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THE RETURN OF BERLUSCONI:
ITALY ON THE EVE OF GENERAL ELECTIONS (AGAIN)

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P R O C E E D I N G S

MR. BENJAMIN: Good afternoon. Welcome to this Brookings panel discussion on the Italian elections. I'm Daniel Benjamin. I'm the Director of the Center on the United States and Europe. As I'm sure you know, Italy's sixty-first post-war government which was led by Romano Prodi fell in January after 20 months in office. Elections to form a new government will be held on April 13 and 14. To those who do not read the first paragraph or two of the news stories, this election pits the very familiar media magnate and former Prime Minister Silvio Berlusconi against the former Mayor of Rome Walter Veltroni. But as our panelists will soon inform us in greater detail, the situation is much more complicated than that, involving numerous parties and candidates and some of the most complicated electoral laws ever devised by man.

To discuss the election we have two distinguished panelists. I'm delighted to introduce at her first Brookings event Professor Federiga Bindi

who joined us at CUSC as a Visiting Fellow in January. She is here courtesy of our long-standing support from the Center on the U.S. and Italy, and we would like to acknowledge their support. She holds the Jean Monnet Chair in European Political Integration at the University of Rome Tor Vergata and directs the European office there. She has taught at numerous different institutions, and when I reviewed her bio today I think I discovered that she is probably the first Brookings Fellow who ever taught at the Fashion Institute of Technology which is very appropriate thing for an Italian Fellow. She has publications too numerous to list. By the way, she is also undoubtedly one of the very few Brookings Fellows we've ever had who speaks Norwegian. She has written on virtually every aspect of European integration and we are absolutely delighted to have her here. She is currently writing a book about Italy and the European Union for -- which will be out sometime.

Our other panelist today is Maurizio Molinari. Since 2001 he has been the U.S.

correspondent of the Italian daily "La Stampa," a man who somehow has managed to stay in journalism, a harder and harder thing to do, at least it was for me, and he has been E.U. correspondent in Brussels, diplomatic correspondent in Rome, and reported from virtually every hotspot you can imagine. He has interviewed everyone from George Bush to Hugo Chavez, and from Yasser Arafat to Bibi Netanyahu. The most recent of his 11 books is entitled "Democratic Cowboys" and it was published in January. I'm now going to turn it over to the panelists. Federiga has already shown her affinity for Washington by preparing a very entertaining set of PowerPoints for us.

MS. BINDI: Do you mind if I speak standing up?

MR. BENJAMIN: I don't want you in the middle of the picture there.

MS. BINDI: I'm usually standing up -- I don't find myself comfortable sitting on the chair.

Let me start by saying that the pleasure of being here is mine and I really enjoy myself. And

it's a particular pleasure to have my first event organized with Maurizio which is a longstanding friend and I would say probably the best journalist we have in Italy without wanting to play the violin; actually, think about that. I never use PowerPoint in class but figured it would be useful to do it today because as Dan anticipated, it is much more complicated than Berlusconi versus Veltroni.

The first thing is that usually legislatures last 5 years in Italy, after a 2 years we get a new general election. This is not very frequent in Italy and we have had lots of governments, but usually the legislatures went almost to the end, and you can see it will be the fiftieth time we vote since 1948, and the fifty-seventh executive from 1948. I left out the eight which run from 1943 to 1948 which is before the constitution was drafted. So you can see that we have had a government -- but elections were less recurrent. And by the way, it's only the second time that (inaudible) of the government started in parliament. You know that in principle in Europe we have

(inaudible) relations between the executive and the legislative, but in Italy only two times it happened that the government was voted down because of a vote in parliament out of 57, two out of 57, and both were with President Prodi. So he is the only one we managed to be (inaudible) with a vote in parliament.

The first question which you then would have is why. Why do we have elections here. Maurizio and myself were among the two who were betting on elections since a long time, but although the government has been shaky since the beginning, not everybody would agree. The situation is too sad so either we cry or we laugh. The guy in the middle is called Mastella and he is the one who is the (inaudible) of the crisis. His wife is what we will call in Italian -- the Italian Hillary. So he has been a long-standing politician and his wife has been helping him in his political life and a certain point she decided she would run on her own and she became president of the Campania Region which is a tricky region. Mastella, he was the Minister of Justice, on

the day he was to present a report on justice in Italy for the last year, during the night Ms. Mastella was notified by the judiciary that she was under inquiry and she had to stay at home. She couldn't leave home because she was under inquiry. So the next day Mastella was to present the state of Italian justice in Italy, actually made a very passionate speech saying that it was unbelievable what happened to his wife and started the crisis.

Here we have two interpretations. I'm not sure which one is correct. He is a Christian Democrat and has been trying to move the Berlusconi side at least 2000 to 2001. So it might be that he is orchestrating the whole thing in order to go to Berlusconi and then Berlusconi said we don't want you in the coalition and he is actually not a candidate. There are possibilities simply that he completely lost his mind. Anyway, this is how the crisis began.

Everybody was in fact interested in the election, but the two main people were Walter Veltroni who is current leader of the central left. Veltroni

as we will see had just been elected as secretary of this new party, the Democratic Party, we have the Democratic Party in Italy as well whose leader is selected by a primary election. Don't think about what is happening in the U.S. Nothing like that. Election, three candidates, only one real candidate who won an absolute majority, so it's nothing like the U.S. If he had been secretary of the party for three more years with the current government, he would have been dead, so he had to take his own chances.

Thus he wanted to put in parliament people he could trust and he could rely on. The current electoral law as we will see in a second hurt him. If you look at the candidates, they are I'd say relatively quite low level, but almost all people will obey him. On the other side, Berlusconi also had the same desire. He too couldn't afford to wait for three more years (inaudible) he is quite old, so three more years without running an election would have meant that he would have been too old to run. So he too needed to go to elections now. And while Veltroni de

facto will fill in the parliament with people he really trusts and he did it without saying, Berlusconi simply said it, we don't need very many (inaudible) in the parliament, we need four or five smart people and the rest will only be there to vote what are told to be done.

