# Italy: Prodi government submits austerity budget

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On September 30, the Italian centre-left government led by Romano Prodi submitted its budget for 2007, which envisages total savings for the coming year of 33.4 billion euros. The aim of the budget is to cut Italy's soaring deficit and come into line with criteria laid down in the European Union stability package, which sets the upper limit for budget deficits at 3 percent of gross domestic product.

The budget has to be agreed before the end of the year in both the Chamber of Deputies and the Senate. This will be no easy task, given the extreme instability of the government. The ruling coalition comprises nine different parties, ranging from the conservative former Christian Democrats to Rifondazione Comunista (Refounded Communism), and retains a majority of only a single seat in the Senate following the defection of one deputy to the opposition.

The controversy over the budget threatens to break up the coalition. The savings package of over 30 billion euros depends largely on cuts in the country's welfare system. Were Rifondazione and the Greens to accept such measures they would suffer a huge loss in public standing.

The budget also includes some tax increases and charges that mainly impact the privileged sections of the middle class, which has enraged the right wing.

Prodi conceded that agreement on such a budget is "certainly not sexy," and called upon all of his coalition partners to be prepared "to wade through the mire."

When Prodi replaced Silvio Berlusconi last April, he promised Italian and European employers that he would solve outstanding problems in the Italian economy, such as zero growth, a rising budget deficit and growing indebtedness, and prove to be a reliable partner on both a national and European level. In addition to decreasing the deficit, Prodi pledged to increase investment in economic development and lower wage costs by some five percent, thereby, he claimed, improving the competitiveness of the Italian economy.

Italian banks and corporations put pressure on the government, declaring that Prodi was not moving fast enough to realise his promises. The *Financial Times* warned that Italy's position in the world economy could fall and added that if the budget was insufficiently radical, Italy's high indebtedness would affect its credit-worthiness.

The president of the trade association Confindustria, Luca Cordero di Montezemolo, complained that in terms of competitiveness, Italy had lagged far behind for many years. "We assumed," he said, that the new government would "devote a great deal of attention to development, in order to give the country a major jolt." Based on what he knew, however, he did not believe that "such a struggle against waste" was taking place, and there was "even the danger of new taxes." Lecturing the government like a stern taskmaster, he concluded, "We expected courageous cuts, more courage."

Under these conditions, any sign of a retreat or concession to the government's so-called "social partners," i.e., the trade unions, or to Prodi's coalition partner Rifondazione Comunista, was greeted with howls of outrage from conservative cabinet members.

Examples include a demand by Rifondazione Comunista and the Greens to postpone planned cuts for schools and local government, and a proposal by Social Minister Paolo Ferrero to increase income taxes for wealthier middle-class layers by around two percent. The justice minister, Clemente Mastella, head of the Christian-Democratic Udeur, declared that his party would never support such measures, even if it came down to a parliamentary vote of confidence in the government. Prodi has already had to resort to such votes over the past few months in order to hold his majority together.

Mastella said: "One cannot organise a financial reform along the lines of a popular television program with the title 'The Rich Also Weep'... We do not believe that the middle class is the same as the rich. Whoever thinks of proletarian expropriation when it comes to the alleged category of the rich must reckon with our concerted opposition."

In the end, Rifondazione Comunista indicated that it was ready to support the budget, irrespective of the massive

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social cuts involved.

In the coming year, Prodi intends to revive the pension reform begun by Berlusconi, which raises the average retirement age. The policy of privatisations of state-owned enterprises will continue, and public service employees, including at Italy's airline Alitalia and in the rail system, will be required to accept additional dismissals and wage cuts.

Rifondazione had demanded that the budget also be agreed by the trade unions. The unions had threatened strikes in the event of further cuts in public education, and there was briefly talk of a general strike. However, the unions declared they were prepared to call off a national strike by Alitalia workers planned for next week after Prodi announced round-table talks for October 10.

Election promises by leading government representatives about security for artists and those working within the field of culture have also proved to be nothing but hot air. There has been no real reversal of the substantial cuts made by Berlusconi, as had been promised for the first hundred days of the new government, and the budget for culture has not been increased. The minister of culture, Francesco Rutelli, Prodi's deputy and head of the bourgeois Margherita grouping, has proved to be one of the most enthusiastic advocates of the new budget, declaring that one must not "frighten the middle class."

This austerity budget was prepared by Finance Minister Tommaso Padua Schioppa, a man well trusted by Italy's big banks and European finance capital. According to the German financial newspaper *Handelsblatt*, Piero Fassino, the head of the largest government grouping, the Left Democrats, declared, "If we want to achieve our growth targets there is no alternative to this budget."

The fact that the government has submitted an austerity budget along the lines demanded by big business has not been sufficient to still criticism from the right-wing opposition in parliament. On the contrary, these elements feel encouraged to pursue their own agenda even more aggressively.

Senator Sergio De Gregorio, president of the Defence Committee and a member of Antonio Di Pietro's party "Italy of Values," resigned from the party and the centre-left camp, threatening to vote with the right-wing opposition around Berlusconi.

The opposition parties have adopted an increasingly hostile stance to the new government. The vice-chairman of Berlusconi's Forza Italia, Paolo Romani, stated: "The communist parties have Prodi in a stranglehold. Rifondazione is intent on revenge. The middle class is being asked to pick up the tab, because the old communists are outraged by the fact of wealthy citizens."

On September 28, deputies of the neo-fascist Alleanza Nazionale (National Alliance), the Northern League and Forza Italia shouted down Prodi in parliament and prevented him from making a declaration. A senate decision taken the previous week required him to state the government's position regarding the future of Telecom Italia.

The job of reining in abusive right-wing and ultra-right deputies fell to the president of the Chamber of Deputies, Fausto Bertinotti, the former head of Rifondazione Comunista. Only on his eighth attempt was it possible for Bertinotti to restore order and allow Prodi to finish reading his text. A video of the scene was posted on the Internet.

Two weeks previously, Telecom Italia, a denationalized corporation with majority shares and control held by the state, had announced plans to possibly sell off its mobile phone division to a foreign company—a move which Prodi had secretly sought to prevent. His intervention met with fierce criticism by Italy's employer federation and from right-wing parties.

In his recent Senate statement, Prodi avoided giving any details about a telephone tapping scandal that has involved broader and broader circles over the past few weeks. The scandal is a devastating indictment of the activities of the right-wing groupings which wield so much influence in the Italian state apparatus.

The public prosecutor's office in Milan is conducting investigations into an espionage ring led by Giuliano Tavaroli, the head of the telecom security division and a former police officer. For a period of ten years, Tavaroli combined recordings from telephone calls with computer data from legal and police authorities, which he then sold to the highest bidder. He was supported in his activities by Marco Mancini, the deputy head of the national secret service, SISMI. Those spied upon include businessmen, politicians, intellectuals, managers and sports personalities—an alleged total of up to 100,000 persons.

So far, 25 people have been arrested, including policemen, tax investigators and the secretary of a Milan public prosecutor. Numerous dwellings have been searched. The security boss of the mobile net, Adamo Bove, informed the Turin public prosecutor's office of the spying scandal. Shortly afterwards it was announced that he had "jumped" to his death from a bridge in Naples.

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