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# Weekly Summary

## Special Report

*Italy: Rough Road Ahead for Rumor*

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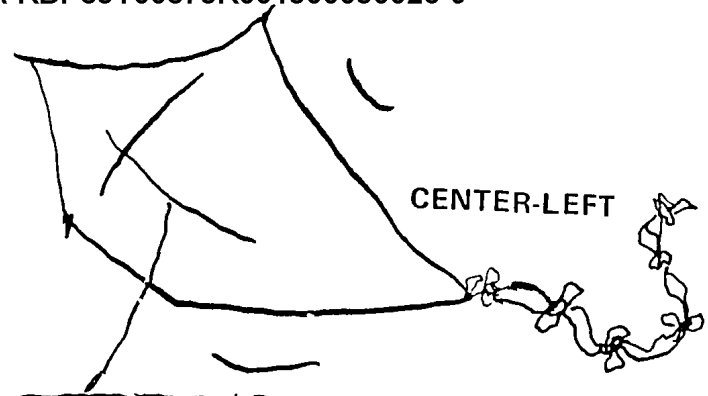
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# ITALY:

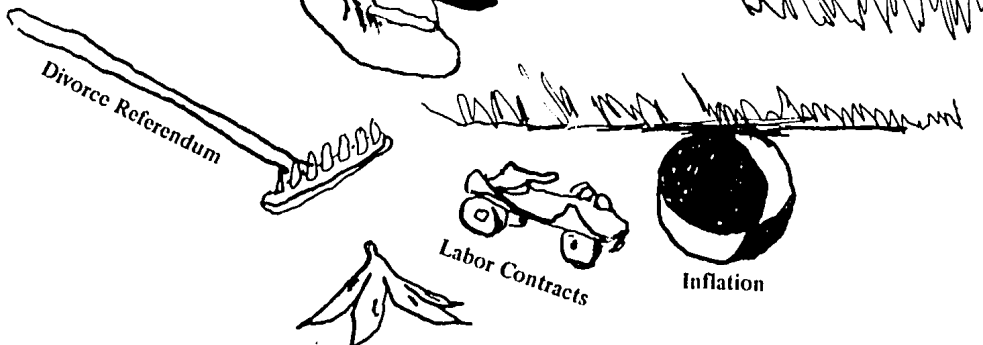
## Summary

The sacrosanct summer holiday is over, Parliament is back in session and the skeptical Italians are wondering whether the new center-left coalition will do any more than the preceding 34 post-war governments to establish public confidence in the political process. The atmosphere in Rome was relatively harmonious during the summer, largely because of the emergency conditions under which the government initiated its economic measures and the sharply reduced area of maneuverability open to political leaders after Giulio Andreotti's center-right coalition collapsed in June. Prime Minister Mariano Rumor has also benefited from a Communist strategy that—for the moment—emphasizes a less hostile approach toward the government. The four coalition partners now face the tough job of avoiding a resurgence of traditional rivalries while trying to give meaning to their vague agreements on controversial social and economic reforms.



## Rough Road Ahead for Rumor

Prime Minister Rumor



Divorce Referendum

Labor Contracts

Inflation

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### Background

Veteran observers of the political scene in Rome have lately detected more conciliation among Italy's politicians and a more tranquil atmosphere in the country. The negotiations leading up to the formation of Mariano Rumor's government were unusually rapid and harmonious, and the opposition has kept a low profile. Italians are, however, skeptical that the new government will be able to solve the nation's pressing problems or restore public confidence in the political process.

Almost any set of circumstances would seem calm, in light of the jolts sustained by the country's political system over the last two years. Beset by economic uncertainties and irritated by seemingly endless strikes, the Italians saw unemployment rise while long-promised economic and social reforms lagged. Crime and political violence were on the upswing, and popular dissatisfaction found expression in support for the extreme right. In 1971, a bitterly contested presidential contest helped polarize political forces between the extremes of left and right. In 1972, the decade-long center-left partnership between the Christian Democrats and Socialists dissolved in acrimony and was replaced by a feeble center-right coalition, which returned the small and conservative Liberal Party to the government for the first time since 1957.

