

# New Italian Government Could Become a Game Changer

by Claudio Celani

May 22—If the new Italian government being formed by the “populist” M5S and Lega parties actually comes into being, it may upset the apple cart in Europe, even if its anti-EU positions have been watered down due to pressures from the EU, conveyed by Italy’s President Sergio Mattarella. The “Contract for a Government of Change” signed by the two leaders, Luigi Di Maio and Matteo Salvini, calls for changes in foreign and economic policies which, if implemented, would break EU geopolitical schemes and throw a monkey wrench into the EU austerity regime.

The contract characterizes Russia as a “potentially ever more relevant economic and commercial partner” and calls for lifting sanctions. As for Brussels, it proposes to “review the powers of the EU to return to the member countries those powers that cannot be effectively managed at the level of the Union.”

On the economic side, it recommends budget flexibility and a national investment bank, and last but not least, banking separation: “We must go towards a system in which the retail credit bank and the investment bank are separated, both as concerns their type of activity and as concerns supervision.”

This is the first time that bank separation (“Glass-Steagall”) is part of a government program. Both the Lega and the M5S, indeed, had Glass-Steagall in their election programs and as many as 132 elected representatives, both nationally and locally—mostly Lega members but also a few M5S representatives—have signed a petition for Glass-Steagall launched in 2017 by the Italian LaRouche movement.

Implementing Glass-Steagall would be the single



*Luigi Di Maio*



*Matteo Salvini*

act of government that can finish off the global financial casino which is cannibalizing the real economy. However, for Italy as a member of the EU to do that, means violating the EU Law that establishes the universal bank as the only permitted model of chartered bank, and would amount to exiting the EU or forcing a change in the Treaty. It is not to be expected that this government will decide to wage a frontal attack on that. They have made it clear, though, that if they must take a vital decision for Italian interests, they won’t hesitate to violate budget-deficit rules.

Because of that and their stated Russian-friendly foreign policy, EU officials have started to issue warnings and threats. EU deputy Commission head Valdis Dombrovskis started May 14 by urging Italy to reduce its debt. “It is clear that the approach to building the new government and towards financial stability must be to stay on the current course, gradually reducing the deficit and public debt,” Dombrovskis said.

Then, on May 20, French Finance Minister Bruno Le Maire said that if Italy’s commitments on “debt, deficit and bank consolidation” are not kept, “the entire stability of the Eurozone is threatened.” He was

followed by European People's Party faction leader Manfred Weber, who said that Italian populists are "playing with fire" with Italy's debt, and EU Trade Commissioner Cecilia Manstroom, who said that "there are worrisome things" in the Italian government program.

Among the media, London's *Financial Times* outdid everyone by headlining that "[Rome opens its gates to the modern barbarians.](#)"

"Better barbarians than slaves," Lega head Salvini answered. As to the threats coming from the EU, he calmly said that "We will go to Brussels and negotiate. We are not Greece. We have a larger negotiating power, and greater economic strength than other countries." M5S Foreign Policy speaker Manlio Di Stefano told the *Financial Times* that "the barbarians have ruled Italy for the last 30 years," while M5S leader Di Maio stated that we "will demand margins to be able to spend as the second largest manufacturing power, which pays 20 billion [to the EU] and gets 10-12 back."

Sen. Alberto Bagnai, a progressive economist who joined the Lega in order to carry out his pro-independence fight, explained in a radio interview: "We do not want to make war against anyone, either the European Central Bank or Europe. We simply want to put our country in condition to recover and fulfill its potential." This would be in the interest not only of Italy, but all of Europe, he explained, because forcing countries such as Italy "to operate below its capacities, is doomed to fail."

Bagnai, who is the majority speaker on the (current) government's draft budget law, is also campaigning for the Belt and Road. Speaking in Sardinia May 17, at a rally for the coming regional elections, he said: "Sardinia has an opportunity in global developments. It has a central position in the Mediterranean which makes it an extremely important logistical hub. And therefore, we must negotiate with the EU—but maybe, first of all with ourselves—a certain new way of dealing with the fact that new routes from the East to the West—the famous Belt and Road, what they call New Silk Road—find important terminals, for instance, in this region too. And this would be a way to help strengthen its development." Bagnai is convinced that industry must be in the



Sen. Alberto Bagnai (center) with the author (left) and Prof. Enzo Pennetta in Modena, 2017.

center of economic development, but industrial and research centers can profit from the Belt and Road logistics.

Italy will not leave the euro under the new government, but the EU integration schemes pushed by Jean-Claude Juncker, Mario Draghi, Emmanuel Macron and Angela Merkel are as good as dead.

That is the good news. The bad news is that the program of the new Italian government contains several propositions which reflect the strong influence of the anti-growth and anti-scientific faction among the M5S leadership. Thus, although an earlier call to suspend the Turin-Lyon high-speed railway connection, which is in an advanced stage of construction, has been removed from the final version of the program, the program nevertheless contains a call for "reviewing" the Turin-Lyon as well all other large infrastructure projects. And M5S leaders are telling their followers that they will indeed stop such projects.

The Turin-Lyon connection is part of the strategically important Corridor 3 of the Trans-European Networks, connecting Madrid to Budapest through Northern Italy. Without that connection, which upgrades old and slow rail lines, Italy will miss a crucial connection to the Belt and Road Initiative which Sen. Bagnai indicated is in its strategic interest. In fact, while investments have begun in order to upgrade the ports of Genoa and Venice-Trieste as terminals for the Maritime Silk Road, Corridor 3 will connect those two ports to France and to Eastern Europe.

Infrastructure is the main issue of conflict between the two government partners, Lega and M5S. It is hoped that the anti-growth, other-directed faction is contained.