They were helped in this by the electoral law. We have an electoral law which actually was (inaudible) which is to help coalitions being built. Despite that we have 32 candidate prime ministers, official data, 35 different parties. Do you want to see? So basically what happens is that we have three sets at least of candidates. So the party which means the party leaders, Berlusconi and Veltroni, they decide who is going to run and in which position. So let's say the Democratic Party, projections say that he is going to get for sure 10 deputies in one area. The first 10 people are the people that he will decide who will enter into the parliament. Now this is what an electoral ballot looks like. You don't vote for the people. You only cross on the party. So it's

very different from what you have here where you actually choose a person. You actually choose a party. If you go like this, you don't even know who you're actually voting for.

Now the tricky thing in the election and we go back with that is that although the proportional system is too (inaudible) so it at least has to get either 2 percent or 4 percent to be nationwide in order to have people elected in parliament which is not very high for sure, but for some parties it might be different. And the other tricky thing is that if the winning party doesn't have enough to seats to govern and you know that we need to have the majority in parliament in order to obtain confidence in the Italian parliament, then there will be a price. But this price is attributed in a different way in the lower chamber and in the Senate because the Senate is divided according to the constitution on regions. So this united with the fact that people can vote for the chamber when there are 18 and then can vote for the Senate when there are 25, what we had last time and

what is very likely we're going to get this time is that there will be a very different result in the chamber and in the Senate. We'll go back to that.

Now which are the main parties? On this right center party we have Berlusconi's party which has joined itself, Berlusconi created the Forza Italia Party in 2007 (inaudible) of the Democratic Party created a new party which merged himself and Gianfranco Fini. Gianfranco Fini is (inaudible) who said that he would never ever (inaudible) Berlusconi and of course they are running under the same symbol. They are also linked with Umberto Bossi, Northern League, in the north, and with separatists in the south of Italy. On the left side, the main party is Veltroni's party. You can see he is an admirer of (inaudible) and then the other main party is the actual left-left which is a coalition of greens and other left and so on and so forth. There are as I said a number of other parties. We have the extreme right party, we have socialist parties, but I don't see that either of them will get to the threshold of 4

percent. The other parties that we will count besides the left party is (inaudible) the only (inaudible) today of the Christian Democrats. He is going to be the one who will decide who is going to (inaudible) in Italy pretty much after the next election. Casini, this is very little respectful, but very explicit, Casini on one side he professed family values, on the other side he's divorced, remarried and very well known for being a womanizer. And this is only one of those (inaudible)

All these things mixed together with the electoral law makes it so that as I said political parties and in particular party leaders have paramount power in deciding who is going to sit in parliament. They are deciding. Smaller parties, even if they have little chances to enter, they still have an incentive to run because in case they make it into the parliament, they're going to have huge (inaudible) lots of money. So sometimes they only run because they can have (inaudible) because they can have the money. But on the other side, these things which I

told you before, that we have a very high level of political (inaudible) and coalition governments which are polarized, and this is actually what happened with the past Prodi government which has problems on its own left and not only because of polarization.

Now what is going to be the possible outcome (inaudible) as far as I understand, there are 22 possible scenarios which have been elaborated from the parties. Of these 22, five say that the center left (inaudible) the extreme left will essentially rule not only with Casini (inaudible) in the seventh case they will have complete parity and will be deadlocked. And in 10 cases the center right will win. One possibility is this. I am strongly convinced that either Berlusconi gets a landslide majority and can govern on its own. There is a possibility that there is an agreement between the two major parties due to the reforms (inaudible) in 2 years. If you look at the web, this is pretty much what people are betting on. The two last and with which I will stop is the (inaudible) campaign in Italy has been very low level

and has not been very funny, but people are looking on the other side of the Atlantic, so don't change government, change face. And the last one is don't change government, change country which is (inaudible) questions, we take them afterwards?

MR. BENJAMIN: We'll take them afterwards. Who said think tank life wasn't fun? Over to you, Maurizio.

MR. MOLINARI: Thank you, Federiga. Congratulations. Thank you very much for the invitation for being here today. Thanks to Federiga - - this great jump in Italian political waters, very messy and I have to say that the slides were very helpful.

We are in the phase where the campaign is ending up. In a few days we're going to vote. Sunday and Monday the polls will be open. And so basically we can start from two questions. How was the campaign, and what can happen once that we'll have the results?

Regarding the campaign, I think that we had four main new events that we can go one by one. The first one is the way that the leaders, both the leaders of the both main parties' alignment they did decide how to run. Until the previous election in 2006, the style of the politics was very different because on one hand we had Berlusconi, the leader of the center right, that his style is may we say looks like what happens in some countries in Latin America, it's very personal, you vote for the man, you vote for his style, how he looks, what he says, what he thinks, his programs, basically you trust him. And while in the center left until that time was quite different. The most important were the programs, the ideas, the stature of the party. Now all this completely disappeared in this campaign because also we may say that the center left accepted the political model, the political method of the other guy. So we had the former mayor of (inaudible) Walter Veltroni decided to run exactly more or less the same kind of campaign. Of course the (inaudible) are completely different,

but the method, the way that he appears, the way that he sells himself to the Italians, Veltroni is very (inaudible) and I think that we may agree to what Berlusconi is trying to say. So basically this means that these elections probably for the first time are going to be a referendum between two men. No huge parties as was happening during the Cold War, no big coalition as has happened since 1992, but basically two men. Every single Italian family, every single Italian voter has to decide who does he trust the most, Walter Veltroni or Silvio Berlusconi.