The ease with which the Christian Democratic leader, Mariano Rumor, persuaded the Socialists to rejoin the government after Andreotti's center-right coalition collapsed in June does not indicate that the two have buried their differences. Rather, it signals a realization by political leaders that the options for governing the country have been reduced to a minimum. While the political arithmetic of the 1950s permitted the exclusion of the left from the government, steady Communist gains over the last decade, coupled with a neo-fascist spurt in the 1970s, have severely constricted the center portion of the political spectrum.

Almost all constitutional variants have been tried and found wanting. A decade of collabora-

tion between the Christian Democrats and the Socialists did not produce stable or effective governments. The unprecedented call for early elections in 1972 only aggravated the situation by extending the earlier advances of the far right. The experiment with center-right rule under Andreotti proved that the country cannot be governed for long with a razor-thin parliamentary majority. As the options narrowed, many became convinced that the center-left formula was the only workable one and that it had to work this time. This conviction helped Rumor to patch up relations between the Christian Democrats and Socialists. Although his government may not be Italy's "last beach," as many observers have claimed, it is certainly true that Italian politicians have had their area of maneuver sharply reduced.

In Italian politics, however, necessity does not guarantee success. Whether Rumor can overcome the obstacles that have immobilized recent Italian governments will depend in large part on:

- relations within and among the four coalition parties,
- the effectiveness of the opposition,
- progress on major economic problems.

### The Coalition

#### From Center-Left to Center-Right . . .

Rumor's center-left cabinet of Christian Democrats, Socialists, Social Democrats and Republicans revives the formula for the coalitions that governed from 1963 to 1972 and returns the Socialist Party to the government after a year in opposition. The central question is whether the reunited center-left parties can avoid a resurgence of bitter disputes that shattered their earlier partnership. Their differences centered primarily on economic and social policy and the sticky question of relations with the powerful Communist Party.

The Socialists, backed by organized labor, had been pushing hard for faster progress on expensive reforms at a time when economic conditions had convinced the other coalition partners to delay. Moreover, the Socialists were

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campaigning for a closer parliamentary relationship between the government and the Communist Party. This was unacceptable to the Christian Democrats, who perceived a rightward drift in the electorate and responded by taking a conservative "law-and-order" stance.

The rhetoric of the 1972 campaign had had the effect of freezing the positions of the two parties on these issues. Both parties took tough positions publicly and by the end of the race neither could gracefully bring off the about-face required to re-form the center-left coalition. The Christian Democrats reluctantly turned to the small and conservative Liberal Party—one of the election's biggest losers—to form Giulio Andreotti's shaky center-right government.

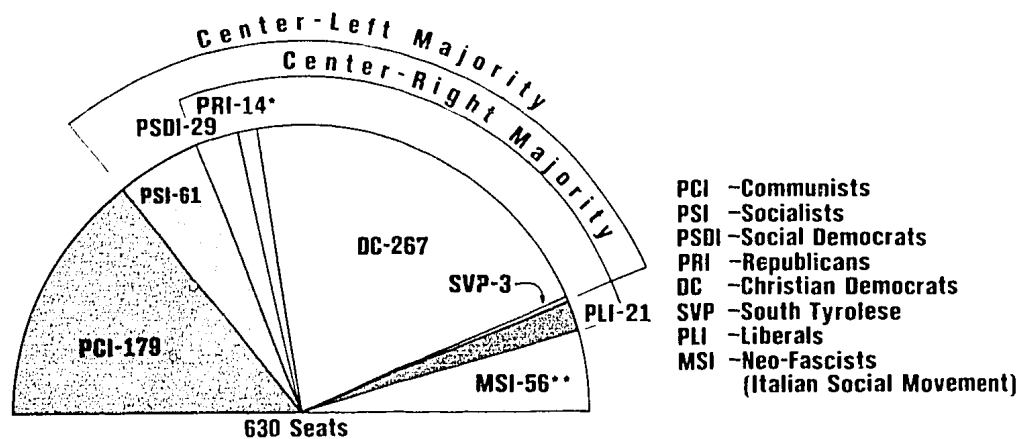
Its razor-thin majority and Christian Democratic defections on key parliamentary votes led to a record number of defeats for the government on major parliamentary issues. The coalition sometimes appeared to rely on neo-fascist votes—political suicide in a country where opposition to a Fascist revival is the only issue on which nearly all politicians agree.

