

Support for Italian PM grows ● Election likely in February ● Bank stocks fall

Clamour for Monti to stand as resignation rattles markets

By Guy Dinmore and
Giulia Segreti in Rome and
Richard Milne in Oslo

Mario Monti is in talks with centrist groups urging him to stand in Italy's elections early next year, it emerged yesterday as pressure mounted on the technocrat prime minister from the financial markets, fellow European leaders and the church to stay in politics to safeguard his reforms.

Italy's borrowing costs rose and its stock market fell sharply after his decision on Saturday to resign rekindled uncertainty over one of the eurozone's more vulnerable economies.

Mr Monti, whose economic reforms have steered Italy out of the centre of the eurozone's sovereign debt crisis in the past year, said he would step down when the budget was passed, possibly this month, triggering an election in February.

Amid revived concern in Brussels and among investors that Italy could forsake the reforms, centrist politicians were encouraging the prime minister to stand as a candidate.

He was said to be in talks with Luca Cordero di Montezemolo, the head of Ferrari who launched a political movement last month, and Pier Ferdinando Casini, leader of the Catholic UDC party.

Centrist politicians said they expected Mr Monti to give his answer within a week.

Mr Monti played down suggestions he was about to leap from technocrat to campaigning politician. "I am not considering this issue at this stage," he said in Oslo where the EU was collecting the Nobel Peace Prize. "All my efforts are devoted to the completion of the remaining time of the ... government, which appears to be a rather short time but still requires [all] my energies."

Although Italian bond yields rose and banks fell sharply on the Milan bourse yesterday, Mr Monti added that market reaction to his decision "should not be dramatised" and said he was confident that whatever government came to office, it would be

in line with Italy's "great efforts" of the past year.

Italy's Catholic establishment weighed in, with Archbishop Angelo Bagnasco of Genoa delivering thinly veiled criticism of the former prime minister Silvio Berlusconi for triggering Mr Monti's resignation by withdrawing his party's support in parliament.

"What leaves one aghast is the irresponsibility of those who think of fixing themselves when the house is still burning," he told the *Corriere della Sera*, adding that "it would be a mistake in the future not to make use of those who have contributed in a rigorous and competent way to the credibility of our country".

François Hollande, French president, appeared confident that Mr Monti would still play a role. "It's a pity for the short term but in one month or two it will appear that Mr Monti is able to join a coalition or to go forward to stabilise Italy," he told Reuters.

Monti shockwaves, Page 6
Editorial Comment, Page 10
Lex, Page 14
The Short View, Page 15
Markets, Pages 27 & 28

Parties braced for Monti's next move



Mario Monti, left, attends a meeting of EU leaders in Oslo yesterday. His resignation caught Italian political leaders off-guard

Getty Images

Italy

The former PM may try to tap into discontent with mainstream politics, write **Guy Dinmore and Giulia Segreti**

Mario Monti's surprise decision to resign as prime minister and force early elections has sent shockwaves through Italy's two main political parties which fear his next step will be to run as a candidate in an effort to capture a growing number of floating "moderate" voters.

Political sources said both Silvio Berlusconi, former prime minister and leader of the centre-right People of Liberty, and Pier Luigi Bersani, head of the centre-left Democrats, had been caught totally off guard by Mr Monti's declaration on Saturday night.

Mr Berlusconi, gearing up for sixth election campaign since 1994, was said to have recognised that he had miscalculated in withdrawing his party's support for Mr Monti in parliament on Thursday and was fearful that the blame for the sharp market sell-off of Italian assets yesterday would be placed at his door.

Mr Monti would be up against the organised party structure of the centre-left Democrats and their trade union backers, as well as the populist skills and media machine of Mr Ber-



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lusconi. On top of that, Mr Monti faces a disgruntled electorate under pressure from Italy's longest postwar recession, with unemployment rising and consumption collapsing on the back of sharp tax increases and cuts in public spending.

Mr Bersani – a pragmatic former communist who fought off a strong challenge to his leadership by the reformist mayor of Florence in a primary vote this month – said yesterday that Mr Monti “must still be useful for this country” but it would be “better for him to stay out of contention”.

“But everyone can make his own evaluations with serenity. I have no intention of inhibiting his choices,” Mr Bersani added.

Mr Bersani had previously suggested that Mr Monti consider succeeding Giorgio Napolitano as head of state next spring, filling a position that carries international prestige and influence but would be distant from formulating and carrying out major political and economic decisions.

Mr Berlusconi was characteristically defiant. “If he [Monti] wants to launch into politics, I do not fear him,” he declared on Sunday in meeting party officials. But an aide said Mr Monti's declaration of war on Mr Berlusconi would force him to respond in kind. He has been careful not to attack the prime minister in person even while condemning the “failure” of his economic policies.

Nicola Marinelli, portfolio manager for London-based Glendevon King Asset Management, does not rate Mr Monti's electoral chances highly as the candidate of a “minor” centrist party. “I do not think Monti would win because he is too intellectual and too distant from the average Italian.”

But that may underestimate the discontent among Italians with mainstream politicians, their parties tarnished by corruption scandals. That disaffection is feeding support for Beppe Grillo, an activist-comedian whose Five Star Movement emerged as the biggest party in Sicily's regional elections in October.

On the street, emotions are mixed. Pina, an elderly manager of a café in central Rome, said she had long been a Berlusconi sup-

porter, but no more. She said she was furious he had triggered the early demise of Mr Monti's government and would vote for the “professor” if he ran, even though the recession was hitting her business hard.

See Editorial Comment
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A liberal in Rome

Italy would gain if Mario Monti were to stand in elections

Mario Monti's decision to step down as Italy's prime minister has rattled markets, which had grown comfortable with the relative stability of technocratic government. Rome's borrowing costs shot up and the stock market dropped after his resignation announcement.

But Mr Monti made the right choice. On Friday, the secretary of Silvio Berlusconi's centre-right People of Liberty party declared that the government had reached the end of the road. In theory, Mr Monti could have asked for a formal vote of confidence. But seeking to strike a deal with Mr Berlusconi would only have added to political uncertainty. Besides, there should be no compromise with the media tycoon-cum-politician who has all too often sacrificed the future of his country to his own personal interest.

The general election originally scheduled for the spring is now likely to be held in February. The return of politics to Rome is to be welcomed. The technocratic interlude was needed to help Italy to restore its credibility. However, only an elected government will have the legitimacy to implement the reforms Italy needs. The economy must be guided out of deep recession and there is a mountain of debt to be dealt with.

Unfortunately, the political choice on offer seems inadequate to the task. On the right, Mr Berlusconi plans a comeback. But as the man who has contributed more than anyone to Italy's crisis, he lacks the credibility to run Rome again. The polls show this.

The comedian Beppe Grillo has no such toxic legacy, but his Five Star Movement lacks a coherent economic programme. Pier Luigi Bersani, the leader of the Democrats, has shown reassuring pragmatism on economic policy. But his leftwing allies are very likely to tie his hands when it comes to cutting expenditure and reforming the labour market.

All of which leaves a political space for Mr Monti, who has been asked by centrist groups to run for prime minister. As a *grand commis* who has spent his entire life above the political fray, the one-time economics professor is rightly worried about losing his non-partisan role. But at this critical juncture, his liberal instincts could be a striking alternative to Mr Berlusconi's populism and a helpful counterweight to the uncertain reforming spirit of the Democrats.

Italians have learnt to appreciate Mr Monti's sober style. At the very least his presence in the electoral

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race would give voters a greater
choice and bring much-needed
quality to Italian politics.

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