

When Money Talks, Even for Governments, Who Listens?

Judith Harris (October 15, 2018)



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ROME -- Money talks, even for governments, but is anyone listening? The clash between Italy's prudent Minister for the economy and finance **Giovanni Tria** and the top political players overshadows all other arguments within the government. The cast of characters: **Matteo Salvini**, head of the **Lega**, is both deputy premier and Interior Minister. **Luigi Di Maio**, head of the Movimento 5 Stelle (**M5S**), is his co-deputy premier and Economic Development Minister. Formally above and negotiating between these is **Giuseppe Conte**, window-dressing premier whose role is to keep the peace between Salvini, the ever more powerful head of the far-right Lega, and Di Maio, who heads the rebellious, anti-establishment M5S, noteworthy these days for its downward slip in the polls.

Worth noting too is that the usually cautious [Reuters](#) [2] news agency summarized this clash in just three points: government "handouts" to the (presumably) poor; dropping the pension age; and raising money by increasing the national debt. Taking these points one by one, in his campaigning Di Maio promised handouts, and the upsurge in Salvini's popularity (now over 32% in the polls) has reinforced Di Maio's need to remain in the game. Secondly, a drop in the pensionable age would theoretically make room for young people to take the vacant jobs and save the government money -- just how much is uncertain. Thirdly, achieving some of the government's goals, such as the handouts, will require huge outlays of money. This implies borrowing, which would boost the gap between Italy's GDP and its deficit; at 132%, it is already the second highest in Europe after Greece.

In a warning speech delivered at the annual meeting of the [World Bank Group](#) [3] held last week in Nusa Dua, Indonesia, the highly respected **Mario Draghi** urged Italian politicians, in an obvious reference to the loudly anti-EU Salvini, to "calm down with the tone" in discussing the pro's and con's of the euro. Draghi is president of the [European Central Bank](#) [4] and a former governor of the [Central Bank of Italy](#) [5]. "Budgetary expansion in a country of high indebtedness becomes much more complicated if the euro is put into question," said Draghi, "[bringing] real damage as companies and households are then forced to pay higher interest rates on loans." By way of response **Alberto Bagnai**, a Lega senator who heads the **Senate Finance Committee**, tweeted that it is Draghi who should "calm down and stop mentioning the euro."

The government's response to the criticism that it risks sinking ever more deeply into debt is to propose a bill dropping the highest monthly pension payment from the present E4,500 (\$5,200) to E3,500 (c. \$4,000). The highest earners of those accepting the lowered pensionable age would lose up to 20% of what was originally promised; those with lower annual earnings would lose from 10% to 3%, depending upon income.

Speaking at a piazza rally in Rivarola Canavese near Turin, Di Maio said on Oct. 13 that by dropping the so-called "gilded pensions," the state would recover "over one billion euros." **Tito Boeri**, who directs the state pensions agency **INPS**, challenges the one billion euro figure, however, saying that it would involve 30,000 people and bring in no more than E150 million, or \$173.4 million. Nevertheless the Conte-Di Maio-Salvini government is expecting the measure to become law within coming days and take effect immediately.

Another tough issue facing the government is work on the gas pipeline known as the "**TAP**" (Gasdotto Trans-Adriatico) that goes from Azerbaijan to Italy, ending at Melendugno on the Adriatic Sea in Puglia. Although last April a government prosecutor ordered work on the TAP to be halted because damaging to the environment, beginning with an orchard of 448 olive trees damaged by planned construction of a tunnel through which the pipeline would pass.



Di Maio's M5S had originally called for halting work on the pipeline, but now his governing partner the Lega is demanding work resume on it immediately. "The TAP is fundamental, but will not bring down the government," said **Giancarlo Giorgetti**, Undersecretary to the Premier and Lega spokesman, speaking at Arcore in August.

"But it is completely useless public work," protested Minister for the South **Barbara Lezzi** of the M5S. In promoting resumption of work on it, the government is "traitorous."

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