... And Back Again

Although key Christian Democrats, Rumor, Aldo Moro, and Emilio Colombo, had been sniping at Andreotti for months, it was veteran party leader Amintore Fanfani who brought Andreotti down. Fanfani galvanized sentiment in the party for a return to the center-left formula. In a series of closed-door meetings leading up to the Christian Democratic national congress in June, Fanfani—one of the architects of the center-left experiment in the early 1960s—extracted an agreement from leaders of the party's rival factions. As a result of this behind-the-scenes agreement, the congress called for a renewal of the coalition partnership with the Socialists, Fanfani received the party's top leadership post, and Rumor—leader of the party's largest faction—was chosen to succeed Andreotti as prime minister. Rumor and Fanfani then reassembled the coalition in a record 17 days—about a third of the time Rumor took to patch together his last center-left coalition in 1970.

The Christian Democrats' united front is a fragile thing. There is considerable rank-and-file

Expanded Chamber Majority Under Center-Left Coalition



\* Although not in center-right coalition, PRI supported it in Parliament.

\*\* Includes 5 members of the Monarchist Party who ran on a joint ticket with the Neo-Fascists.

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opposition to this second "opening to the left," and Fanfani took to the hustings over the summer in an attempt to reassure the party's essentially conservative electorate. There is dissent—muted for the moment—in the party's left and right wings. The left is disgruntled over having to yield certain key ministries to the Socialists. Opponents on the right have rallied around former prime minister Andreotti and former party secretary Arnaldo Forlani who were dumped somewhat unceremoniously at the June congress.

Although Fanfani—the Christian Democrats' most experienced politician—is probably the only party leader capable of turning the party around so smoothly, he has also attracted the most dedicated enemies. He is vigorously reorganizing the party in what he portrays as an attempt to stamp out factionalism. Some reports indicate, however, that Fanfani, who was bitterly disappointed over his failure to win the presidency in 1971, is consolidating his power prior to another shot at that office. Others suggest that he expects Rumor to fail and is preparing to step in as the country's savior.

Since the break-up of the center-left alliance in 1972, the Socialists have slowly backed away from the extreme positions that had made them an unacceptable partner for the Christian Democrats. The party has sought to retain its left-wing credentials through continued agitation for reform measures, but has toned down its earlier advocacy of "advanced equilibriums"—which called for government acceptance of Communist votes in Parliament. With the election of Francesco De Martino as party secretary, Socialist leadership passed into more moderate hands. At its national congress in late 1972, the party clearly signaled its desire to resume a role in the government.

The party's acceptance of Rumor's invitation to return to the government in July was not unanimous. A substantial left-wing minority, led by former party chief Giacomo Mancini, wanted to hold off on full participation, preferring instead to limit the party's commitment to parliamentary support. These dissidents are not participating in Rumor's government and are threaten-



Christian Democratic Party Secretary Amintore Fanfani

ing to create a row if the more moderate Socialists in office do not tilt the coalition sufficiently leftward. The dissidents strongly opposed the government's recent decision to allow a gasoline price rise and are likely to rebel if—as expected—the government continues to grant selective price increases to large companies. The left-wing Socialists regard these as gifts to big business.

