



2013 ITALIAN ELECTIONS:

Uncertainties ahead for Italy and Europe

Highlights of the outcome

Italy held its general election on 24-25 February 2013. Italian citizens were called to vote for both the Chamber of Deputies and the Senate, which together form a perfect bicameral system, performing identical functions, albeit separately.

Pier Luigi Bersani's centre-left coalition – which was the favourite ahead of the elections and was widely anticipated to emerge with a clear majority in both Chambers - won only a handful more votes than **Silvio Berlusconi's centre-right party** in both Chambers. **Mario Monti's centrist alliance** did not secure the share of votes it was hoping for, coming only fourth. The real winner is former comedian **Giuseppe Grillo's Five Star Movement (M5S)** – an anti-party, anti-corruption and anti-austerity protest movement (although not necessarily anti-Europe) – which has become the largest political party in the Lower Chamber.

The votes of the Italian electorate can be interpreted as a rejection of the economic policy of fiscal austerity rolled out by Mario Monti's outgoing government and more importantly, as a vote against the current political system and established political class that has ruled the country over the last two decades. Economic pain and deep-seated political malaise helped the rise of Mr Grillo – who will now have to develop his protest movement into a political force embedded within the system it has been fighting against.

A workable majority is necessary in both Chambers to form a government and it is difficult to foresee how the M5S could work with either left or right to form such a majority, given the anti-establishment messages of their campaign. **Uncertainty** and **instability** are likely to become an inevitable trend in Italian governance over the coming months, with the potential for **negative impacts on Europe** given Italy's prominence at an EU level.

Current Electoral System

Proportional representation combined with a majority premium.

Voters can express a preference on the Party **Lists** but not on individual candidates.

Majority premium: in the chamber of deputies, the coalition that obtains a majority of votes receives at least 340 seats (i.e. the simple majority). In the Senate the majority premium is at a regional basis, making the most populous swing regions more important than others.

Thresholds for parties for seats in the chambers

Lower chamber:

- > a single party needs at least 4% of votes to win seats in the Parliament
- > a coalition of parties needs at least 10% of votes to win seats in the Parliament and every party in the coalition needs at least 2% of votes.
- > 12 seats are assigned to Italians living abroad

Upper chamber (regional basis):

- > a single party needs at least **8%** of votes to win seats in the Parliament
- > a coalition of parties needs at least **20%** of votes to win seats in the Parliament and every party in the coalition needs at least 3% of votes.
- > 6 seats are assigned to Italians living abroad.