This may be in some kind similar to the situation in America where you discuss a lot the people that run for president, but in reality it's very different for us because we came from a political history that Federiga knows much better than me where parties were more important than people, than in person. The Italian democracy was born after the Second World War thanks to parties and the problem that we had after the state was born, was created in 1870 was that we didn't have parties. So all this

debate of the role of the parties in Italian political life belongs to our DNA. The fact that we had after the Second World War, several important parties helped the Italian democracy to develop itself and to grow up and to help the country to grow up. And essentially we find ourselves today (inaudible) so this is the main (inaudible) fact, the real new element of this campaign.

Then we have another protagonist that we had and this is an old protagonist, but it's new because from the last year it probably wasn't happening this phenomena in the same way that it happened this time, and this new protagonist is the Pope, the former Cardinal Ratzinger, Benedict XVI, and the Bishop Conference of Italy has been one of the protagonists of the Italian political debate in the last 7, 8, 10 months. The style of this Pope is different from the previous one in terms of his approach to Italian political life. The previous one was more (inaudible) oriented. His message was more directed to other people, other countries, other culture, but of course

was a different period in history. This Pope is much more oriented in preserving the Christian values inside single Western countries starting of course from the Republic of Italy.

Then coming to the issues that have been debated in the campaign, of course we didn't have foreign policy we have to say very openly and very sincerely. No one is discussing about foreign policy in 2006. There was Iraq. The Prodi government, the Prodi coalition, the center left was in favor of withdrawing the troops from Iraq. The center right in reality sends the troops to them so the issue was very hot and in this case nobody is speaking about Iraq, nobody is speaking about Afghanistan. We have a lot of troops, we have casualties. So completely absent.

What this means? This means that the issue that the Italians will vote about is going to be the economy because our malaise because of the economic problems that we have. We had several good reports on the American press on that describing the situation I think as it is, that it is really bad in terms of also

lack of hope that people have in facing the difficulties that we are having. So more economy and the disappearing of foreign policy.

But looking beyond these three elements, the style of the leaders, the role of the Pope, and the disappearing of foreign policy, I'd say my personal opinion, all of us we like politics and we are involved in this because politics reflect the way that human beings behave, I believe that what is really important for the Italian political life is what did happen in the coalition of the center left. The history of the Italian left in the last 100 to 150 years has been the coexistence between two selves, that is the massimalista and the minimalista, the moderate and the extremist. All the history of the communist party, the very difficult coexistence between the communist party and the socialist parties and the several splits that you had inside the communists and inside the socialist parties (inaudible) to be moderate or to be extremist were constant in our textbooks, in our life, in our

debates, and basically this debate was born in 1921 from the discussion if it was possible to win a Bolshevik revolution in Italy, it was impossible, and they had to find a compromise with the bourgeoisie of that time. This debate arrived until our days and the decision that was taken by the leaders of the center left in the last 10 years was to compromise from the moderate point of view with the extremists, so to write together in every competition, in every electoral (inaudible) a program that was a compromise between these two selves, between the moderates and the extremists, between the extreme left and the moderate left.

The problem was that this kind of compromise during the Cold War had a kind of sense because the Soviet Union was still there. But after the Soviet Union disappeared, to have parties that still call themselves communist and they still refer to these extreme leftist ideas in the economy, social life, or foreign policy, anti-American, it's all that, looked really bad from a moderate point of view inside the

leftist coalition. And here comes the decision taken by Walter Veltroni who is running again for (inaudible) and for the center left. He decided in this occasion to run with a party without any kind of agreement with the extreme left. He said it's time that this strange cohabitation is going to be finished. That's it. It belongs to history. We are going to be ourselves. The moderate left is something completely different. We are closer to the Democratic Party in America and other progressive forces like the Labor Party in the U.K. But no more compromise with these kind of extremists and post-communists or former communists or how you want to call it. We are going to stop this kind of behavior.

I'd say, and Federiga correct me, that in the frame of Italian political history it was an important step. We have no idea what the consequences will be. We don't know if Veltroni will win, if after the election he will have some kind of compromise anyhow with these small parties to reach the majority if Veltroni will accept the cohabitation as the slide

suggested with Berlusconi. But the fact that he took this decision that he for the first time was a leader on the left who said to his people, to the voters of the left, enough of the extreme left, enough with these ideas against the free market, against America, against Israel, by the way, and so on and so on and so on, was a huge step and we have to recognize this. It's very interesting to see how the Italian voters will react. So in political terms, the question is how many voters who belong to the center of the political spectrum or even to the right will go to Veltroni thanks to this decision, the balance, how many votes Veltroni is going to lose in the left and how many he is going to win in the center. I'd say that this question mark probably in the long term prospect, it's more important than the results themselves because even if the center left loses this election but loses in a good way with an important result, this will give Veltroni the strength to go on on this path that can be, yes, something really big

for our way to have and to do politics in this strange country as Italy is.

What's going to happen after the election? Of course we have three main possibilities, that the center left will win, that the center right will in, and that they are going to have a coalition together. Of course, when we say the center left or center right will win, it means that the two coalitions can win also making some arrangements and compromises with small parties on the left or on the right. Most observers believe that the economic problems that we have that are shown by the lack of foreign investments, the unemployment, the inflation and so on and so on and so on, the problems are so huge that the country really needs the coalition, really needs the two biggest parties to work together maybe for 2 years' or 3 years' time to put down stronger forms, surely to change the electoral law, and maybe even the constitution, to put the basis for a new republic. But if this will be impossible for (inaudible) or personal rivalries, what will be? I think that the

only few predictions that we may do, and here the frame of course that interests all of us are in foreign policy, is that I don't think that we are going to face watershed events in foreign policy. I believe that the main crux of Italian foreign policy is going to remain as it is.

