**Europe**

**Italy**

The servant of two masters

**ROME**

A bizarre new government takes shape

IN MANY another country, Giuseppe Conte would be politically a dead man walking. Instead, on May 23rd, he was asked to form Italy’s next government.

Despite a controversy that cast doubt on Mr Conte’s truthfulness, President Sergio Mattarella asked the little-known law professor to seek the backing of parliament for western Europe’s first all-populist cabinet. He is likely to succeed. The 53-year-old Mr Conte, who vowed to be “the defence counsel of the Italian people”, was a compromise candidate chosen by the anti-establishment Five Star Movement (M5S) and the hard-right Northern League after it became apparent that neither would let the other have the top job. Together, the M5S and the League have a solid majority of 37 in the 630-seat Chamber of Deputies, though a slimmer edge in the Senate.

Luigi Di Maio, leader of the M5S, and Matteo Salvini, head of the League, brushed aside evidence that Mr Conte had padded his professional cv with courses abroad that he had neither taken nor taught. His curriculum stated he had “perfectioned his legal studies” at numerous seats of learning including New York University, the Sorbonne and an “International Kultur Institut” in Vienna. But NYU had no record of Mr Conte. Nor had the Sorbonne. And the seemingly august Austrian institute turned out to be a language school.

The new prime minister’s dodgy claims were by no means the only reasons for doubting whether he was up to the task. He will be Italy’s fifth unelected prime minister in a row. He has no experience of politics. Yet, if endorsed by parliament, he will soon be negotiating for his country at the European Council and with big hitters like Donald Trump and Vladimir Putin.

Just as pertinent is whether he can command the respect, let alone the compliance, of the politicians who chose him or whether, like Truffaldino in Carlo Goldoni’s 18th-century comic masterpiece, he will end up as the harassed “Servant of Two Masters”. First approached by the M5S to represent it on a self-regulatory body in 2013, Mr Conte declared: “I didn’t vote for you and I am not a sympathiser.” That did not stop Mr Di Maio from choosing him for a fantasy cabinet that the M5S leader presented before the general election on March 4th. The movement emerged from outside Italy. Vincenzo Boccia, head of the Italian bosses’ union, Confindustria, said his compatriots should not assume their country’s “position in the club of advanced economies will remain unchanged regardless of the choices we make”. Calling for the new government to stick to a responsible budgetary policy, the vice-president of the European Commission, Valdis Dombrovskis, noted that Italy’s borrowing was proportionally the highest of any eurozone state except Greece.

Markets, too, have reacted with growing anxiety to the prospect of a populist coalition. After the president summoned Mr Conte, the Milan bourse closed 1.3% down. By May 23rd the gap between the yields on Italian and German government ten-year bonds, which reflects concern over Italy’s ability to service its public debt, had grown to more than 190 basis points from 144 on April 24th. That is still nothing like what it...
attained in the euro crisis of 2011–12.

But the rise reflected unease over an innovation still hinted at in the coalition partners’ programme: the issuance of so-called “mini-BOTS”. Named after Italy’s short-dated, zero-coupon Treasury bills, the Buoni Ordinari del Tesoro, or BOTS, these proposed securities would ostensibly deal with a problem that has long plagued Italian companies and driven some to bankruptcy—the state’s failure to pay its suppliers. At the end of 2016, the state was reckoned to be almost €33bn in arrears. The “mini-BOTS” would be used to pay its debts and could also be given back to the authorities to settle tax liabilities. But the notes would be tradable in the meantime, probably at a discount. The effect would be to create a parallel currency beyond the control of the ECB, thereby weakening the euro. Watch this space.