza della Repubblica](#) (Public Domain)

The crisis exploded on the highest of Rome's hills, between the evening of Sunday 28 May and the following afternoon. The trigger was a sequence of three discrete choices. First, the president of the republic refused to appoint as finance minister the person chosen by the two political parties that prepared to take office, the League and the Five Star Movement (M5S). Second, the latter reacted by refusing to form a government. Third, the president granted to a technocrat the mandate to form a non-partisan, transition government and prepare for early elections, no later than early 2019.

That day the interest-rate spread between Italian and German bonds recorded its [largest single-day rise](#) since the euro was created. The ripples quickly traversed Europe and crossed the Atlantic.

## The critiques

Many commentators have argued that the president's choices wounded Italy's democracy and were damaging or counterproductive (e.g., [Jan Zielonka](#), most interestingly, and, more radically, [Yanis Varoufakis](#); and, on *Twitter*, in alphabetic order, [Paul Krugman](#), [Branko Milanovic](#), [Ann Pettifor](#), [Helen Thompson](#)). I disagree with the first argument and partly also with the second.

Before I turn to the substance, I would like to remove one set of issues from the table. The commentators I chose to cite, among many possible ones, are all far removed from the political allies of the League, who cried 'coup d'état!' ([Marine Le Pen](#)). Their democratic credentials are impeccable, to my eyes, and their motives unimpeachable. Besides the democratic principle they invoked also arguments I share, moreover, well outlined in Robert Hancké's milder [post](#) on this blog, such as opposition to pro-cyclical fiscal austerity (see also [here](#)) and free-market orthodoxy, or the need to rethink Western capitalism and the approach to European integration. And I readily grant that the veto did objectively look very bad. But it was not.

Their critiques, often moved jointly, can be grouped into three categories. One claims that the veto was illegitimate, because it breached the democratic principle (it denied the voters' choices; it interfered with the political agenda of a parliamentary majority; it imposed on voters and their elected representatives the president's and the establishment's agenda – or, in other variants, the markets', the EU's, or even Germany's). Another claims that the veto was unwise, because it was certain to increase political distrust, strengthen anti-euro, anti-EU, or anti-establishment sentiment, and boost the League's and the Five Star Movement's support. A third claims that the appointment of a technocrat as prime minister designate was equally unwise, for the same reasons. I shall deal with each in turn, having laid down the premises of my objections.

### The premises

Italy's is a parliamentary democracy. Elections form parliaments, which form governments, which are typically coalition ones. The presidency of the republic was shaped as a neutral non-executive authority. Elected by parliament under rules that favour wide consensus, and given a term (7) two years longer than parliament's (5), the head of state was granted powers – nominating the prime minister and dissolving parliament – that can be decisive absent a cohesive parliamentary majority, as in the present case.

A third power, less significant but relevant also when a solid majority exists, is the veto on the ministers chosen by the prime minister designate (the veto comes *before* the cabinet asks parliament's confidence). This power is written into the constitution, has no explicit limits, and its exercise need not be motivated.

The veto is one of several means by which Italy's constitution seeks to check the power of parliamentary majorities. This approach – though not specifically this power – has often been criticised, also with reasonable arguments (it complicates and delays decision-making). Its defenders invoke the safety argument, which survived its main contingent historical rationale (the acute political-ideological polarisation of the immediate post-war years, which persisted until the 1980s). Republican political theory can provide other justifications.

Nobody doubts that the veto has implicit limits, but people disagree on what and how stringent they are. Two plausible ones that would be relevant here are no arbitrariness (the veto must have a solid factual basis) and political neutrality (the veto cannot be used to change the prospective government's programme or impose the president's political agenda on it).

The veto was used a handful of times. The latest instance was in 2014, when the predecessor of the current president vetoed a minister designated by Matteo Renzi. On each occasion the coalition parties and their prime minister selected another minister.

By reason of all this, on the formation of a new government talks on the list of ministers are invariably held between the prime minister and the president. They are confidential, naturally, but newspapers regularly write about them, frequently citing both party and presidency sources. Sometimes disagreements arise, they are often leaked, analysts and politicians take sides, a compromise is found, and the press usually describes it as such, with neither the president nor the prime minister denying it. So, the veto power has effectively morphed into moral suasion – which certainly was the aim of this rule – and is a physiological trait of Italian politics. Indeed, when a government is to be formed newspapers usually write articles on how easy it will be to agree the list of ministers, and what red lines the president will set. The public is informed and can judge.

### The events

On Sunday 28 May, the president exercised the veto, and, for the first time since 1948, when the constitution was adopted, the coalition refused to form a government. It was a legitimate choice, of course, but it was *their* choice. This is enough to dismiss critiques that conflate the two steps, to argue that the president breached the democratic principle because he 'prevented' the coalition from forming a government. This is not what happened.