Although the smaller coalition parties—Social Democrats and Republicans—are more homogeneous than the Socialists, they have special interests, and this could have a destabilizing influence on the coalition. The Social Democrats

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will not hesitate to castigate the Socialist Party if in the eyes of the former the latter begins to cooperate too closely with the Communists.

The mercurial leader of the Republican Party, Ugo La Malfa, could create problems if his advice on economic matters is not heeded. As Treasury Minister, La Malfa, together with Finance Minister Emilio Colombo and Budget Minister Antonio Giolitti, is responsible for the government's initial efforts to ease the country's economic problems. La Malfa, a persistent advocate of budgetary austerity, will, however, almost certainly clash with those in the coalition, especially the Socialists, who want expensive reform measures.

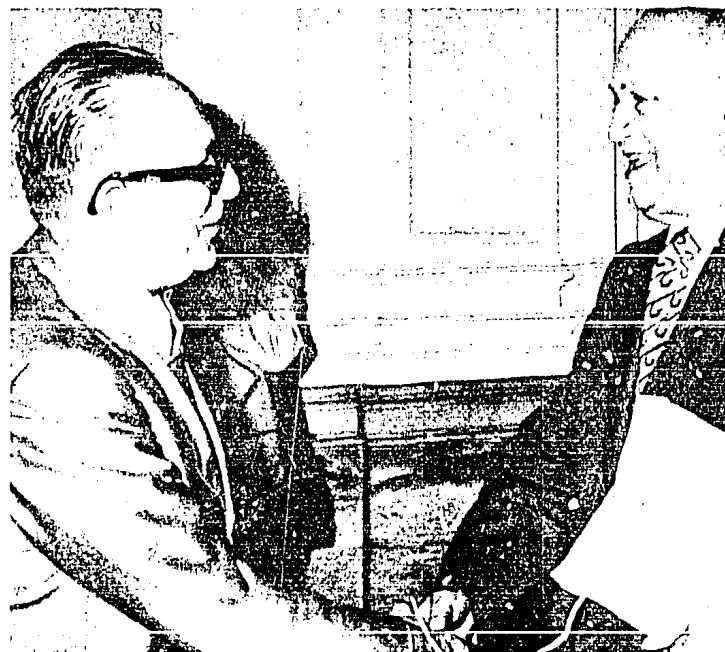
La Malfa has a long record of intransigence when his recommendations are thwarted. His resignation over economic policy differences helped precipitate the collapse of Emilio Colombo's center-left government in early 1972. In May of this year, he undercut Andreotti's efforts to stay afloat by withdrawing Republican parliamentary support. He has already drawn the line with Rumor by refusing to attend a meeting concerning wage increases for railroad workers. La Malfa reportedly also sent a letter to Rumor urging that the coalition abide by the economic policy commitments made at the time the new government was formed.

The atmosphere of guarded optimism that surrounded Rumor's early efforts stemmed largely from his government's energetic attack on the country's most obvious economic problems. The agreement that brought the four parties back together, however, glossed over a number of divisive issues. The parties achieved only a very general accord on long-promised, but as yet unfulfilled, economic and social reforms. The fact that these matters were papered over or set aside in the coalition negotiations means that Rumor's troubles are just beginning. Sharp clashes are almost inevitable as the parties try to work out the timing and content of reforms.

The tendency, as usual, is to postpone these potentially explosive issues. This is best seen in the frantic maneuvering by all parties, except the

neo-fascists, to avoid holding the long-delayed referendum on the repeal of the bill legalizing divorce. Originally planned for the spring of 1972, the referendum was postponed automatically when the parliamentary elections were called. It is now scheduled to take place next spring.

