

European Union threatens to sanction Italy over budget deficit

Peter Schwarz
14 June 2019

Following last month's European elections, the dispute over Italy's state debt has flared up once again. The European Commission recommended on June 5 the launching of disciplinary procedures against the highly indebted country, which could culminate in the imposition of severe fines if the government fails to drastically cut spending.

However, numerous steps would have to be completed before that point is reached. To date, no financial penalty has ever been imposed on a eurozone member. Additionally, the potential of an Italian bankruptcy could drag the entire eurozone over a cliff. After Germany and France, Italy is the third largest member of the currency bloc.

The Italian government is divided over the issue. While the non-party prime minister, Giuseppe Conte, threatened to resign, and pleaded together with Finance Minister Giovanni Trea, also a non-party minister, for obeying European Union (EU) regulations, far-right Lega leader Matteo Salvini initially adopted a confrontational stance. The strongman of the government ridiculed the "little letter" from Brussels and vowed not to bow to the EU's demands.

But Conte announced a de-escalation of the situation earlier this week. At a crisis meeting with Salvini and Five Star Movement leader Luigi Di Maio, it was agreed that a strategy would be drafted together with Trea to avoid EU sanctions, Conte announced. He previously warned that disciplinary action would trigger a crisis on Italy's financial market.

Salvini confirmed the agreement. However, this isn't worth much. The EU previously threatened to initiate proceedings against Italy late last year, but eventually agreed to a compromise. The EU now assumes that both Italy's new debt and its overall debt will continue to increase.

In essence, the conflict over Italy's budget is a bitter fight between competing factions of the European and Italian bourgeoisies that is being carried out at the expense of the working class.

The EU's threats of penalties recall its treatment of Greece. The EU is particularly irritated by the Five Star-Lega government's introduction of a basic income and the abandoning of a pension reform, both of which cost several billion euros. EU officials are demanding an end to these measures and a stricter regime of austerity.

As the *World Socialist Web Site* has explained, these measures are nothing more than a drop in the bucket, and are, moreover, bound to draconian requirements much like Hartz IV in Germany. They do nothing to change the glaring levels of social inequality, and poverty and unemployment continue to rise. They were introduced above all at the initiative of the Five Star Movement, which won large numbers of votes in southern Italy on the basis of its promise for a basic income.

By contrast, Salvini is developing very different plans. His Lega was initially formed as a separatist party in northern Italy and had a base of support among sections of the middle class and businessmen. An old hate-filled song that Salvini posted on YouTube at the beginning of his political career is once again making the rounds. It concerns the stinking Napolitans (people of Naples, the largest city in the impoverished south), who allegedly even force the dogs to leave the city.

Only later did the Lega expand its influence across the country with anti-refugee xenophobia and anti-EU demagoguery. But Salvini benefited above all from the fact that the so-called left parties and trade unions had slavishly imposed the EU's austerity demands for more than three decades.

Salvini's major goal is the cutting of taxes for the

super-rich and corporations. By introducing a flat tax, he wants to trigger a fiscal crisis. The project would cost between €50 billion and €60 billion to implement.

Such a policy would be inseparable from ruthless attacks on the working class. In the past, similar policies were practiced by dictatorships, like the Pinochet regime in Chile, or the right-wing governments that ruled in Eastern Europe following the restoration of capitalism. Salvini is consciously cultivating a fascist base to enforce these policies against bitter opposition from the working class.

The Five Star Movement, which long claimed to be neither left nor right, has been exposed as a reliable prop for the far-right Lega. The WSWS warned six years ago that the Five Star Movement was mobilising distressed sections of the middle class with nationalist appeals against foreigners and refugees.

While the Five Star Movement won 33 percent at the 2018 Italian elections, and Lega 17 percent, the vote percentages were almost reversed in last month's vote. While the Lega emerged as the strongest party with 34 percent of the vote, the Five Star Movement secured just 17 percent. The protest party is deeply divided and faces the threat of a split.

Under these conditions, Salvini hopes to be able to form a government of right-wing parties following early elections. Together with the Forza Italia of former Prime Minister Silvio Berlusconi (8.8 percent) and the fascist Fratelli d'Italia (6.5 percent), the Lega secured almost half of the votes in the European elections. However, Salvini can't afford to engage in an open conflict with the EU, which brings with it the threat of a financial crisis. This is why he is shifting on the debt issue.

In principle, the EU has no objection to massive tax cuts for the rich, provided that they are offset through deep social spending cuts. All of its policies over recent decades have been based on this principle. However, the EU is not prepared to tolerate tax cuts being offset temporarily through increased debt. This would, first and foremost, undermine Germany's dominant position in the euro zone, which is based on a strong euro.

This is why German economists in particular are stressing that Italy must first cut social spending. For example, Clemens Fuest, president of the Munich-based Ifo Institute for Economic Research, said that the former Democratic Party (DP) government

“deregulated the labour market and secured more flexibility.” Now, they are “taking the other direction. The deregulations were reversed, and that's just the wrong approach.” It is necessary to “restructure costs, away from pension benefits towards investments, for example.”

The dividing line between supporters of the EU and nationalists like Salvini is fluid, with both agreeing that major attacks on the living standards of the working class are necessary to defend the capitalist system. For the Italian working class, there is no lesser evil in this conflict. They must organise themselves independently, align themselves with the workers in Europe and internationally, and fight for a socialist programme. This is the only way to prevent a relapse into barbarism and war.



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact