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Italy - Universal basic income, flat tax and the roll back of pension reforms. What are the costs?

Deal between Italy's 5-Star and League parties paves way for coalition agreement. Italy's 5-Star Movement and League Party reached a consensus on Sunday around measures that include a universal basic income, a 23% flat tax and roll back of pension reforms from 2011.

The agreement paves the way for the parties to form a coalition government (Mattarella's office confirms talks with Five Star and the League later today).

While the coalition must win agreement from the parliament, League and 5-Star collectively have a comfortable majority in each house.

Said that, there is no agreement yet on a choice of prime minister. The two parties have proposed two names to be prime minister. The League has proposed Sapelli, a well-known economist who teaches at the Milan Statale and Five Star have put forward Conte, a private law professor at the University of Florence, vice-president of the administrative justice council. The press reports late last night said a third independent person could lead the new executive.

ANSA said it did not think the issue of premier would be a major sticking point, with the draft government program written.

The costs:

Measures on the table could push spending and revenue out of control just as the country needs to cut its debt load. Various estimates indicate that in total these policies could cost up to €85B.

The promises made by the Italian coalition that is taking shape seem incompatible with Europe's fiscal rules and will be hard. The plans could push the budget deficit far above targets agreed with the EU, setting up a clash with the European Commission and Italy's partners.

Some of the parties' negotiators now suggest a more pragmatic approach will probably prevail, by implementing their pre-election proposals only partially and gradually.

Meanwhile, an Italian tribunal has lifted a ban on veteran centre-right leader Silvio Berlusconi from holding public office, meaning he could run to be prime minister in the next national election (the decision might have come just too late for the 81-year-old politician).

Best