

# Italian government adopts austerity budget

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The Italian government adopted the 2014 budget last Tuesday. The so-called 2014 stability law sets out almost €12 billion in spending cuts next year and €3.7 billion in tax cuts for business.

The budget adheres to the European Union (EU) rule that budget deficits may not be more than 3 percent of Gross Domestic Product (GDP), while at the same time tackling the recession. Between April and June, the third largest economy in Europe shrank for an eighth quarter in a row. Economic output has dropped by almost 10 percent in the last six years, and industrial production by over 20 percent. Current production levels are lower than they were in 2001.

Prime Minister Enrico Letta (Democratic Party, PD) is using the recession to carry out a massive redistribution of wealth from the working class to the ruling elite. The tax burden and charges for companies will fall in the coming three years by €10.6 billion, financed by spending cuts in the public sector.

Pay for public servants will be frozen next year and vacant positions will not be filled. Then in 2015, only 40 percent of those who leave will be replaced; in 2016, it will be 60 percent.

These measures will inevitably lead to a lack of personnel in public services. Several essential services in social welfare and infrastructure will not be able to afford to operate in the coming year, or will do so with great difficulty.

In order to obtain the necessary resources for tax relief, privatisation is being pursued. The state's holdings in the airline Alitalia and in telecommunications are to be sold. In addition, VAT rose from 21 to 22 percent on October 1. Cuts will also be made to pensions, which will only increase minimally in the next year.

To avoid a dispute with Silvio Berlusconi's party People of Freedom (PDL) over an increase to property tax for owners of small houses, the government created

an entirely new tax called TRISE (Tributo sui Servizi). It combines property tax with charges for rubbish collection and other municipal services. This will do nothing to prevent the rise of rents and charges.

Two days before the adoption of the budget, the government still planned to cut spending in the health sector by over €4 billion. At the last minute this was left out. Health minister Beatrice Lorenzin threatened to resign, and chemists and hospital associations protested strongly. Nonetheless, it is expected that such cuts will be imposed later.

Italy barely complied with an EU deadline of 15 October for the presentation of the budget. Several passages in the budget remain to be determined or are simply blank. They will be negotiated in parliament in the coming weeks.

In addition, the dispute over cuts in the health sector shows just how unstable the coalition between the PD and Berlusconi's PDL is. It was close to breaking apart at the beginning of October, when all of the PDL ministers threatened to quit. On Thursday, the PDL criticised the budget draft for not going far enough in cutting taxes. Nonetheless, PDL deputy leader Angelino Alfano declared he was prepared to continue his support for the government. At the same time, he raised once again the demand that President Giorgio Napolitano grant a pardon to Berlusconi, who has been convicted of tax evasion.

Such attempts to force a pardon of Berlusconi might succeed this time. Ten days ago, Napolitano made an appeal to parliament that there should be an amnesty for minor crimes. The justification for this was the inhumane living conditions in the chronically overcrowded prisons, he said. Since then there has been speculation that Berlusconi could benefit from such an amnesty, without creating a special exception to the law for him.

Letta's PD only controls an overall majority in the

lower house of representatives. For the passage of the budget in the senate, the PD is dependent upon Berlusconi's party. Letta hopes to remain Prime Minister at least until the summer of next year, when Italy takes over the presidency of the EU in June 2014. By then he intends to implement a judicial reform and a reform of the electoral law, as well as imposing the cuts and labour market reforms demanded by the bourgeoisie.

The situation facing the Italian working class is increasingly similar to that in Greece. Official unemployment has already reached a record level of 12.5 percent, with youth unemployment over 40 percent. This does not even include the large number of people who are not deemed to be "actively seeking work."

On top of this, the auto firm Fiat no longer intends to lengthen short-term working, leaving thousands of Fiat workers fearing for their jobs. The production of lorries in Italy has dropped to less than half a million vehicles per year. Fiat chief Sergio Marchionne has previously threatened to move the firm's headquarters abroad.

Letta is able to impose his austerity programme on the working class above all because the official "left" and the trade unions have gone over completely to the side of the ruling class.

The Democratic Party, which emerged from the once-powerful Communist Party, is dominated today by conservative officials like Letta, who began his political career together with his deputy Prime Minister and PDL secretary Alfano in the Christian-democratic youth movement.

The numerous pseudo-left groups which gathered in Rifondazione Comunista in the 1990s and acted as a left fig leaf for a series of bourgeois governments, have also moved far to the right or no longer exist.

A miserable collection of these groups, including the former leader of Rifondazione, Paolo Ferrero, the chief of the industrial union FION, Maurizio Landini, and the former leader of the trade union confederation CGIL, Sergio Cofferati, called for a demonstration on 12 October which brought their right-wing, demoralised perspective to the fore.

The defence of the Italian constitution was placed at the centre of the demonstration. The organisers referred to the paragraphs on paper which had to be realised in order that those suffering in society could have the right

to a job and general well-being.

In this vacuum left behind by the pseudo-lefts, the Five Star Movement of Beppe Grillo has stepped forward, winning a quarter of the vote at the first attempt in this year's elections. Behind Grillo's populist and often radical phrases is a very right-wing programme, as the WSWs noted at the time.

This is now becoming clearer each day. After the tragedy off the island of Lampedusa, Grillo joined the chorus of the chauvinists and anti-immigrant voices.

Grillo, along with his chief ideologist Gianroberto Casaleggio, angrily denounced two deputies of their own party because they voted in favour of a proposal by the parliamentary justice committee to abolish a 2009 anti-immigrant law, which punishes illegal immigrants with a €5000 fine.

Grillo gave his hatred towards immigrants free reign on his blog. "This decision is an invitation to immigrants from Africa and the Middle East to set off for Italy", he wrote. "They will understand the simple message; illegal immigration is no longer a punishable offence. Lampedusa is collapsing and it isn't going well in Italy. How many more illegal immigrants can we take in, when one in eight Italians does not have enough money to eat?"



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