On the contrary, the events suggest that the coalition had engaged in a game of chicken with the president. Their divergence on the finance minister designate – Paolo Savona – began well before 28 May, and the press reported that both sides had progressively hardened their positions. In particular, the League was reported to have told the president that without Savona there would be no government. This would have amounted to an attempt to coerce the president to effectively waive the veto, which would have weakened the presidency's hand in subsequent occasions and changed the established practice. But reliable information on all this is limited and the president did not cite this as a reason for the veto. So I leave this aspect aside, including because the coalition's would have been a legitimate, if irresponsible, strategy.

The president cited two reasons for the veto, both predicated on two assumptions. The first was the risk that Savona's appointment – by reason of opinions he had expressed, papers he had written, plans he had prefigured, as well as by reason of the symbolic and signalling value of his appointment, after a long stand-off due precisely to these reasons – would trigger a sequence leading (potentially unstoppably, after a tipping point) to Italy exiting the euro.

The second assumption is that, unlike most other policy changes, euro exit cannot be undone: its consequences, good or bad, are de facto irremediable. On this double basis, the first of the president's arguments was that there had been neither popular endorsement nor proper public debate on the choice of leaving the euro, as neither party had run on such a proposal (which indeed was not part of the coalition 'contract' they agreed and published). The other argument was protecting citizens' savings. The coalition's argument was that the veto was illegitimate and Savona crucial for implementing its programme.

### **The veto: legitimacy**

The assumptions supporting the president's arguments seem plausible enough: Savona's appointment could raise the chances of an exit to more than a negligible degree, and exit would be de facto irremediable. So his first argument is most probably valid (not arbitrary; neutral).

One might retort that as the only way to exit the euro without catastrophic damage is arguably through a surprise move, this reasoning would imply that Italy can never exit. I would accept this implication, and note that it is consistent with Dani Rodrik's convincing 'trilemma' argument (e.g. [here](#)). But I would deny that it amounts to confutation by *reductio ad absurdum*. First, the same is true of going to war counting on the surprise effect. Second, it would imply that before acting one must test popular sentiment in other ways. Third, in the present case the democracy argument works against the critics, for polls tell us that a clear majority of Italians still support the euro.

The second argument – to the extent it can be seen as separate from the first – seems less valid, as reasonable people may disagree on how best to protect savings. But one valid argument is enough.

The coalition's argument seems weak, conversely, and is certainly weaker than the president's. Savona can hardly have been crucial for implementing the coalition's programme, because he is neither a parliamentarian nor a member or adviser of their parties, he was absent from the electoral campaign, and, by the Five Star Movement and the League's own admission, his name was chosen only after they wrote up the coalition programme. So, until fairly recently they were ready to go ahead without him. Admittedly, they said that Savona helped revise the programme on the coalition's approach to Eurozone and EU policy. Admittedly, finance is the most important ministry, arguably, as it is the result of the merger (in the 1990s) of the budget, finance, and treasury ministries. Even so, the argument of irreplaceability is theoretically dubious and factually unproven.

It began to crumble when, already on Tuesday 29 May, the League and the Five Star Movement [resumed talks](#) on forming a government based on the same programme but without that Savona as finance minister. The government was sworn in on Friday 1 June, and Savona is a second-tier minister, without a ministry below him, in charge of EU affairs. Whatever the reasons for this decision – which may well include concern for market tensions, or the second game of chicken I shall mention below – it proved that irreplaceability was not a serious argument but mere rhetoric.

So, the president neither prevented the formation of a government (it was the coalition's decision) nor wounded democracy (the veto was a defensible use of an ordinary power). Nor did this case prove that the veto is a bad instrument per se, because it was exercised 'against' a coalition that, albeit fully legitimate, had been made between two direct competitors, which had run against each other, and was led by an unelected technocrat, whom the coalition chose against the president's perplexities, and would have had another technocrat as finance minister. So, not even in a broader sense can it be plausibly said that the president's action denied the 'voters' will'.

### **The veto: wisdom**

Turning to the wisdom of the veto, on one pan of the balance lay the risk of exit and the weakening of the veto, on the other were the risks highlighted by the critics (increasing political distrust and anti-euro and anti-establishment sentiment, strengthening the League and the Five Star Movement). Not an easy choice, naturally. Including, paradoxically, because part of the second set of arguments sat uneasily with the neutrality principle: could the president accept increasing the risk of exit to avoid a possible surge in support for the League and the Five Star Movement? Hardly, in pure principle. And yet some critics attacked both the legitimacy of the veto and its wisdom, arguing at once for and against democratic neutrality.

I think the veto was wise, because the risk of exit would have risen more than negligibly. Exit would probably have remained an unlikely event, but as it is potentially destructive – for both Italy the continent, as the country's exit would endanger the survival of the Eurozone and the EU itself – the risk dwarfs the side effects (which critics might overestimate, incidentally, precisely because they view the veto as illegitimate: but if the veto was legitimate and consistent with past practice, as I argued, its rationale can be explained to Italy's citizens, limiting those effects).

