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Italy, politics and Super Mario

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"There is no better protection against the Euro crisis than successful structural reforms in Southern Europe."

Strong words from Mario Draghi, the President of the European Central Bank. But what he didn't forecast 6-years ago when he made the comment was the political power grab in Italy by a far right, anti-immigration party combined with a radical anti-establishment populist faction. Today, Europe's third largest economy is Europe's biggest debtor.

And the programme set by the Lega Nord and Five Star Movimento alliance could well become Mario's worst nightmare. The only thing the parties seem to agree on is opposition to the Euro. It suggests the spectre of a Euro crisis that Draghi did so much to mitigate now seems inevitable.

Italy's election result highlights how little progress has been made to resolve the basic contradictions between national and supranational European interests. Germany wants to run surpluses; condemning its partners, as a matter of accounting identity, to run deficits. But Germany won't support a banking union to backstop the Euro with countries that are in debt. So northern surpluses will build, and southern economies will be stymied.

According to Stein's law, after the celebrated American economist: "If something cannot go on, it will stop." So, the question is, which will stop first? Italian economic decline or their membership of the EU and the Euro. The election result must mean one or the other.

The joint party programme includes the following:

1. Despite a debt to GDP ratio of 130%, there will be fiscal expansion via a programme of government spending.

2. There will be a "renegotiation" of EU treaties and a review of EU economic governance.

3. There will be a flat tax of 15% (augmented with a 20% band) allied to a universal basic income of 780 Euros per month.

4. Major reforms of asylum and immigration along with systematic repatriation and deportation that will target imams and mosques.

Many commentators now say Italy is ungovernable. This is a country that has had 62 governments since the end of WWII. The problem is that today's incumbents not only threaten the "grand European project" but also condemn much of Italy to chronically poor living standards.

Whilst Brexit is undesirable from a European perspective, the Italian problem threatens that country's very survival. The man dubbed 'Super Mario' saved the Euro once. The question is can he possibly do it again?