Figure 1: Breakdown of seats in the Chamber of Deputies

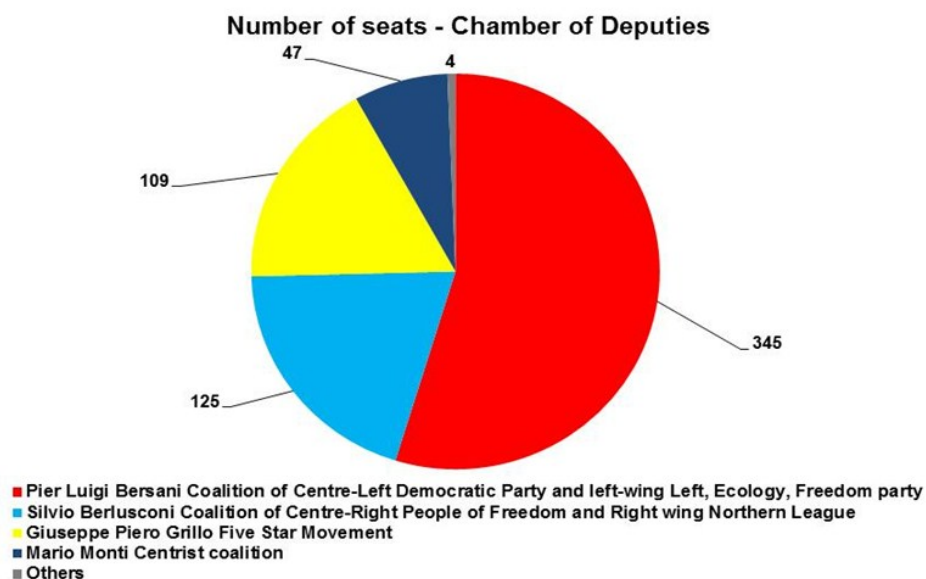
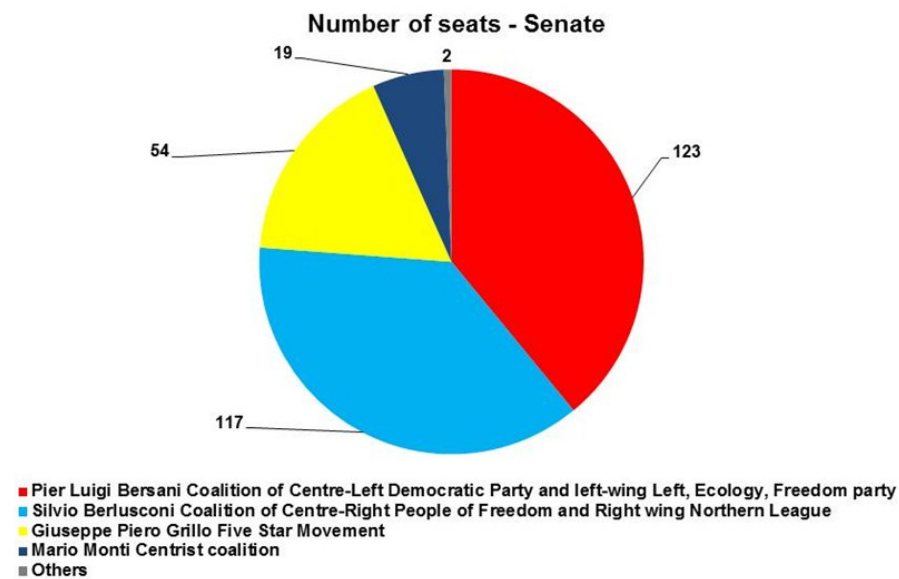


Figure 2: Breakdown of seats in the Senate



Voting for the **Chamber of Deputies** closed with a clear majority for Bersani's centre-left coalition (345 out of 630 seats) – despite a tiny lead in the votes of around 0.5% – thanks to a majority premium that a block of extra seats assigned to the winning coalition (see box 1). The current electoral system can easily produce different majorities in the two chambers. Similar electoral results created political instability in 2006 when Prodi's government held power for less than half a term.

The **Senate** is allocated regionally, diffusing the bonus-premium effect. Berlusconi's centre-right party managed to gain a blocking minority in the Senate, and kept its stronghold in the economic and political powerhouse of Lombardy, thanks to a last-minute coalition with the Northern League. Neither of the soft-core alliances between the centre-left coalition and the Monti-led centrists or the centre-right coalition and the Monti-led centrists has any chance of reaching the 158-seat majority needed to form a viable government.

It is interesting to note that in a country traditionally led by an older, male, political class, the share of first-term lawmakers has seen a radical increase in the number of young (average is 48 years old) and female candidates. **6 out of 10 elected representatives are newcomers in politics.**



The implications for Europe

“Europe” has been the elephant in the room of this electoral campaign. Of particular note is the prominence of the potential exit from the Eurozone as a recurring theme in both the M5S and the Northern League campaign speeches. Both campaigns questioned the Italian commitment enshrined in the Fiscal Treaty, the European economic governance packages (“six pack” and “two pack”) and promised a referendum on the euro (despite not being legally admissible).

What is certain is that the results of the elections are in essence a **rejection of EU austerity policy**, which Prime Minister Monti had been supporting.