What means the main crux? It means less Iraq and more Afghanistan, so whoever will win will have to enlarge the presence of the Italian contingent in Afghanistan. If you speak with the people who belong to the staff of Berlusconi and even with those who belong to the staff of Veltroni, everyone realizes that the problem that NATO is facing in Afghanistan is so serious and the interests of Italy to solve this problem is so high that whoever will win, probably the numbers of our soldiers is going to rise. I don't know if we are going to send helicopters or other instruments, other kinds of weapons, as this U.S. administration is asking to our country, this is very difficult to say. But in terms of numbers of soldiers and probably also in terms of giving to the soldiers

the possibility to fight in the south where the situation is more difficult in Afghanistan, I'd say that it looks very difficult that the new Italian prime minister will be able to say no either to this U.S. president or to the next U.S. president. So I'd say that in a timeframe probably of 6, 8, 10 months, we are going to have more Italians in Afghanistan. Less in Iraq means of course that we are not going to send soldiers into Iraq even under a U.N. umbrella but could mean to rewrite our presence in Iraq. It probably could be a police force, it could be more a civil presence there. Probably if there will be a new president with a different policy on Iraq could be a very positive reaction from the Italian side because these are issues that the two main parties really share. And I personally believe the fact that we have about 2,300 Italian soldiers in Lebanon even if they were sent there by the center left, I think that the center right will keep them because to withdraw them could be so dangerous in terms of stability for the Middle East that to see Berlusconi just to take this

dangerous decision just to say I'm going to destroy what the others did looks really, really different.

And probably the moment where we will see the new foreign policy of the new government of Italy rising up is going to be the G-8. The G-8 will take place in 2009 on the Island of La Maddalena. Probably most of you know where it is. It's a small island north of Sardinia, a place that's very difficult to reach. I can guess that they are going to do the G-8 on the boat because it's the only place -- but that will be the moment where -- we will have to wait until then to see if some new ideas will come up. Thank you very much.

MR. BENJAMIN: Thank you both for very informative and entertaining presentations. Let me start off by posing a few questions and then we'll open it up to the audience. You both held out the possibility of a grand coalition. In what the polls were suggesting a while ago, I guess I'm not doing polls now, in the unlikely event that there's a grand

coalition but Veltroni gets more votes, can one imagine Berlusconi playing second fiddle as it were?

MS. BINDI: That's a good question. The polls are on the last days there is a difference between the PD and Berlusconi and Veltroni ranging between 3.5 and 5.5 which is relatively small. Plus one has to add there is 30 percent of people who have not decided whether they want to go to vote and what they will be voting. So they will be basically deciding the election.

That's a good question. It depends what Veltroni would offer him because as Maurizio said, if Veltroni in order to govern makes an alliance with the extreme left then it's the end of his project and nothing changes, nothing will change in Italy. I'll give you a more concrete example. You know that we have in Italy the work place is something which should be the same for the rest of your life. So if you have a job which is not a lifetime job, then you're called -- you don't simply say that you're working, you say that you are a (inaudible) someone who is imbalanced.

So the government thanks to the extreme left decided in the last financial bill that all the (inaudible) should be deleted. How? By forbidding public administration including hospitals, universities, to hire people if it's not for lifetime. Which means what? The unemployment is (inaudible) in my own university at the hometown we are sending back 1,000 people in my own university to give you an idea. So this is the kind of policy that the extreme left will have, not to talk about (inaudible) or things like this.

So if Veltroni is in a position to decide either he gets an ally with the extreme left (inaudible) or he gets an ally with the Christian Democrats, there will be several people within the party. The Veltroni party is formed by former progressives which are in the end former communists and former Christian Democrats so there will be substantial (inaudible) and others which will claim to make an alliance with (inaudible) and this is one possibility.

So if there are numbers I would say that they will end to do that, Berlusconi plus Casini. If the numbers are not enough, Casini (inaudible) percent. If the numbers are not enough, then he would have to offer him a lot in terms of government for Berlusconi to accept it even premiership possibly. But in a way as Maurizio correctly pointed out, it's a lifetime chance. It's the one possibility that Italy has to cut out extremists and to cut out parties like Casini's which can change their minds a thousand times.

MR. BENJAMIN: Presumably if they do have a grand coalition and Veltroni is prime minister, then it would be someone other than Berlusconi who would get the highest other position, presumably foreign minister or perhaps something else.

MS. BINDI: It would be difficult for Berlusconi not to be -- in your scenario the only possibility I see is either both of them get out. That is a possibility. Surely they would have to split the chamber so each party gets one place in the

chamber. The Senate is the most important one so the one who gets premiership will get the chamber and then the one who gets the deputy will get the Senate. There will be an agreement on presidential elections in 5 years go come. I have difficulties in seeing them both in government so it might be the case that they would both step down.

MR. MOLINARI: Neither Berlusconi nor Veltroni exclude something excluding the possibility of a coalition, so this is the possibility that is on the table and it's the most possible among all the others. What kind of compromises they would have to do? Of course it will depend on the numbers, but of course every one of us knows Berlusconi and Veltroni so to convince Berlusconi is going to be much more difficult than Veltroni.

MR. BENJAMIN: This is a small question but one that I'm curious about. You described the evolution from party-based politics to personality-based politics and this is a very interesting trend in many different places. I'm curious what you think the

drivers of that trend were. Was it in part because Berlusconi has been such an outsized character? Have there been American political consultants on the scene who have often done this kind of manipulation? Why do you believe it's happening?

