

Italy: Stage Set for Comic Turn

05-18-18

On Friday two Italian parties agreed to form a government. Because both have been labeled Euroskeptic or Anti-EU there is concern among mainstream supporters of current conditions that having an anti-EU government in one of the founding EU states, along with Italian and world economies entering another downturn amidst stagnation, could signal the concrete beginning of the end of the EU itself. But if the end of the EU is written in the stars, then nothing could be more appropriate than it be placed in the hands of a nation and a people who have never seen a disaster that they could not make worse.

The Five Star Movement was the big winner in the recent election with 227 seats in the chamber and 32% of the votes. It is usually simply called a protest party because no one, least of those managing its affairs, know what it is. It came into existence in the last near death cycle of capitalism (2008) railing against 'corruption' as if there is anything of significance in a capitalist society that is not at least flavored by that spice. Another oddity is that one of its founders (now deceased) was keen on the Internet and proposed using it to create a form of direct democracy. Having a movement that doesn't know what it is makes it the perfect instrument for injecting the fatal dose of reform into a system that has nothing worth keeping.

The other party in the proposed amalgamation is the League which obtained 125 seats. It began as the Northern League; the party of comfortable northerners wanting to increase their pleasures by breaking with spongers of the south, which unfortunately was much more difficult than the Havel-led dumping of Slovakia to the great benefit of the Czech Republic. But the Nato-led nation breaking and the subsequent flood of desperate refugees made it possible for the League to unite all Italians; instead of hating each other now all Italians can hold hands to keep out or kick out those victimized by actions in which their own ruling class played a part.

The draft of a program devised by the two parties was recently leaked. They no longer explicitly call for breaking with the EU. Now they merely call for a return to pre-Maastricht days when there was no Euro or financial limitations decreed from on high. In other words, reduce the double dictatorship to the one in Rome while preserving a pleasant European trade and travel consortium. But each party has its own pet project. The Star people propose a basic national wage scheme (strictly limited to Italians) that will cost 17 billion Euros (other sources says as much as 125 billion Euros) a year, and the League a flat tax scheme that would make their partner's scheme untenable.

The actual agreement announced today retained the basic goals of both parties in couched terms. Italy does not have a president elected by popular vote. Rather the office is filled by a selection process in which members of the assembly, senate, and leaders of the 58 regions, vote by secret ballot. The current president (Mattarella) is of the Democratic Party which was resoundingly rejected in the

last election. He is considering rejecting a government formation that would further unbalance the budget (which is a virtual certainty under the two party agreement), or if the government is considering abrogating international treaties. The prime minister must also be approved by Mattarella. Hopefully the new government will at least have sense enough to unite in changing the presidential selection system. Think of what may transpire should the president block the 'people's will.' Perhaps Italian Narodniks will enact a colorful rebellion, but no worries about bomb throwing, Italians are more into knee-capping.

The negative trend continued worldwide this week with American markets 'disappointing' when those more practical should be pleased they didn't dive. Bloomberg reported that almost \$9 billion was invested in equity funds this week which seems odd considering bond yields reached a 7 year high.

When share investors detect positive vibes from the economy they tend to buy into industrials and technology. When dread supersedes cheerfulness they switch to the basics -- consumer essentials, utilities, health. Japanese investors have made the positive to negative transition which according to a JP Morgan analyst is not a reading of their own economy but that of the US. Since the Japanese market is dominated by enterprises depending on growth, a failing US economy will negatively effect the Japanese economy. The Japanese markets made this turn in 2007 before the Big Slump, so what is happening in Japan should make all attentive. Others feel that the major increase in bond yields will encourage the Fed to increase rates and that can trigger a recession. And that is just some of the poisons to choose for the next big one.

Defaults (more than 60 days past due) on subprime auto loans reached 5.8%, the highest rate since 1996. Lenders are retreating from making such loans which could mean the auto-buying market is tapped out until there is a real improvement in jobs and income.

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