The political campaign that would accompany the referendum would almost certainly polarize the parties and refuel some of the country's bitterest feuds. Among the democratic parties, only the Christian Democrats oppose legalized divorce, and this places them at odds with their coalition partners. Moreover, the Christian Democrats are squirming over the possibility of being allied with the neo-fascists. Even the pro-divorce Communists are working for postponement, fearful that many of their supporters might defect on this issue. The Church has not spoken, but the Vatican is said to be concerned that the referendum, which seems more and more likely to produce a pro-divorce majority, would be interpreted as a general judgment against the Church.



Prime Minister Mariano Rumor (l) and Socialist Party leader Francesco De Martino (r)

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Communists and the unions will insist on early action to benefit fixed income groups, they have so far refrained from sabotaging the government's recovery program with large-scale strikes and demands for immediate across-the-board pay increases.

As the country's leading newspaper has noted, undue importance should not be attached to the "first few bars of the score." The Communists' tolerance of Rumor would quickly dissolve once they perceive a tactical advantage in pursuing a tougher line. The best explanation for their present muted opposition is that the revival of the center-left coalition has faced them with a dilemma. On the one hand, failure of the center-left could usher in events that the Communists would find painful, such as a resurgence of support for the right or a successful attempt by the Christian Democrats to win a majority in new elections.

On the other hand, it is in the interests of the Communists to try to weaken the government and keep it on the defensive in order to exploit popular dissatisfaction and increase the party's following. [redacted] in the new government expects the Communists to begin to step up their attacks on the government late this year and to assume a position of outright hostility by next summer. In any case, he is convinced that the Communists will become increasingly critical as the 1975 regional and administrative elections approach.

### . . . And the Right

While manifesting utter contempt for the new government, the neo-fascist Italian Social Movement is probably rejoicing over the revival of the center-left. The return of the Socialists to government makes it possible for the neo-fascists again to adopt a clear opposition stand and thus

Politically motivated violence has tarnished the image of the extreme right.



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bid for the support of conservative Christian Democrats and Liberals who cannot stomach the swing back to the left. During Andreotti's year in office, the neo-fascists could not play effectively on the themes that transformed a once minor movement into the country's fourth largest party—behind the Christian Democrats, Communists, and Socialists.

Neo-fascist fortunes began to rise in 1970, mainly because of the dynamic leadership of Giorgio Almirante. Aided by impressive oratorical skills and a distinguished appearance, Almirante gave the party new purpose and discipline. The neo-fascists worked hard to project the image of a youthful democratic movement of the right and exploited popular dissatisfaction over the depressed economy, crime, and political violence to score dramatic gains in local elections in 1970 and 1971. The momentum carried over into the 1972 national elections. In the voting, Almirante's party gained in 92 of the country's 94 provinces and received some 9 percent of the vote, almost double its earlier share.

The moderate image that the neo-fascists have carefully nurtured has suffered since 1972, largely as a result of public revulsion over a recent wave of right-wing political violence that included a series of bombings and murders. Many Italians profess to see parallels between these events and the violent pre-Mussolini period of 1919-1922. Over the last year, a series of judicial inquiries revealed clear links between the right-wing extremists responsible for the incidents and Almirante's party.

Scattered local elections in late 1972 suggested that the neo-fascists may have passed their peak. These hopeful auguries could change, however, if Rumor's reform efforts fall flat, especially those aimed at the underdeveloped south. That region has been the locale of the most consistent neo-fascist successes. The neo-fascists are already exploiting the recent cholera outbreak in hopes of benefiting from the government's inept response.

The conservative, business-oriented Liberal Party, while technically in the opposition, is not likely to pose a serious obstacle to Rumor, al-



Neo-fascist chief, Giorgio Almirante

though it has every reason to be resentful after having been, in effect, booted out of the government at the Christian Democratic congress in June. The fortunes of the Liberals have plummeted in recent years and the party's image was further tarnished by its lackluster performance in the Andreotti government. The party proved unable to put into practice its platform of sound fiscal planning and reduced government spending. Now its only hope is that Rumor's agreement with the Socialists will break down and that the government will revert to the center-right formula. A narrow electoral base, unimaginative leadership, and organizational problems make it unlikely that the Liberals will be able actively to encourage such a sequence of events.