MR. MOLINARI: I personally believe, I don't know if I'm right or not, but I believe that one of the main factors, the most important factor, was communications. A single man is able to react much quicker than a party. When you have a huge event in politics, you have to react in a very short time. You have to guess the feelings of the people in a very peculiar way. A single person is much more able to it than a party that has to agree about a platform, about a line, and then needs a speaker and then a spokesman and the spokesman has to effect a coalition. This was a way of expressing itself that a party could have 20 years ago. Nowadays it's very difficult. Thanks to having a different system, Berlusconi won big in 2002 and the left understood that since today you do

campaigning thanks to the media that's working so quick, you need to change your tactics.

MS. BINDI: And there is one date for that which is September 2001. September 2001 is when the center left party, the leader of the center left party without consulting their own executive which is something which was very unprecedented in Italian politics, decided two candidates, Rotelli as prime minister, while Amati was in power and in our form of political system Amati would be the (inaudible) candidate. And it was in early September 2001 that they decided, actually the decision was taken in August, but it was made official in September.

MR. MOLINARI: And if you turn the question around, the real problem that is the problem of democracy in Italy but maybe also somewhere else is that how difficult is for structured parties to face social problems.

MR. BENJAMIN: Just as a comparison, we had one of President Sarkozy's senior aides, I guess she's actually now a deputy foreign minister (inaudible)

here some months ago and she spoke on how they had campaigned and the personalization politics there too is extraordinary as is the personalization of governing. And if you look at the Elysee website, you're essentially offered I think six or eight different videos at once of what Sarkozy has been doing. It's extraordinary and it's quite a remarkable change in Europe.

My last question is a more historical one I suppose. I think for as long as any of us can remember there's been discussion of the Italian disease in terms of the fragmentation of politics and the inability to keep a government going with the once exception of Berlusconi's government which is the only one to ever serve a full term. Clearly there has been an effort to change that and to move toward a more two-party system or have essentially one cleavage in the political world, but it is quite astonishing at how incapable the Italian political system has been at reorganizing itself. I recently heard that in Whitehall the civil servants say if the policy that

you adopt doesn't achieve the exact opposite of what is intended, it's a success, which is a very interesting definition of success. It seems as though the last electoral law reform did have exactly the opposite achievement or outcome of what was intended, but if you could address this question of why it has been so hard to establish rules of the road that lead to durable governments.

MS. BINDI: I come from Florence and we've been fighting factions one against the other for centuries, and then Florence fights against Arezo and Pisa of course we have even a saying that it's better someone dead at home than a Pisa guy on your front doorstep, and so on and so forth. So we come from a history that's basically since after the Romans. It's done on factions and (inaudible) and the only way to put order in the faction was Lorenzo the Magnifico's attempt in the second half of the 1400s and as it was to (inaudible) and basically Italy in the past 50 years has called upon the European community first and

the European Union to rule in the areas which matter today economic.

However, my point would also be that it was not the case that government (inaudible) it was a precise decision. Mastella only offered the excuse but it was a precise decision of Veltroni and convinced also Berlusconi to do that because they both had enough with their little pigs as I would call, the extreme left on one side and Casini on the other. So they somehow both wanted to run the chance of losing but to try to do the reforms because in a way even Berlusconi whether we like it or not, yes, he has (inaudible) a main goal, but the early Berlusconi was really convinced that he could change the country. It was not only a matter of insuring his own interests. He's been doing that greatly in the first republic. He's been insuring his interests very well so he could have well continued the same way. There was on both sides on the olive tree of the Prodi side at the time which by the way had Veltroni as a deputy and the Berlusconi side, both sides thought that they could

really change the country and the people thought that. There was a huge window of opportunity which closed back.

In a way there is from what I understand both men are at a point which either they do what they want to do or they're out of politics (inaudible) do it now, we have enough. That's my understanding. It might also be wishful thinking, but that's my understanding. So in a way this time we have not managed because we didn't want to because it might lead to what we want.

MR. MOLINARI: I fully agree with Federiga. Just to add one short sentence. One of the reasons, if not one of the most important reasons, that we cannot agree about a new electoral law and that the one that we have is displeasing almost everyone is that every single party goes to negotiation to write a new draft is defending those local (inaudible) where he is stronger. So basically it's the local fragmentation of the country that makes it very difficult to find an agreement on the electoral.

MR. BENJAMIN: To defend my earlier point, I would say that if we were having this conversation 800 years ago we'd only be talking about the (inaudible) and there were only two parties then, so it's actually been downward evolution. With that I'll open it up to the floor.

SPEAKER: My question is about the scenario (inaudible)

MR. BENJAMIN: It didn't think for the conspiracy theses to come out.

MS. BINDI: We were discussing that before and we both don't have an exact answer. I think we will understand better what actually happened when we look at the votes and see where Mastella votes have gone. So what we will have to see is how many people actually vote for Casini and see if he had an big incremental especially in the areas where Mastella is stronger or whether Mastella has been controlling his votes and they didn't vote or voted for something else. I think that will give us a clue.

When Sandra Mastella was put under house arrest, the feeling is it's not the government which put her under house arrest, essentially it was the magistrate and Clemente Mastella the minister has been having issues with the magistrate for many months. And the feeling was that something like (inaudible) affairs had started in southern Italy with the difference that is the cleanup and what came out in Milan would have come out in Naples the system would have exploded. So, yes, as for now you do have a number of interpretations. I know for sure that Mastella has been trying to go on the rightwing side of the political scheme for many years and this time was -- but Berlusconi eventually said he wants to be part of the election.

He didn't really complain and Mastella is a very active guy. So if he wanted, he could have run anyway. He didn't even do a coalition with Casini which he could have conceivably done. So it could also be an option that he traded his wife's safety in going back. That can also be his option, that what

his wife was in and apparently that could really be the case, is so big that you trade something, you trade yourself out of politics. He also eventually can go to European elections next year, that can also be, but there was this feeling and this feeling in government that the situation was really bad, really grave, and really dangerous. We're at a moment in which it was also the moment in which there were all this rubbish was not collected. There was really a moment in which the government was afraid there would be a revolution which has happened in the past in Naples, so there was really a period of fear, a few days of fear, in the government. And Mastella is not crazy.

