

By continuing to use this site you consent to the use of cookies on your device as described in our [cookie policy](#) unless you have disabled them. You can change your [cookie settings](#) at any time but parts of our site will not function correctly without them.

[Sign In](#)[Subscribe](#)

Mediaset

Berlusconi study sheds light on politics and profits

Italian who controlled businesses while premier talks of similarities with Trump

Inside Business



Silvio Berlusconi maintained his business interests during his career in politics © AFP

JANUARY 4, 2017 by: **Rachel Sanderson** in Milan

Among the political figures who congratulated Donald Trump on his US election victory was Silvio Berlusconi, the tycoon-politician with whom he has often been compared.

Italy's three-times prime minister is an ally of Vladimir Putin and was convicted of corporate fraud and bribing a senator. Mr Berlusconi told Italian newspaper *Corriere della Sera* the [comparisons between the two were “evident”](http://www.corriere.it/politica/16_novembre_12/analogie-me-trump-ma-io-non-sono-destra-barack-obama-mondo-instabile-62f2c14e-a855-11e6-b076-c4200a7222c9.shtml) (http://www.corriere.it/politica/16_novembre_12/analogie-me-trump-ma-io-non-sono-destra-barack-obama-mondo-instabile-62f2c14e-a855-11e6-b076-c4200a7222c9.shtml). Not least, the media tycoon said, because the US real estate entrepreneur and reality TV star and Mr Berlusconi were both “businessmen who at a point in their lives decided to put their talents and energy to the use of their country”.

[Mr Berlusconi \(https://www.ft.com/topics/people/Silvio_Berlusconi\)](https://www.ft.com/topics/people/Silvio_Berlusconi), who maintained his control of Mediaset, Italy's largest private broadcaster, during nine years in power, presents another topical point of comparison: the extent to which a tycoon's business empire may gain from his political office.

The Italian has always denied there was any conflict of interest or that his companies had benefited from him being prime minister. But during his nine years in power from 1994 to 2009 investors and analysts openly referred to [Mediaset \(http://markets.ft.com/data/equities/tearsheet/summary?s=it:MS\)](http://markets.ft.com/data/equities/tearsheet/summary?s=it:MS) as benefiting from a "Berlusconi premium". The company then suffered a "Berlusconi discount" when he left office.

Investors believed the broadcaster, which includes three free-to-air channels and pay TV business Mediaset Premium, gained unspecified regulatory and commercial benefits from Mr Berlusconi's position. Mediaset shares rose and fell accordingly.

A discussion paper published in February 2014 — three years after Mr Berlusconi was ejected from office during Europe's debt crisis — by the Centre for Economic Policy Research sought to go one step further and present concrete evidence of [political benefits \(http://didattica.unibocconi.it/mypage/upload/49273_20150615_112840_AEJ_APPLIED_DELLAVIGNA_ET_AL._2015_MANUSCRIPT.PDF\)](http://didattica.unibocconi.it/mypage/upload/49273_20150615_112840_AEJ_APPLIED_DELLAVIGNA_ET_AL._2015_MANUSCRIPT.PDF) to Mediaset. The authors* analysed a novel channel — the lobbying of businessmen-politicians through their financial interests. In short, the study suggests when a politician controls a business, companies attempting to curry favour shift their spending towards that business. The politician benefits from increased revenues, and the businesses hope for favourable regulation in return.

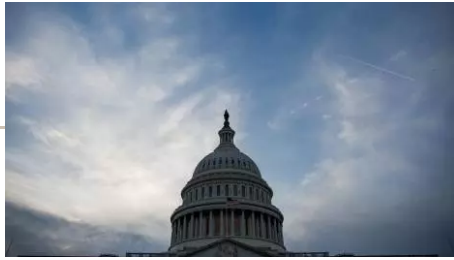
For the authors, Mr Berlusconi and his media empire provided a particularly clear example as in Italy government members, including the prime minister, are not required to divest business holdings. The nature of Italian broadcast media also made it easy to measure whether businesses switched their spending to Mr Berlusconi's groups while he was in power. Italian broadcast television is dominated by RAI, the public broadcasting corporation, and Mediaset, the private network, and both accept paid advertising. So the authors looked at television advertising spend data from Nielsen over the period 1994 to 2009, during which Mr Berlusconi was prime minister on and off three times.

Related article

They found that companies did shift some of their advertising from public channels to Mr

Republicans drop plan to gut ethics office after outcry (<http://next.ft.com/content/a3c360b2-d1d0-11e6-9341-7393bb2e1b51>)

Lawmakers reverse course after drawing Twitter criticism from Donald Trump



Berlusconi's channels when he was in power. During the period, an estimated €1bn of advertising revenue flowed to the tycoon's private group while he was in office — equivalent to a fifth of Mediaset's market capitalisation in 1997.

Moreover, the authors say this pattern was especially pronounced for companies operating in more regulated sectors, such as carmakers. The authors concluded that businesses shifted their spending in hopes of receiving kinder regulation. They argue that the findings point to the need for tougher rules on conflicts of interest.

The study makes for fascinating reading not only in the context of Mr Trump's victory but also the current predicament of Mr Berlusconi and Mediaset. After a share price slump coinciding with Mr Berlusconi's loss of political office and Italy's economic stagnation, Mediaset has become the target of hostile stakebuilding by Vincent Bolloré, the French raider. He now has an 29 per cent stake in the group, just below the 30 per cent ceiling that triggers a takeover offer.

With Mr Berlusconi's coffers depleted, Mediaset has been reduced to asking [Italy's antitrust authority to block Mr Bolloré \(http://next.ft.com/content/1a61b170-c2da-11e6-9bca-2b93a6856354\)](http://next.ft.com/content/1a61b170-c2da-11e6-9bca-2b93a6856354). That leaves the man who was Italy's longest-serving postwar prime minister facing the ignominious prospect of [losing control \(http://next.ft.com/content/f11b725c-e680-11e3-9a20-00144feabdco\)](http://next.ft.com/content/f11b725c-e680-11e3-9a20-00144feabdco) of his business in just one generation.

Rachel.Sanderson@ft.com

*Stefano DellaVigna of the University of California, Ruben Durante of Sciences Po, Brian Knight of Brown University and Eliana La Ferrara of Bocconi

Print a single copy of this article for personal use. Contact us if you wish to print more to distribute to others. © The Financial Times Ltd.