Italy prepares new cuts after stock market panic

By Marc Wells
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The Italian government is preparing further social austerity measures in response to the Thursday stock market crash and demands from investors for more anti-worker cuts. The third-largest economy in the European Union, Italy is mired in debt (currently at 120 percent of the country's GDP), economic stagnation, and high levels of poverty and inequality.

Last Thursday a spiraling sell-off caused panic in stock markets worldwide (see: "Financial markets plunge on fears of renewed recession"). The Italian MIBTEL was particularly hard hit with a 5.16 percent loss—closing a disastrous week for the Italian stock market, in which it lost 15 percent of its value. The interest rate Italy pays on its bonds hit a new high of over six percent, surpassing Spanish debt and threatening to bankrupt the country.

The plunge followed a speech given by Italy's Prime Minister Silvio Berlusconi at the end of Wednesday's market session (a deliberate decision aimed at avoiding immediate consequences) addressing Parliament. In his speech, Berlusconi praised the recent €79-billion austerity measure and then painted a rather rosy picture of the situation, declaring: "The country is economically and financially solid: in difficult times, it knows how to stay together and confront difficulties."

The markets reacted adversely to his statements, accusing him of neglecting to advance "a concrete plan to relaunch the economy," as the financial Il Sole 24 Ore reported. International investors criticized Berlusconi for being incapable of devising sufficiently harsh austerity measures to impose the full brunt of the crisis on the working class.

Pressure from the rating agencies drove the government's planning of social cuts. Moody's and Standard & Poor's have threatened a downgrade because of Italy's inability to slash spending. S&P openly warned that the recent €79-billion austerity measure (called the manovra in Italy) is insufficient: "In light of Italy's weak growth, it is our opinion that far more substantial microeconomic and macroeconomic reforms will be required."

The Italian political establishment was stirred into motion to carry out the banks' orders. A six-point plan, cynically dubbed the "Pact for Growth," was adopted in talks with Italy's bourgeois "left" and the union bureaucracy (known, together with the industrialists and bankers, as the "social partners"). To be ratified by September, the plan covers these points:

Labor code – The document presented by the social partners states that "in light of great economic difficulties, the parties will continue the process of modernizing industrial relations." This will amount to increased labor exploitation, lower pay and the repeal of basic rights such as the right to strike, collective bargaining and free assembly. The Fiat Mirafiori contract will serve as the basic model for such attacks.

Privatization – The plan calls for local governments to "dispose of property assets and service agencies allowing them to utilize the income for investment expenditures, overcoming the current restrictions of the Stability Pact." This amounts to a fire sale of public assets to international capital.

Balanced budget – A constitutional amendment would make this mandatory. This measure will be used to push through "necessary" cuts in order to fulfill the new constitutional requirement.

Simplification of Public Administration – A structural reform of public infrastructure will "allow a productivity increase and resolve critical conditions using private sector instruments." These are simply code words, however, for job losses and further privatization of state assets.

Investments – The proposal is aimed at utilizing European funds for private ventures.

Costs of politics – A plan was made to cut the number of congressional seats, to conform to European standards and eliminate some local administrations. It is being cynically presented as an “equal sacrifice as the one demanded of the workers.”

Berlusconi depended on the union bureaucracy and the establishment “left” both before and after these talks. During his parliamentary address, Berlusconi singled out President Giorgio Napolitano, an ex-Stalinist, for praise “for his appeal to national cohesion”—that is, for Napolitano’s campaign to support recent austerity measures.

The following day, Berlusconi made a revealing statement: “In the last 18 years, I’ve never seen such harmony between the social partners.” Labor Minister Maurizio Sacconi, similarly noted: “A new season in the relation between social partners has just opened. They all agree with the government about the need to implement together a path of growth for the country.”

The Italian union bureaucracy is aggressively supporting Berlusconi’s cuts. It has passed a no-strike pledge as part of the June 28 “National Pact for Employment,” and is now actively collaborating with the government in preparing attacks on social rights—including the labor code, health care, pensions, and education.

Union officials could hardly contain their enthusiasm over the latest “Pact for Growth” cuts. CISL General Secretary Raffaele Bonanni praised it as “a common document among those social partners which had already expressed the need for reforms.” Similarly, UIL leader Luigi Angeletti was largely satisfied, only making few toothless and cynical criticisms of the lack “of a more consistent signal on the cuts relating to the costs of politics.”

The class-collaborationist role of CGIL, the ex-Stalinist union, was once again on display. National Secretary Susanna Camusso stated that “the social partners have many points in common on the question of the crisis.” She perhaps revealed more than she intended in making following statement: “Berlusconi didn’t catch the urgency of the situation and limited himself to drafting an agenda based on the same agenda we proposed.”

That is to say, the CGIL proposed the agenda for the previous €79 billion manovra cuts, behind the backs of its membership and of the working class. It is now criticizing Berlusconi for not having seized the opportunity to go beyond the concessions proposed by the CGIL, and mount deeper attacks on the CGIL membership and the working class.

The official bourgeois “left” parties also backed the cuts. Democratic Party leader Pier Luigi Bersani responded to Berlusconi’s speech with openness to dialogue and an attack from the right. He took a pro-market position lamenting “lack of trust among international and domestic investors” for Berlusconi and the need for a “political turn.” Banks, he remarked, “are in trouble because corporations are in trouble.” He concluded agreeing that “there’s need for painful rigor,” but that it should be “intelligent and equitable.”

Bersani counts on the support of the entire bourgeois “left.” Nichi Vendola, leader of Sinistra Ecologia Libertà (Left Ecology Freedom) and President of the Apulia region is his closest ally. In a column titled “Let’s not remain attached to a barbaric relic,” Vendola proposes that Italy should resolve its economic problems by selling its rich gold reserves, and makes no mention of the ongoing social cuts.

Paolo Ferrero, Secretary of Rifondazione Comunista, is critical of the social partners, but is at pains to reconcile his support for the CGIL trade union engaged in the negotiations. His agenda proposes neo-Keynesian and neoliberal solutions: market regulations, bond sales to the ECB (a sort of Greece-style bailout) and limitations on derivatives. This pro-market agenda unconditionally accepts subordination to the dictates of international capital.