MR. BENJAMIN: Maurizio, was it 1789?

MS. BINDI: Yes.

MR. MOLINARI: Could have been because Campana is a region where the issue of (inaudible) are deeply rooted, where the army went and is still there without being able to solve this issue to get rid of the waste, where we have a governor already

(inaudible) mandates that belong to the center left, very strong on the territory but unable to solve these kinds of issues, so it could have been, and probably, maybe (inaudible)

MR. BENJAMIN: If you also could introduce yourself.

SPEAKER: (inaudible)

MR. MOLINARI: As you know, Italy it's a very deep Catholic country even if I'd say most of the people are not (inaudible) but they feel very strongly this identity so there is a huge respect for the Pope. The discussion is not about what he represents. The discussion among the parties is why there are two bishops that do express the views of the Pope are taking sides more and more in favor of one side than on the other, that it means in favor of Berlusconi instead of the center left. This is the real debate, what happened, why they are so active on issues that are from genetic to abortion to the economy in a way that once was not like that even if when we had the

(inaudible) the huge white whale that was ruling the Italian politics for so long.

Of course as we all know, to understand what happens inside the secret chambers of the Holy See, it's more difficult than to understand what happens in the Kremlin. What I can tell you is that once I met with a German report that was he covering very closely the archbishops' conference in Germany during the Woytjla period so before Ratzinger became Pope. At that time of course Ratzinger was one of the most revered Catholic authorities in Germany. So he was telling me a story. This was before the election of this Pope, and he said, Maurizio, you will never know what's going to happen in Italy. This is a very expert German reporter. And I said, why? He said, look Maurizio, you don't realize in Germany when the CDU, the Christian Democratic Party, in Germany puts down the name of the candidate in the election, they ask an opinion to the archbishop. Still they do this he said. I was surprised as you are today. I said, look, we are in 2003, 2004. Do you really believe

this? He said, Maurizio, listen to me, this is how it works in Germany. In Germany the church is the church, the Catholic Church is the Catholic Church, the CDU especially in Bavaria is very strong in the Catholic vote, and the coordination, the agreements especially on the issue of values, in the German political model it's very important. So this is the breeding ground from where Ratzinger is coming. I don't know if he was right or not, but it's something that since then I have still strong in my mind.

SPEAKER: (inaudible)

MR. MOLINARI: It's a good question. There is one person whose name is Giugliano Ferrera, it's a prominent journalist. He comes from the left and decided to build up --

MS. BINDI: Extreme left.

MR. MOLINARI: Extreme left and decided to build up a party that is antiabortion and is looking for the Catholic votes and he is almost sure that thanks to this revival of Christian values he will be able to enter in the parliament with several elected -

- thanks to this new atmosphere in Italy, and this gives you the taste of how strange the situation is. I don't know the answer, but I can tell you that both of the main parties are willing to have the archbishops on their side because this gives them a lot of authority and credibility not just in the big towns but in the small villages and those local areas that we were speaking about that are so important because of this electoral law.

MS. BINDI: (inaudible) is polarizing in Italy so you have people who absolutely adore him and people who absolutely hate him (inaudible) friends are telling me. For instance (inaudible) and they simply tell that at dinners they can't talk about religion and the Pope anymore because they come basically to hands. There are more those which strongly dislike the intervention of the Pope in politics. I do personally believe it's far too strong and I do believe it's negative anytime when religion gets melded with politics, but lots of people are enjoying it. And if you look at one data, in the 1970s there

were referendums on divorce and abortion, the church was completely against it, the ruling party, the Christian Democrats, was against it, and the people voted in favor of them. Last year we had the referendum on genetics and the church heavily campaigned against it in the sense of an abstention and there was enough abstention to block the referendum. So unbelievably enough, in 2008, yes, the Pope is managing to have an influence in Italian politics which means that we've (inaudible) from April 15 to April 20.

MR. BENJAMIN: When you say genetics, do you mean stem cells?

MS. BINDI: Yes.

MR. BENJAMIN: Mr. Calingard?

MR. CALINGARD: (inaudible)

MR. MOLINARI: I think that the first question and I'll leave the second to Federiga, regarding the first one, I think that if we are going to have a repetition of the same balance, of course for Berlusconi it's going to be much easier but

probably for another reason, that is that during this campaign there was not much (inaudible) between him and Veltroni. It was a tactical choice that he did that Veltroni repeated, so the situation between the two men is such that a personal compromise is possible exactly for the same reason that we were saying before that personalities are very important, when people are voting for that, those who are voting for Veltroni know that Veltroni may appease with Berlusconi and those who are voting for Berlusconi know very well Berlusconi is repeating every day that he is ready to make deals with Veltroni. So it will be much easier.

SPEAKER: (inaudible)

MR. MOLINARI: Yes, of course, but the main problem at that time was between Prodi and Berlusconi, it was that the rivalry between the two was so hot, they were even unable to speak to each other, and now the situation is very much different.

MS. BINDI: Yes, I completely agree, and also don't forget that thanks to this electoral system, they control their deputies because they all

owe their election to them so they're much more unmanageable than deputies before. And as to your other question, the rumors are Castalaneta, current ambassador here for foreign minister, Ratini for minister of interior, Fromigroni the current president of region Lombardi for public instruction, Bossi should be staying out because of his health, Fini should not be getting a role in government, he should be getting either a strong role in the party or in the parliament. What else? These are the main ones who are going around. Larusa, defense (inaudible) Tremonte economy once again.