Of course, I say this because I see the euro as a step for greater political integration – which I view as both vital in itself and the superior response to Rodrik's trilemma – and I am ready to accept further sacrifices to keep that perspective alive, including those imposed by mistaken European policies. I do not (yet) think that the costs of the flawed architecture of both the Eurozone and the EU justify abandoning either. I may well be wrong, naturally, but clearly this trade-off *must* be discussed publicly and comprehensively – in some way that is compatible with the constraint I mentioned earlier, for which some institutional ingenuity is probably required – before any step is taken than could precipitate exit.

But the wisdom of the veto was seriously damaged eighteen hours later, by the appointment of a technocrat of the president's own choosing – Carlo Cottarelli, a widely respected figure – as prime minister designate.

### **An o'er-hasty appointment**

There was nothing wrong per se in that appointment. If parliament cannot form a government, fresh elections are necessary; to run the state until the vote a government is needed; better a politically neutral one. The problem lies in the speed of the appointment, in the president's suggestion that Cottarelli's cabinet should have done the 2019 budget, and in a long history of the political establishment ducking tough political choices by having technocrats make them (in 1993–4, 1995–6, and 2011–13).

Despite their occasional rhetoric, which was but a bow to the democratic principle, this strategy was always supported by large political majorities, often those that counted on winning the elections once the technocrats had left. They were happy to have the latter advance the policies they believed were necessary but lacked the credibility, the internal cohesion, the ideas, or even the guts to do themselves (1993–4: a form of incomes policy favouring wage restraint, which proved tough on workers; 1995–6, the first big tough pension reform; 2011–13 other pension and labour-market reforms, to quote but the most obvious examples). A strategy which largely explains why such reforms, lacking a proper public debate to support them, were sometimes highly questionable, often resented, and frequently ineffective. And a strategy which epitomises both the weakness of the country's political establishment and the deeper reasons for this crisis, of which the veto was just the accidental trigger.

Cottarelli's appointment carried all this burden on its shoulders. Coming a few hours after the veto, and thus foreclosing any chance of forming an alternative political coalition, it was as suspicious as Gertrude's 'untimely' second marriage. It objectively invited the conclusion that the spendthrift barbarians had been kicked out to call in the non-disputable experts of fiscal discipline and structural reform, again. This was less than half true, as I said, but enough so to be disastrous, as the markets realised in the space of an hour or two.

## A fairly roundabout way of forming another underwhelming cabinet

What followed were hurried attempts to contain the damage, not always lucid and sometimes self-interested. Maybe the League and the Five Star Movement were wrong-footed by the president's and the markets' reaction, maybe the president had, by Cottarelli's appointment, begun his own game of chicken against the coalition, leveraging precisely on the markets' reaction to push them against the wall. But all this, by now, is of interest chiefly to the future biographers of the protagonists.

The outcome is a semi-technocratic coalition cabinet, with limited experience and modest credibility, both internally and externally, which is supported by political competitors that visibly do not trust each other. In this, it does not radically differ from several previous governments (except, that is, in its programme, part of which is gravely irresponsible, radically unjust, or both: fiscal and migration policy, chiefly). It might restore a degree of stability, therefore, compared at least to the previous few days. Italy needs it, to address the real roots of the crisis, namely low growth, rising inequality, and political distrust.

As I argue in a recent [book](#) on the country's decline, however, these phenomena have very deep causes, the remedying of which will require a long, choral effort of Italian society. But the country seems now squeezed between two political alternatives, the establishment and its 'populist' challengers, neither of which seem fully aware of those problems, let alone able or even willing to tackle them (or to contribute constructively to equally necessary Eurozone and EU reform). So, Italy needs also time, to discuss what kind of society it wants to become and organise its moral and intellectual energies into a better set of political alternatives.

These observations invite one last remark on those confident critiques, rapidly relayed across the web. Italy is a country in fairly ill health, whose stability hangs on the delicate balance of powerful contrary tensions. It can be compared to a china shop with too few customers, whose bankruptcy could ruin the whole neighbourhood. The elephants that entered it last Monday night, upon reflection, have spoken more advisedly.

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*Note: This article gives the views of the authors, not the position of EUROPP – European Politics and Policy or the London School of Economics.*

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## About the authors



### Andrea Lorenzo Capussela

Andrea Lorenzo Capussela led the economic and fiscal affairs office of Kosovo's supervisor, the International Civilian Office, and is the author of *State-Building in Kosovo: Democracy, Corruption, and the EU in the Balkans* (I.B. Tauris, 2015), and of *The Political Economy of Italy's Decline* (Oxford University Press, 2018). He tweets [@AndreaCapussela](#)