

Charlemagne | Europa all'italiana

Matteo Renzi hopes he can transform Europe. It would be pretty to think so



ITALY is Europe's great underachiever. Despite being roughly the size of Britain or France, it has often adopted the prickly and unambitious stance of a medium-sized country towards the European Union. Its prime ministers, by turns weak or clownish, have been unable to place their mark on a country many see as ungovernable. The Silvio Berlusconi years heaped ignominy upon ineptitude, raising fears that Italy, the euro zone's third-largest economy, could tumble out of the single currency, bringing the entire edifice down with it. So when Matteo Renzi, a hyperactive 39-year-old, took office in February 2014 vowing to change Italy, he could count on a lot of goodwill from his fellow EU leaders.

It is still there, more or less. Italy's partners look approvingly upon Mr Renzi's flurry of activity, from last year's Jobs Act, designed to reduce firing costs and encourage firms to recruit permanent staff, to political reforms that should guarantee stronger governments and cut legislative logjams. They have tolerated the periodic outrage Mr Renzi directs at Germany and the European Commission. And they have welcomed Italy's recent "migration compact", which proposes to stem the flows of people by increasing development spending and investment in Africa.

Now Mr Renzi's team has a plan for Europe. It goes like this. First, regain credibility by passing reforms. Second, polish Italy's pro-EU credentials: Mr Renzi recently laid flowers on the grave of Altiero Spinelli, an early enthusiast for Euro-federalism. Finally, advance an alternative vision to Germany's dreary emphasis on fiscal restraint. Last year Mr Renzi accused Germany's austerity politics of "destroying growth" in Europe; now his team will offer proposals on everything from economic governance to integrating transport systems. "We believe to save Europe, we must change it," says Sandro Gozi, the Europe minister.

In the short term, Italy is content to go with the European grain. It needs to exploit flexibility clauses to avoid being censured by the commission over its growing structural budget deficit. On migration, officials note that large parts of the EU have finally come round to Italy's way of thinking: Mr Gozi speaks of a new "Rome-Berlin-Stockholm axis". On foreign policy, Italy will lean dovish on Russia (without breaking ranks on sanctions) and keep attention focused on the chaos in Libya.

But this is just the overture. In the run-up to the 60th anniversary

next March of the Treaty of Rome, the EU's founding document, Italian officials want to lay the groundwork for ambitious moves towards European integration, particularly inside the euro zone. Giant stimulus or common unemployment-insurance schemes will spook Berlin. But some in Rome suspect the days of German hegemony are numbered. Some optimists even think that, should Britain vote to leave the EU next month, the fear of disintegration could jolt the euro zone into action. In the ministries and palazzos of Rome, the talk is of common solutions, overcoming nationalism and More Europe. Outside Brussels, Charlemagne has never heard such unabashed mania for federalism.

Alas, this heady stuff finds few takers elsewhere. In part, Mr Renzi's problem is style. He has a back-slapping approach that ill suits the slow coalition-building necessary to get things done in Brussels. Some of his fellow leaders find his histrionics infuriating. His decision this week to change Italy's EU ambassador for the second time in as many months looked disorganised.

But his bigger problems are at home. Italy's voters have lost their traditional Euro-enthusiasm: in one recent poll 48% said they wanted to quit the EU. Mr Renzi's centre-left Democratic Party is besieged by populist outfits. One, the Five Star Movement, topped a national poll for the first time this week, and is on course to win control of Rome in elections next month. In October Italians will vote on a reform of the Senate. Mr Renzi says he will resign if the referendum fails, a gamble that could backfire.

The economic news is grimmer still. Last year Italy grew by a pitiful 0.8%. That nonetheless represented an advance on three years of recession; GDP remains far below its 2008 peak. The commission has cut its 2016 growth forecast for Italy from 1.4% to 1.1%. Banks are weighed down by bad loans. Unemployment is stubbornly high at 11.4%. And then there is the gargantuan public debt (133% of GDP), which every Italian prime minister must haul around like a ball and chain. Deep-seated structural problems remain, from an inept bureaucracy to bloated pensions. Mr Renzi's team plead that reforms take time. Voters may not be patient.

All this leaves Italy's position in Europe weaker than the Palazzo Chigi would hope. Germany is not yet ready to listen to instructions from an economic laggard; Angela Merkel quickly squashed Italy's proposal for joint bonds to finance its Africa plans. Like a proud *padrone*, Mr Renzi may demand respect for Italy's position. But behind him, rather than a powerful family, his euro-zone partners see a vast debt pile, a floundering economy and an increasingly restive electorate.

Bella istoria

Europe needs Italy's ideas, particularly at a time when France, the traditional foil to Germany, is distracted and Britain has one foot out of the door. But perhaps Mr Renzi came to power at the wrong time: too early for an EU consumed with fighting endless fires (and upcoming elections in France and Germany) to listen to his ambitious proposals; too late for an Italy bearing a legacy of debt and mistrust that cannot be cast off quickly.

Mr Renzi is still young, note his admirers. If he survives his referendum and the next election—which many expect to be brought forward to next year—he may see his strategy start to work. His reforms could bear fruit, the political threat within might calm, and the Germans may start to see sense. The fiscal bean-counters will be put in their place, and great investments unleashed across the continent. It is an attractive story for a Europe lacking leadership. It almost sounds like a fairy tale. ■