



Italy's New 'Bulldozer' Prime Minister

By Matt Browne March 26, 2014

At just 39 years of age, Matteo Renzi became Italy's youngest-ever prime minister in late February. Yet only months before, the then-mayor of Florence had been embroiled in a primary race for the leadership of the Italian Democratic Party. He secured victory with a convincing majority in early December 2013; Renzi won 68 percent of the popular vote, while rivals Gianni Cuperlo and Giuseppe Civati scored just 18 percent and 14 percent, respectively.¹

Following his December victory, Renzi quickly became frustrated with the government's prolonged stalemate, due in part to his own party; neither the government coalition nor the prime minister, Enrico Letta, were capable of pushing through much-needed reforms. In mid-February, having lost patience, he called a meeting of the Parliamentary Party, during which he briefly thanked Letta for his leadership but also called for—really, effectively demanded—his resignation.²

The dramatic events that led to this meteoric rise are nothing new for Renzi. Over the course of his relatively short political career, the former lawyer and regional counselor earned the nickname “il Rottomatore”—meaning “the bulldozer” or “the demolition man”—thanks to his reputation for taking on the establishment and pushing through political reforms. The *Financial Times* has dubbed him “a young man in a hurry,”³ but a number of commentators have questioned whether his lack of experience at the national level could undermine his ability to modernize Italian politics and kick-start economic growth. Others, however, suggest his very willingness to shake things up is what Italy needs and that this willingness to push for reforms will be precisely the source of his success.

Renzi cabinet: A team of fresh talent

The new prime minister firmly believes that Italy is a country that has succeeded over the previous decades in spite of its politicians, not because of them. He views the current political establishment as part of the problem facing the country, one that Italy needs to move beyond in order to succeed. Since the early days of his tenure in Florence, Renzi has been committed to flushing out the old-guard politicians and promoting new talents.

This commitment is well reflected in the appointments he made to his first cabinet. Eight of the 16 ministers Renzi announced on February 21 were women, who have traditionally been under-represented within, and under-respected by, the Italian political elite.⁴ Notably among the female cohort, Renzi appointed Italy's first female defense minister, Roberta Pinotti, and its youngest foreign minister since 1936, Federica Mogherini. Renzi also sought to promote fresh talent from outside the world of politics. The prime minister recruited Pier Carlo Padoan, formerly the chief economist of the Organisation for Economic Co-Operation and Development, to become Italy's minister of finance. Federica Guidi, once the leader of Italy's young business leaders, has become minister for economic development.

Italy's economy

The economic situation in Italy is still critical, with the country struggling to emerge from its longest postwar recession. In recent years, Italy has suffered from a harsh double-dip recession that saw the country lose more than 1 million jobs. Gross domestic product, or GDP, has dropped by more than 9 percent since the start of the eurozone debt crisis.⁵ Industrial output has fallen by 25 percent, and the spending power of average Italian families has returned to the levels experienced in the 1980s.⁶

On current projections, the economy is expected to grow by just 0.6 percent this year, while public debt is expected to climb to 133.2 percent of GDP.⁷ And unemployment has soared to nearly 13 percent overall; more than 4 in 10 young people are out of work—5 in 10 in the south of the country—with an exodus of young people now seeking opportunities abroad.⁸

Renzi's economic agenda

Perhaps unsurprisingly, the new prime minister has made clear that job creation and growth, rather than austerity, will be the focus of his government. Upon taking office, he announced a 100-day plan⁹ and promised a major reform each month through June.¹⁰ The plan focuses on reform of the labor market, streamlining bureaucracy, and cutting taxes for low- and middle-income families and small businesses.

Tax cuts for lower- and middle-income families

Renzi has pledged to cut taxes for lower- and middle-income Italians. The tax cuts, starting on May 1, would mean an extra 80 euros per month—1,000 euros per year—for workers earning up to 1,500 euros per month.¹¹

Support for small businesses

Renzi has vowed to cut taxes on small businesses and, in particular, to reduce the regional business tax by 10 percent.¹² He has also promised a cut of 3 billion euros in energy bills for small- and medium-sized enterprises, or SMEs, and promised to pay about 60 billion euros of debt arrears to private-sector suppliers by the end of July.¹³

To pay for this, Renzi has promised to reform and streamline Italy's bureaucracy; at the same time, he has pledged to raise taxes on financial gains. While announcing plans to create a 500 million euro fund for social entrepreneurs and a 3.5 billion euro investment in new schools and school repairs, Renzi promised to cut overall public spending by 7 billion euros over 12 months.¹⁴ The remainder will be covered by resources freed up by the recent fall in Italy's borrowing costs.

Labor-market reform

The most significant and immediate measure announced by Renzi was his decision to give more flexibility to the Italian labor market. Earlier this week, he issued a prime ministerial decree that allows companies to hire 20 percent of their workers on rolling, short-term contracts for up to three years.¹⁵ Previously, these contracts had been limited to a maximum of 12 months on rolling, short-term contracts. While the reform has been heavily criticized by the Italian General Confederation of Labour, or CGIL—the left-wing trade union confederation—market analysts suspect it will provide a boost to employment in SMEs, which account for 9 out of 10 jobs in Italy.

Perhaps most interesting is the manner in which Renzi went about this reform. In the past, the unions, business associations, and lobbies would be intimately involved in protracted negotiations that more often than not led to diluted proposals or inaction. This time around, Renzi, the bulldozer, left them out of negotiations altogether.