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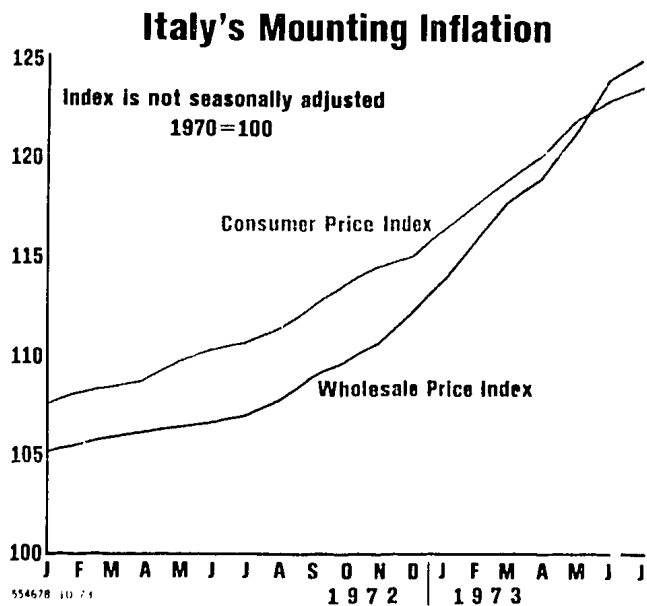
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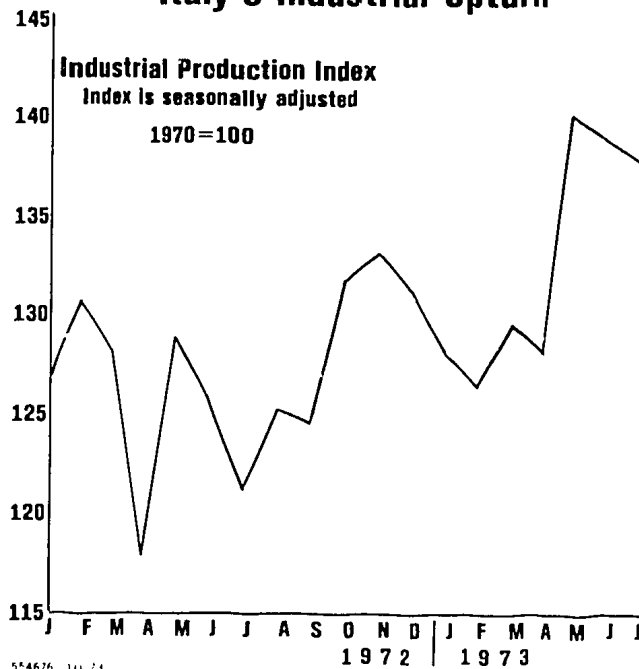
**Economic Woes**

When the Rumor government was formed, inflation was running at a rate higher than at any time since the economy was stabilized after World War II. During the first half of 1973, prices were rising at the highest annual rate of any Western industrialized country—almost 12 percent. In this situation, a continuation of the Andreotti government's economic program, which had fostered economic growth at the expense of price stability, was clearly not feasible. Rumor has sought to cool inflation through a temporary freeze on prices and low-income rents, by selective credit controls, and by holding the line on government spending. The price ceilings apply to staple food items and to the products of large firms that account for approximately 75 percent of Italy's industrial output. Unwilling to jeopardize Italy's precarious economic recovery, however, the government has shied away from using stringent fiscal and credit measures to control inflation. As a result, the underlying causes of Italy's record-breaking inflation have continued unchecked.

Attempts to counter inflation have been complicated by burgeoning public spending. Despite the government's insistence that the 1974



**Italy's Industrial Upturn**



budget not be exceeded, parliamentary pressure is mounting for enactment of long-awaited social reforms. Significant spending cutbacks are unlikely; indeed next year's deficit could rise well above the stated limit.

