

Flash Note 09/01/2018

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Pre-election Italy. Unnatural three-party coalition?

An unusual (and unnatural) left-right coalition is possible in Italy! Comments by Italian economy minister Padoan suggested that a coalition between Italy's main left- and right-wing parties cannot be ruled out if no clear winner emerges from the upcoming general election. He expected that none of the three main groups or blocs - the anti-establishment 5-Star Movement, the left-wing Democratic Party (PD) and an alliance of conservative parties - would be able to govern alone.

Silvio Berlusconi may be banned from running for office, but he could still be the "kingmaker" in Italy after the 4-Mar election (according to local sources). While the former premier's party Forza Italia is set to lose almost two million votes compared with its showing in 2013, he presumably would have established the basis for a three-party alliance that is set to be the biggest group in the next parliament.

Former Prime Minister Renzi, Italy's center-left Democratic Party (PD) leader, is struggling to forge alliances in the run-up to the 4-Mar election, Renzi's party hopes to maintain its grip on government but is heading into the campaign hampered by a damaging rift with leftwing dissidents who formed a rival party last year.

Meanwhile, **Italian President Sergio Mattarella** on Sunday urged political parties to make realistic proposals to tackle Italy's problems. "The duty to make adequate and concrete proposals is a must given the dimension of the problems our country faces," (Mattarella).

This situation reminds me the Flash Note sent on 3rd January (about the European political landscape). In that paper I summarized some ideas pointed out by the WSJ, such as that the political landscape in Europe is so fragmented that it becomes increasingly difficult to create new governments, most likely resulting in weak, patchwork coalitions. The problem with this is that to accommodate all the groups' demands, minority governments will struggle to implement the bold and much needed policy choices.

In the hope of being wrong, and hoping to see the necessary reforms that will allow the European countries to do without the ECB's assisted breathing, I greet you cordially from the old City of London.

Best