Renzi's foreign policy

While serving as mayor of Florence, Renzi had little chance to develop his foreign policy credentials. Looking ahead, though, three central pillars are likely to define his foreign policy agenda—a focus on the Mediterranean region, reform of and further integration into the European Union, and a revitalized trans-Atlantic alliance.

Focus on the Mediterranean

Renzi surprised most Italians when his first visit abroad as prime minister was to Tunisia, not to Brussels or Washington, D.C. However, North Africa, or the Southern Mediterranean, is an enormous foreign and domestic policy challenge for Italy. For one, it is an unstable region in massive transition that has required direct intervention by Italian forces in recent years. Second, and equally as important for domestic reasons, North Africa is a source of mass illegal immigration to Italy—the source of much populist right-wing unrest in Italy and other southern EU member states.¹⁶ Renzi's ambition is to make the Mediterranean a global hub by recovering its lost grandeur. The political and economic revival of North Africa will be crucial to this goal. This is a bold ambition that he will place at the center of the Italian Presidency of the Council of the European Union, which begins on July 1, 2014.

A committed European

Renzi is a committed European. In Rome earlier this month, he hosted the Congress of the Party of European Socialists, at which the president of the European Parliament, Martin Schulz, became the first-ever official partisan nominee for president of the European Commission. Renzi chose this moment to announce that the Italian Democratic Party would become a full member of the group, when previously it had only maintained observer status. The decision committed the Italian Democrats to running a joint candidate for presidency of the European Commission for the first time in their history.

Renzi supported this position while campaigning for the leadership of the Italian Democratic Party last November and December. He also called for more decision-making powers for the European Parliament and a common EU budget. In this regard, Renzi follows in the path of Italian political theorists such as Altiero Spinelli, one of Europe's founding fathers and a longtime supporter of the creation of a European Federation, or a United States of Europe.¹⁷

Strong ally of the United States

Renzi represents a new breed of progressives in Italy, one that is wholeheartedly pro-American. Indeed, Renzi himself is an open admirer of the United States. American approaches to campaigning have inspired and informed his approach to politics. During his leadership campaign, he toured Italy in a van and held town-hall-style events and was a prolific user of social media and Twitter—making him an innovator among the Italian political elite.¹⁸ Renzi also counts former Presidents John F. Kennedy and Bill Clinton

and former Sen. Robert Kennedy (D-NY) among those who inspired him politically.¹⁹ He attended the 2012 Democratic National Convention in Charlotte, North Carolina, at the invitation of the Center for American Progress.

Almost by instinct, Renzi views the United States as a natural ally, which is rare among previous generations of Italians. In his opening phone conversations with President Barack Obama on February 24, the prime minister pledged to maintain Italy's support for key missions in Libya, Afghanistan, and the broader region.²⁰ This collaboration is only likely to grow over time.

Renzi's political reform agenda

In less than two months, Renzi went from being mayor of Florence to leader of the Democratic Party to prime minister. In doing so, it seems, he has swept away the old guard of the Democratic Party. His objective now is to transform Italy's political infrastructure and institutions.

Italian politics are, of course, famous for instability and gridlock. Since 1945, Italian governments have, on average, lasted just more than 18 months, and Renzi is Italy's fourth prime minister in just more than three years.²¹ This instability is in part due to the caprices of how the Italian Parliament is elected; the system favors support of small minority parties and, as a consequence, requires complex coalitions. It is also in part due to the recalcitrance of the Senate, which has often sought to block reform. Renzi will seek to reform both.

Abolition of the Senate

In the days following Renzi's confirmation as prime minister, many commentators pointed to the narrow margin with which the Senate confirmed him—only 169 members were for him, compared to the 139 against him—as a sign of the weakness of his leadership.²² While this is not a secure majority in Italian politics, it is perhaps a surprisingly good result for a prime minister who intends to abolish the Senate and transform Italy's second chamber into a regional assembly akin to the German Bundesrat—which many commentators believe will favor action, reform, and getting things done.²³

Electoral reform

Perhaps most impressively, in one of his opening moves, Renzi succeeded in striking a deal on electoral reform—albeit through a pact made with former Prime Minister Silvio Berlusconi. Their electoral reform bill, which passed the parliament in early March, is

designed to ensure a more stable government. The bill makes it harder for smaller parties to reach the electoral threshold. The bill also provides a premium of 15 percent of parliamentary seats to the party or coalition that gains at least 37 percent of the votes. In case no one obtains that score, the two major parties or alliances would run in a second turn, with the winner receiving the premium.²⁴ Having passed the House, the bill is currently with the Senate. Time will tell how long the Senate will seek to delay its final passage.

Conclusion

While inexperienced, Renzi has proven he is willing to take risks that previous generations of Italian politicians have refused even to contemplate. As a consequence, he has begun much-needed reforms to the labor market, electoral law, the political bureaucracy, and the tax system. In doing so, he has, of course, made enemies among the old political elite and the Italian establishment.

For now, however, Renzi seems to be enjoying a honeymoon period with the Italian public. Recent opinion polls show that 69 percent of the population views his 100-day plan favorably.²⁵ He continues to take these risks and is willing to bulldoze through his reforms. If this continues, one suspects that an establishment mobilizing against him is more likely to seal its own fate than his.

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Endnotes

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