

ITALY: Draghi or snap polls

With his government's fate in limbo, Prime Minister Mario Draghi is under growing pressure to stay in office instead of resigning as he tried to do last week after [lawmakers from the Five Star Movement \(M5S\) walked out of the Senate ahead a critical vote](#) on the so-called "Decreto Aiuti." While the situation remains highly fluid and uncertain, there are two main scenarios ahead: either Draghi stays as PM (regardless of what happens to the self-destructing M5S) or Italy will go to early elections in the fall. Other options, including the creation of a new government with a new prime minister backed by a different coalition, look increasingly unrealistic given the existing political turmoil.

What's next?

Recall that Draghi tendered his resignation last week, but it was rejected by President Sergio Mattarella, who asked the prime minister to lay out the political situation before lawmakers. Draghi will address parliament on 20 July. At present, the political parties have not even managed to agree whether Draghi will address the Senate or the Chamber of Deputies first.

Late last week, sources close to Draghi have leaked that the former ECB chairman is unwilling to reconsider his decision to leave government and is expected to reiterate that position on 20 July. At this stage, Draghi's final decision remain unknown. Even though pleas have been piling up since the past weekend aimed at persuading Draghi to stay in office, the political backdrop over the past few days has tilted even further toward a collapse of the government.

After a meeting on 17 July, the leaders of the two right-wing parties in Draghi's coalition, Silvio Berlusconi of Forza Italia and Matteo Salvini of the League, issued a joint statement saying that they "excluded the possibility of governing with the M5S any further because of their incompetence and untrustworthiness."

But Draghi has said explicitly that he would not govern without the M5S. Further complicating (or possibly facilitating it depending on the fate of the M5S leader, former premier Giuseppe Conte) the overall picture is that fact that is unclear what will be left of the M5S by 20 July. The ailing party has been locked in internal talks since the start of the crisis but has failed so far to take any decision on what to do next. Meanwhile, it seems that a sizable group (around 30-40 out of 165) lawmakers from the M5S are ready to defect if the party decides not to support Draghi. During the past weekend, Conte blamed Draghi for the crisis during the past weekend and said that the M5S would only support the government if it enacts the economic stimulus program it sent to the prime minister last week.

Looking ahead, the key decision stays with Draghi as if he decides to give it another try a parliamentary majority is likely to be available. A wave of defections from the M5S could make it easier for Draghi to stay as prime minister and for the center-right parties to continue supporting his government.

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If Draghi confirms his resignation is irrevocable, President Mattarella will be likely forced to dissolve parliament and call early elections. If so, ballot day could take place on either 25 September or 2 October. Mattarella could ask Draghi to stay as interim prime minister until a new government is formed, at the earliest, toward the end of the year.

Based on current polls, a rightist alliance led by Giorgia Meloni's Brothers of Italy would win a comfortable majority in both parliamentary chambers if all its members (Forza Italia, the League and some smaller parties) stay together.

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