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By Maria Laura Franciosi

Beware the Ides of March: Italy's election debacle is headed for a showdown that will reverberate across Europe on the same date as Julius Caesar was killed in the name of democracy 2,000 years ago.

The inconclusive result of Italy's first democratic test (February 24-25) since its economy plunged into its longest recession in two decades has created confusion at home and apocalyptic predictions about the future of the Eurozone's third largest economy.

A centre-left coalition led by the Democratic Party won the most votes but failed to get a parliamentary majority, a resurgent **Silvio Berlusconi** came a very close second and a newcomer protest party roared into third place.

Trailing in fourth place was the party of **Mario Monti**, a former high-flying European commissioner installed by parliament after Berlusconi's ouster in 2011, who won plaudits

around Europe for his sound management of Italy's public finances.

Monti's austerity measures made him hugely unpopular at home, however, and many of the more long-term economic reforms enacted by his government have not had time to take root as unemployment hits record highs and confidence drops.

The centre-left beat the centre-right in the lower house, the Chamber of Deputies, by just 29.54 percent to 29.18 percent but will have 345 seats in the 630-seat chamber because of a bonus for the installwinner under Italy's election laws.

The Five Star Movement led by former comedian turned anti-establishment firebrand **Beppe Grillo** won 25.55 percent and Monti secured 10.56 percent of the votes.

The situation is much more complicated in the 315-seat upper house, the Senate, where seats are assigned on the basis of regional voting.

There, **Pier Luigi Bersani**'s centre-left won 123 seats to Berlusconi's 117 seats, followed by Grillo with 54 seats and Monti with 19 seats. A coalition between Bersani and Monti -- the most widely mooted scenario before the election -- would therefore not be enough for a majority (158 seats).

In a reflection of how vastly different perceptions have been outside Italy, the vote from Italians abroad was a different story: Bersani won by a strong margin with 29.3 percent, Monti came in second with 18.4 percent and Berlusconi was in third place with 14.8 percent. Grillo secured just 9.7 percent of the votes.

Italians were in shock at the election results. There was confusion and bemusement abroad, with German opposition leader **Peer Steinbrueck** saying he was "appalled that two clowns have won" – a reference to Berlusconi and Grillo.

The outcome has revealed the degree of fragmentation of Italian society. The left is now riven by infighting that might bring to the fore a youthful reformer, Florence mayor **Matteo Renzi**, who had lost primaries against Bersani last year but is now seen by many as a more acceptable face for the party.

Berlusconi also subverted predictions by returning to the fore after having been dismissed as a “has-been”.

The billionaire tycoon won votes largely on the back of a promise to refund an unpopular property tax imposed by Monti – out of his own pocket if needed -- but also with his denunciations of a "hegemonic" Germany.

It was the stunning success of the Five Star Movement led by former comedian Beppe Grillo that most surprised observers. Grillo has spooked Europe with his call for a referendum on whether Italy should stay in the euro area and for a renegotiation of Italy's debt.

But the movement's success is mainly attributable to a relentless campaign against traditional sleaze and corruption in Italian public life.

Grillo is now recommending the "Sicilian model" -- a reference to regional elections in Sicily in which his party won the most votes last year but did not join the government and now approves measures on a case-by-case basis.

The "Grillini" -- as party members are referred to -- have slashed their own salaries and put the money into a fund to help small businesses, as well as pressing for a halt to the installation of an unpopular US radar system.

Grillo successfully harnessed the power of the Internet and made major inroads among young people, highlighting a growing generation gap in Italy.

Out of the under-30s who voted, a staggering 54.8 percent cast their ballots for Grillo, 26.3 percent for Bersani and just 11.8 percent for Berlusconi.

The result also points to another malaise in Italian society – a deep-seated frustration over austerity measures viewed as imposed by "Europe".

"European leaders must learn the lesson of the Italian election results," **Guy Verhofstadt**, president of the Liberal group in the European Parliament and a former Belgian prime minister, warned soon after the outcome became clear.

"Fiscal discipline is absolutely necessary, but alone it is not a sufficient response to tackle the crisis," he said, adding that the EU "shares part of the responsibility" because it did not do enough to help Monti's reform efforts.

Another important source of discontent has been the political class which is often seen as deeply out of touch and living in a world of perks and bribes.

There are different scenarios for what happens now. Most analysts say there will have to be new elections within a few months to resolve the impasse, perhaps after a reform of Italy's maddeningly complex election laws.

The centre-left wants to form a minority government that would depend on votes from Grillo's party in the upper house, the centre-right wants elections and there are divisions within Grillo's party over what they really want.

Parliament has to meet by March 15 at the latest, after which formal consultations will begin on forming a new government.

The future is uncertain but it is clear that the 12-star European flag is being challenged by the new rebel colours of Italy’s Five Star Movement.

Maria Laura Franciosi is an Italian journalist, president of Journalists at Your Service (J@YS) and former deputy bureau chief of the Italian News Agency ANSA in Brussels.