MR. BENJAMIN: We should ask you who's going to be in the World Series too. It's clear that you've got an inside line.

MS. BINDI: I've been scouting for today.

SPEAKER: (inaudible)

MR. MOLINARI: May I take Fini and you take (inaudible)

MS. BINDI: Go ahead.

MR. MOLINARI: Fini took very high risk in melding his Alleanza Nazionale inside the center right of Berlusconi. You have many observers who are saying that that was a sign of weakness while others who are very close to Fini are saying you don't understand anything, in reality that decision he took was just the last stop of the part that he decided to do in 1994 choosing to be moderate so if you choose to be moderate from the extreme right, in reality then this party you are going to meld with the largest moderate party that you're having. Probably the result, the balance, and so if he was right and was wrong, if he is going to win this or to lose it, it will depend on the role that he will have as a person. Again as a person, as the personal profile that he is going to have in the new coalition. Having a big task, for instance, the Speaker of the House could give to Fini the possibility to say look I did what I had to and now you have a representative of the former extreme right representing the state, the republic, at the highest possible level. If otherwise he will receive

a minor minister and so the result could be very negative for him and for what will remain of his party.

MS. BINDI: But there were never talks about Fini in government actually also because Fini was one of the supporters since the beginning of the referendum to change the electoral law so the position in parliament looks much more likely also to control the process.

Tremonte in economy, this is a difficult question because in principle you know Tremonte is a liberal, but then his last (inaudible) were not exactly champions of liberalism. So he is very unpredictable as well. When he first went in government he (inaudible) lots of liberalization and reforms and they never really came. Labor reforms can be substantial and can win lots of votes like abolishing the tax on housing the -- what's called first housing, your own first house, abolish this kind, reabolishing the tax on inheritance. These are things which I think will be reintroduced and they

promised in the (inaudible) and they will win lots of votes for them by the way.

MR. MOLINARI: And if I may add something just to add something to this Machiavellian image that we have of our lovely country, as you know, Tremonte just published a book that is an antiglobalization book. So he is very liberal in European terms and publishing a book like this. So when I asked one of his people why did he do that, he said, Maurizio, you don't understand anything. He thought about this last year. I said, okay, but why? Because he is preparing the ground for the big coalition.

MS. BINDI: And he's been working heavy on that for years.

MR. BENJAMIN: Maurizio, you have to leave. Can you take one more question?

MR. MOLINARI: Sure.

MR. BENJAMIN: Can you introduce yourself, please?

SPEAKER: (inaudible)

MR. BENJAMIN: You can try to answer that briefly.

MR. MOLINARI: My personal opinion is that the easiest way to do the economic reforms is to have a coalition because if the two main parties are sharing power, you don't have on the other side in the parliament someone going down the street making noise. So the following question is so let's suppose that they agree somehow to share power or to have a coalition or an economic reform program, what they may do. It's an open discussion, but again if you ask my opinion, I'd say the two main points where they could start, I'm not sure that they can finish the reforms, but they could start at Social Security because it's a huge issue. There is an agreement more or less on what to do between the two parties. And the other one is the labor market, the reform of the labor market that Berlusconi began and that did not have the strength or the will to finish it because he was feeling the reaction of the union. Now in this case

if we are going to have a coalition government, it would be much easier for him to make it.

MS. BINDI: I completely agree with Maurizio and add that the unions are not coming out very well out of the Al Italia case. The way they handled Al Italia has really undermined their power in Italy because the situation as you know is tragic and it was basically their veto that Al Italia has not been purchased by so far by Air France. So in the public debate today there are people advancing the idea that the unions are useless or even negative which is something unheard of in Italy. But I completely agree with Maurizio that the only way to do the reforms is a grand coalition because then you take away the Christian Democrats and the extreme left which are the ones stopping any reform.

MR. BENJAMIN: Maurizio, thank you very, very much.

MR. MOLINARI: I'm sorry, I apologize, but I have to take my plane to fly to Italy to do my duty.

MR. BENJAMIN: To get that country in order.
Yes, sir. Thank you very much.

MR. MOLINARI: Thank you.

(Applause)

MR. BENJAMIN: Federiga, that means you get
to monopolize the opinionating here. Are there any
more questions?

SPEAKER: (inaudible)

MR. BENJAMIN: Campaign finance.

MS. BINDI: That's an interesting question.
Our parties rely heavily on public funding, so those
which get elected to the parliament receive huge
amounts of money, huge amounts of money, and so the
biggest party -- it is financially rewarding to run
the election just for the money that you get. In
terms of how the campaign was financed, usually the
parties finance a part of it and the candidate finance
another part of that. In this case it's very peculiar
because in this case, for instance, to run for the
European elections, if you want to be elected you have
to put into the budget something like \$250,000 at

least, last elections. With this election it's different because you have these electoral lists you (inaudible) there have been free riders, the people who are on top of the list of course, they didn't really need to run, nor do they need to get money or anything. The people who are at the border, those who we are not sure they will be elected or not, were the ones who really campaigned and really tried to fund raise, but there has been I would say a much lower key campaign as in the past with much less money being spent than in the past. This is something which has happened -- which has changed in Italy for Italian politics. Since the very beginning, since after the Republic, the party expenses have been artificially inflated because less parties, the communist party essentially, would money from the USSR and that went on until the late 1990s. And the CIA, the first covert operation with CIA influence in electoral campaign was an Italian case. The 1948 election, the anti-communist parties were financed by the CIA. This is (inaudible) fact.

