

Italian Prime Minister Renzi officially resigns

By Marianne Arens
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Italian Prime Minister Matteo Renzi officially resigned his position Wednesday evening, but will remain in office until a new government is formed.

Renzi handed in his resignation on Monday after suffering a decisive loss in Sunday's referendum on constitutional reform. President Sergio Mattarella "froze" the resignation until the second chamber of parliament, the Senate, approved the 2017 budget. This took place on Wednesday evening.

Beginning today at 6 p.m., Mattarella will lead talks with the heads of both parliamentary chambers and the leaders of the most important parties at his official residence until Saturday. The goal will be the swift formation of a transitional government. A potential candidate for prime minister is current Finance Minister Pier Carlo Padoan, who has close ties to the European Union (EU). Senate president Pietro Grasso was mentioned as an additional candidate.

Renzi proposed the formation of a "government of national responsibility" with the agreement of the major parties and failing this to hold new elections. He is staying on as chairman of the Democratic Party (PD) and could stand as their lead candidate in new elections.

The ultra-right Lega Nord, Silvio Berlusconi's Forza Italia and Beppe Grillo's Five Star Movement (M5S) have all spoken out against the technocratic government proposed by Renzi. They are calling for new elections to be held immediately. Lega Nord leader Matteo Salvini demonstrated in front of the Senate on Wednesday with signs reading "Voto Subito" (New elections now).

According to media reports, President Mattarella considers new elections to be "inconceivable" if the election law is not altered in advance, since two completely different electoral systems exist for the two parliamentary chambers. For the House of Representatives, the controversial "Italicum" policy

applies, which was adopted in the summer and guarantees that the largest party will receive a majority of the seats. The Constitutional Court is set to rule on the constitutionality of this provision on 24 January. By contrast, a proportional representation system applies in the Senate, which benefits smaller parties. The failed constitutional reform proposed to largely do away with this chamber.

But it is not merely constitutional considerations which are encouraging the President to seek the formation of a government of technocrats rather than calling for new elections. Despite reassuring official reports, the Italian financial system is in a deep crisis. The banks are burdened with €360 billion in bad loans and must significantly increase their capital. Italy's banking index has fallen by 47 percent since the beginning of the year. Shortly after the announcement of the referendum result, interest rates on Italian government debt shot up temporarily.

Important international financial institutions promised assistance ahead of the referendum if the constitutional reform was successful. The planned strengthening of the executive branch would have made it easier to restructure the banks at the expense of the working class. After the failure of the referendum, the international financial institutions withdrew their promises of capital.

The world's oldest bank, Italy's Monte dei Paschi de Siena, confronts imminent danger. It achieved the worst possible score in a review of its balance sheet by the EU in July and urgently requires a capital injection of €5 billion, which has now been called into question with the rejection of the constitutional reform.

A new government is therefore being demanded to prevent an uncontrolled banking crisis. International financial interests are applying immense pressure behind the scenes and expect that the future government—regardless of its composition—will

participate in the rescue of the banks to the tune of billions of euros. But this could bring it into conflict with EU regulations.

Without delay, the Senate therefore agreed to the budget by 173 votes to 108 on Wednesday. The budget contains the same policies which the majority of Italians voted against on Sunday. It amounts to an intensification of Renzi's policy of social cuts.

The budget provides just €1.6 billion for victims of earthquakes. This will fall well short of what is required to overcome the worst damage caused by three earthquakes over recent months.

In addition, €1.2 billion is set aside for "peace missions," meaning military operations abroad. The budget also contains numerous tax exemptions for big business and proposes a sales tax increase of 0.9 percent from 2019. A number of increases in charges, which were met with stiff criticism, were delayed for two years.

The budget bears the hallmark of a neoliberal approach to social questions. In line with proposals raised in the United States, recipients will obtain welfare benefits in the form of "vouchers." This will affect assistance with childcare costs, kindergarten fees and music lessons in school. Renzi's education policy has already pushed the privatization of public schools.

A further ominous change concerns pensions: 63-year-olds are to be allowed to retire on a bank loan covered by their future pension wealth. This will make a further increase in old-age poverty inevitable.

The social crisis is assuming ever more terrible forms. According to the latest figures released on 5 December by statistics agency Istat, 17.5 million people are at or near the poverty line, amounting to one in four residents. Half of all families with three or more children are no longer in a position to meet the basic requirements of life, such as regular mealtimes, a roof over their head and medical care, at their current income levels.

Growing numbers of young people are leaving Italy to seek work elsewhere: 147,000 people emigrated last year; an increase of 8 percent compared to 2014.

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