

The return of Silvio Berlusconi

Mamma mia

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Italians may come to regret electing Silvio Berlusconi once again



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ASTONISHINGLY, *il Cavaliere* is back. At the ripe age of 71, Silvio Berlusconi won a convincing victory in Italy's general election on April 13th and 14th, giving him a big majority in both houses of the Italian parliament. There is every sign that his government will last. His political group, People of Freedom, has absorbed the right-wing National Alliance party, he has shed one unreliable ally in the centrist UDC party, and his main partner, the Northern League, will be reluctant to unseat him. Despite a dotty electoral system, foisted on the country by Mr Berlusconi himself in 2006, Italy may be in for five years of relatively stable government (see [article](#)).

Why did Italian voters return Mr Berlusconi for a third time, after his previous wins in 1994 and 2001? There are three answers. The most important was disappointment with the bickering centre-left government of Romano Prodi. It may have repaired Italy's unruly public finances, but only by the unpopular means of raising and collecting more taxes. It did little by way of broader reforms. Because the election came only 23 months after Mr Prodi took office, his successor as centre-left leader, Walter Veltroni, had too little time to establish himself as a credible alternative.

The second explanation for Mr Berlusconi's success is, as ever, his grip on Italy's media. Through his Mediaset empire, he controls most of Italian private television. Now that he is back in government, he will indirectly control state-run television too, giving him influence over some 90% of Italian TV. It is to the centre-left's eternal discredit that in its two recent periods in office it did nothing to deal with Mr Berlusconi's conflicts of interest in the media. Nor did it reverse the mish-mash of judicial and procedural laws that Mr Berlusconi pushed through to help him stave off conviction in the myriad court cases that Italy's magistrates have brought against him.

Still unfit

It was Mr Berlusconi's conflicts of interest and his tangled web of judicial proceedings that first led *The Economist* to judge him unfit to be prime minister (see [article](#)). We stick to that view. When he suggests that magistrates should be subject to mental-health checks, or when one of his close associates, a senator who is appealing against conviction for associating with the Mafia, says a convicted mob killer was a hero, there are good reasons to argue that Mr Berlusconi should not lead his country.

Yet the biggest challenge now for Mr Berlusconi does not concern conflicts of interest, court cases or the Mafia. It is the dire state of the Italian economy. Indeed, economic woes provide the third explanation why disillusioned voters preferred him to the centre-left. They felt that Mr Prodi's government had done nothing for them except to increase their tax bills. And, against all previous experience of Mr Berlusconi's tawdry governments, many people still want to believe in the magic that made him Italy's richest man. They hope that some of it may rub off on them, making all Italians richer.

Voters have good cause to fret about the economy. In the past two decades Italy has unquestionably become the sick man of Europe. The IMF forecasts that, both this year and next, its economy will grow by a mere 0.3%, the slowest rate of growth in the European Union and among G8 rich countries. This year Italy's GDP per head has fallen below the EU average for the first time. Next year, it will fall below Greece, after being overtaken by Spain in 2006. Even against a slowing world economy, Italy stands out for its dim prospects.

The country's slow growth has persisted under governments of centre-right and centre-left. Its causes are deep-rooted and structural, so they will take years to remedy. Italy is deemed by international watchdogs to be one of the most heavily regulated of all rich countries. Trade unions and special interests have repeatedly fought off attempts at reform. Infrastructure is crumbling, the investment climate is unwelcoming, inflation is troubling and productivity growth has been low (indeed, it has recently been negative). The education and health-care systems are deteriorating. Public administration is inefficient and corrupt, especially in the south—the latest evidence being the Naples garbage mountain.

Time to liberalise

What Italy needs is wholesale liberalisation and the promotion of more competition to reinvigorate its legion of entrepreneurs and small businesses. There is no reason to assume that it would fail. The north of Italy has done well even as the south has stagnated. Italian exporters have proved nimble and creative. Fiat has been transformed. The banks, once notoriously inefficient, have become internationally competitive.

Mr Berlusconi and his finance minister and chief ideologue, Giulio Tremonti, now have a golden opportunity to build on these successes by exploiting their huge parliamentary majority to bring in sweeping supply-side reforms. The question is whether they will take it. The ousting of the far-left from parliament may risk making confrontations over reforms or spending cuts worse. But if the government succeeds in reforming, our verdict on Mr Berlusconi would have to be tempered by the acknowledgment that even he is capable of improvement. Unfortunately there are grounds for scepticism about the new government's reforming credentials.

Mr Tremonti has taken to railing against globalisation as the primary cause of Italy's (and Europe's) problems. The Northern League, which did well in the election, is even more overtly anti-immigration and protectionist. Mr Berlusconi's own words about the future of Alitalia, the country's sickly airline, suggest that he is keener on state-fostered national champions, however inefficient, than on the discipline of the free market. Indeed, he and Mr Tremonti often prefer to cast blame on the EU, the euro and the European Central Bank than to accept that Italy's ills are largely home-grown.

Yet the omens are not all bad. Mr Berlusconi seems to understand, belatedly, the seriousness of Italy's economic situation. His comfortable majority means that he has no more excuses for putting off reforms. This will be his biggest test; hope, for Italy's sake, that he passes it.