From that point on the parties got used (inaudible) in getting funding, and then when the external fundings were not coming anymore or not sufficient anymore especially on the noncommunist side, then bribery supplied. I'll give you one practical example to give you an idea how much politics cost at a certain point in Italy. I was active in youth politics for many years, and when I first joined congress on the youth party I was part of, it was near my home town in (inaudible) so I was invited to go to the party, to the congress, and I went there, and I found it was interesting people, I decided to stay (inaudible) why don't you stay over for the night and tomorrow night stay for the whole congress, and I said I didn't reserve a room, I'd better go home. You don't need to reserve a room (inaudible) was reserved and paid for. That's the youth movement. Does it give you an idea? That was how much politics cost.

After (inaudible) the money was not there. The CIA clearly had no interest whatsoever to found

noncommunist parties anymore. The money on the side of USSR also finished in the 1990s. The laws on bribery made it very dangerous taking bribes, so also bribes came to a minimum level especially in the north or center of Italy, so party politics became much less expensive. Now most members of the parliament actually give a part of their salary to the party in order to run the party. In this, Berlusconi especially in the beginning had a difference because he put money of his own enterprises. But this year I would say that it was much lower (inaudible) than ever in Italy.

MR. BENJAMIN: Professor Colio?

MR. COLIO: (inaudible)

MS. BINDI: It is very much an issue and some parties like Liga North and sometimes even Tremonte (inaudible) suggested we should step out of the lira which would be total disaster. Italy back to the lira would be (inaudible) if we'd not went back to trade like in Argentina, it was because we had the euro. The problem with the euro was that when the

(inaudible) took place, nobody controlled the prices. The last country which adopted the euro, Slovenia, they adopted a very, very, very tough system in making sure that people were not profiting on it. And people, let's say shopkeepers who were raising their prices due to the euro, they are very heavy (inaudible) nobody did that in Italy. And also the psychological effect of 1,000 lira go to an euro so there was 1,000 lira to 1 euro, so as a result the cost of life in Italy is extremely expensive as compared to what people gain. If you go back to less than 10 years ago, 5 years ago, a household which gained the equivalent of 2,500 euro today which is 5 million lira was a household which --

MR. BENJAMIN: Per month.

MS. BINDI: Per month, yes, which was a household which lived very well. They eventually had a mortgage on their house, they could afford good holidays, and even spare money. The figures are that last year, 70 percent of the people in Italy either borrowed money or used their saving. Seventy percent

is a huge sum. A household which today gained 2,500 euro a month hardly gets to the end of the month. So this is a big issue in Italy and the fact that salaries should be raised is one big issue.

The other big issue which somehow is linked to that is, as Maurizio mentioned, the lack of hope which is completely different, the opposite of what you have in the U.S. You take a university student in the U.S., a college student, they think they can do anything in their life and indeed they can.

SPEAKER: (inaudible)

MS. BINDI: It's this mental idea that you can do whatever in your life. If you take my biggest job as university professor today in Italy in the last years has been to give wings to the people in a way, to say you can do it. You want to do it? You can do it. And you spent more energy in convincing them and helping them in doing things, in flying than anything else. So the two things are very strictly interlinked. There is no hope today in the country. That is the worst thing.

SPEAKER: (inaudible)

MS. BINDI: Not really. The three issues are the exchange rate which has been badly dealt with, the fact that they are completely dependent on oil imports so the rise of oil prices has influence dramatically on households. A typical house would spend \$600 a month on just heating. And the third thing is also the European Central Bank because they have been following the Fed in raising interest rates when the Fed was raising them but they didn't follow when the Fed started capping them, and the interest rates are too high in Europe. We didn't have a disaster as you have in the U.S. It's less evident, also because people in general terms do not have debt coming from university so they can still manage on family money somehow, but it's going to (inaudible) if the E.C. Bank doesn't cut interest rates it's going to harm in Italy as well. And the price of housing are huge. If you compare Rome to D.C., a house in Georgetown costs less, much less, than a house in the center of Rome. It's not even comparable.

MR. BENJAMIN: That's easily understood.

SPEAKER: (inaudible)

MS. BINDI: That's a good question. You should ask people who work for Berlusconi. From what I understand from the people I know, the most remarkable thing in talking about Berlusconi is that most of the people who are working with him are very high-level people. They're smart people. They're intelligent. So the first question you have to ask yourself is why the hell these people are working with Berlusconi, why the hell they love him so much. First of all, the wings factor, and the psychological factor. Berlusconi is able to convince the people working for him that each of them is their best buddy and he actually let them give wings, send them to public speeches, seminars and things like this. I was talking with Maurizio, he takes them to the Bermudas and he has a summer school for them when they go in join him in the summer in the Bermudas they all dress up -- it's not a joke, dress up in the same, with same T-shirts, same shorts, in the morning they go for a

jog, you see the picture, but it's reality. They do their meetings, they discuss together. So this is he gets a very (inaudible) group around him.

And when you listen to him talking, I don't know if you ever happened to you to listen to him live, it has happened in my life, he's actually convincing. I told him one Friday luncheon here and I think people stared at me that the way Berlusconi talks and especially the way Berlusconi talked, the first Berlusconi, the early 1990s Berlusconi, it reminds me a lot of Obama. He's an excellent speaker. He gives a message. He wants to change (inaudible) he is someone who has been selling all his life and he's doing it in a great way.

And also there are a few economic issues. Some people might simply vote for him to say tax on the first house or on inheritance (inaudible) that in Italy buying a house and transmitting a house to your kids is the priority. Here you save money to pay college, in Italy we save money to give a house to your kids. And you spend your life saving your money

and then doing this and they have to pay a heavy tax which they won't manage, people decide to vote for him because they don't want that. Sometimes they're also (inaudible) in these kinds of terms.

MR. BENJAMIN: I'm afraid our time is up, and of course Brookings always ends punctually. Thank you very much for coming, and I hope you'll join me in thanking the last remaining panelist Federiga Bindi for a wonderful presentation.

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