The shaky position of the lira has further complicated Rumor's efforts to put the economy back on a sound footing. He has introduced measures to cut back short-term funds used to speculate against the lira, to make investment abroad by Italians more expensive, and—while restricting over-all credit growth—to encourage a shift of funds into more productive investment. These measures have had only limited success.

This winter, Italians face the possibility of fuel and food shortages as well as spiraling prices. Although the major unions have adopted a relatively moderate stance in the opening phase of contract talks this fall, pressure from the rank and file will increase if the government fails to curb inflation over the long term. Across-the-board pay increases and large-scale strike activity at this juncture would disrupt industrial production and cut short the recent economic upturn, laying to

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rest government hopes of at least a 5-percent growth in real GNP during 1973.

**Outlook**

Over the short term, the fate of the revived center-left will probably depend mainly on its handling of the country's most pressing economic problems. The government's relatively successful enforcement of a price freeze over the summer has contributed to a guardedly hopeful atmosphere, but the breathing spell provided by this stop-gap measure is about to expire. The economic program is entering its "second phase," and Rumor will now have to deal in a more comprehensive way with the inflationary pressures that have continued to accumulate behind the price-freeze wall.

If Rumor stumbles and the coalition comes apart this fall, few options will be open to political leaders. Rumor is not a forceful leader, and the failure of his government would not necessarily be interpreted as proof that the center-left formula cannot work. Veteran Christian Democrat Amintore Fanfani is waiting in the wings and would probably step in as prime minister or tap another prominent Christian Democrat to form another center-left coalition.

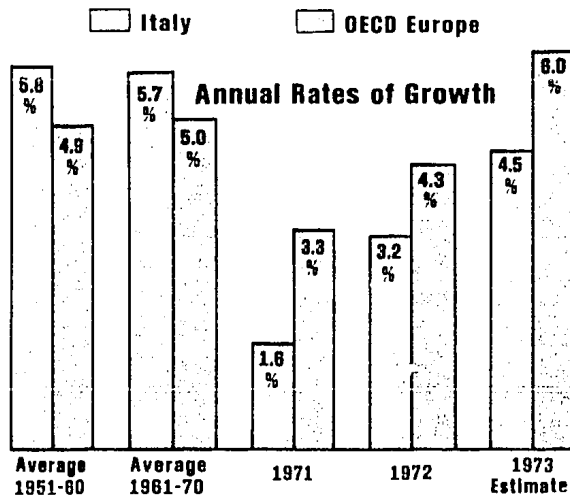
In the event Rumor's government should collapse under circumstances unfavorable to another try at center-left rule, some Christian Democrats would lobby for a renewal of the center-right partnership with the Liberals. The thin parliamentary margin of this alignment, however, makes it doubtful that the Christian Democratic party would select this option.

If relations with the Socialists were to deteriorate severely, the Christian Democrats might for the second time call early parliamentary elections. They would try for an absolute majority—a goal that has eluded the party since 1948. The risk in this course is that there is an even chance that voter disenchantment with center-left politics would be translated into neo-fascist and Communist—and not Christian Democratic—gains.

The past failure of all these courses has kept alive talk of institutional changes and rumors of military coup planning. A switch to a stronger executive system—along the lines of the French Fifth Republic—does not enjoy wide support at this time, although it is frequently mentioned as a course favored by Fanfani, who may fancy himself as Italy's De Gaulle. [redacted] the revival of the center-left partnership has already renewed discussion among both military and non-military circles of a possible coup. There is no firm evidence, however, that the current talk is backed up by a concrete plan of action.

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**Comparative Growth of Real GNP**



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None of these options seems very inviting to Italian politicians at the moment. They have enjoyed the respite afforded by the conciliatory mood of the last three months. That fact, along with the country's precarious economic situation, is Mariano Rumor's strongest ally. [redacted]

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