Political consequences: Under the leadership of Prime Minister Monti, a technocrat and Europhile, Italy has significantly reinforced its position amongst its EU partners over the past 13 months and played a constructive role on key EU dossiers – the agreement on the fiscal compact and banking union being particular examples. The consequences of the Italian general elections for Europe are twofold:

- > From an **Italian perspective**, the new Italian Prime Minister and Cabinet – likely to lack internal political support as well as international recognition – may struggle to defend Italian interests in Brussels and in other capitals.
- > From an **EU perspective**, the main reaction is that of fear that an obstructive Italian government will have a destabilising effect on the economic governance of the Eurozone with a knock-on effect on Member States in financial difficulties.

Financial consequences: The spread of Italian sovereign and corporate bonds has immediately risen again and could easily reach unsustainable levels, causing Italian borrowing costs to rise. However the toolkit put in place by the European Central Bank (ECB) and euro area financial firewalls may well prove limited in the current political uncertainty.

EU elections: The upcoming European Parliament elections in 2014 will likely mirror the rise of populist, anti-austerity and anti-Euro political movements increasing the weight of Eurosceptic parties and leading to further political fragmentation.

Grillo seizing the power of the net

- > Grillo’s rise is practically unprecedented in modern European politics through a mix of anti-establishment rhetoric, old-fashioned rallies in “piazas” across the country and harnessing new technology and social media such as Twitter and Facebook.
- > Compared to any other politician in Europe, Grillo has the largest number of social media followers. The Italian elections provided a clear positive answer to whether social media campaigning can translate into actual votes.
- > This could also serve as a lesson for companies, political parties and civil society organisations who should consider harnessing the power of the internet and social media in their work from reputation management to advocacy.



Future Scenarios

Potential scenarios for a future Italian Government are outlined below:

Government with a cross-party political coalition/“Grand Coalition” – The main Italian political parties (left & right) are currently assessing the strategic options to seal the deal on an alliance for the creation of a political government led by a Prime Minister coming from one of these parties. If an agreement can be reached, and regardless of the choice of new Prime Minister and the composition of this coalition, outstanding questions remain on the potential stability and duration (which is normally five years) of such a “grand coalition”. This is of particular concern given the current stance of the main political parties’ leaders and the fragmentation that emerged during the elections.

Transitional technical government to make essential reforms (e.g. electoral law) – Another option could be the creation of a technical government led by a Prime Minister appointed by the President of the Republic, with the support of the main political parties. This government would be mandated with the adoption of essential economic reforms and restructuring the political system. In particular it would be required to approve a new electoral law as the prerequisite to another general election. Once the Parliament endorses these reforms, the technical government would be dismissed and new general elections would take place.

New general elections with the same electoral law – If, following consultations between the President of the Republic and the leaders of the political parties, it is not possible to find an agreement on the formation of a new government (political or technical), the remaining option is to call for new general elections. However, both Berlusconi and Bersani have indicated that they wish to avoid a return to the polls if possible. According to the Italian Constitution, only the President of the Republic can dissolve the Parliament and, only after this step, can new elections take place. The Italian Constitution does not allow the President to dissolve the Parliament during the last six months of his mandate. Given that Napolitano’s mandate ends on 15 May, only a new President (who has to be elected by the Parliament in mid-April) could take this action (see “Next steps”). However, the elections would take place under the same electoral system and possibly result in an equally uncertain outcome.

Next steps

- 27 February** – Official proclamation of the elected MPs for the Chamber of Deputies and the Senate of the Republic
- 15 March** – First session of the new Parliament
- 16 March** – Election by the new Parliament of the President of the Chamber and of the President of the Senate
- 21 March** – Beginning of consultations between the President of the Italian Republic Napolitano, and the political parties’ leaders to give mandate to create a new Government
- 15 April** – Election by the new Parliament of the new President of the Italian Republic
- 15 May** – Official ending of Napolitano’s term as President of the Italian Republic