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# Berlusconi's cabinet stalls on pension reform

By Guy Dinmore in Rome



Silvio Berlusconi held an inconclusive cabinet meeting on Monday evening to consider new economic reform proposals after the prime minister returned to Italy following his humiliation at the eurozone leaders' summit in Brussels.

Mr Berlusconi and the Northern League failed to resolve their differences over pension reform on Monday night. The cabinet was expected to reconvene on Tuesday, with Mr Berlusconi still promising "major"

decisions on economic reforms in time for the next eurozone summit meeting on Wednesday.

Mr Berlusconi's centre-right coalition has repeatedly stalled over the legislation because of internal disputes, which the prime minister acknowledged before leaving Brussels. He told reporters the cabinet meeting would consider raising the pension age to 67 years but noted that his Northern League coalition allies opposed the measure.

Mr Berlusconi skipped a scheduled court appearance in Milan on Monday, where he is on trial on charges of corrupting the course of justice, because of the crisis in Rome.

The markets showed concern on Monday about the need for Italian reform. The spread between the yield on the 10-year Italian BTP benchmark bond and the equivalent German Bund widened on Monday to 388 basis points, from 379 basis points on Friday evening, according to Tradeweb data.

The yield on the 10-year BTP rose to 5.92 per cent, from 5.90 per cent on Friday, the data showed

Front-page editorials in Italian newspapers concentrated on the public spectacle of Nicolas Sarkozy, the French president, and Germany's Angela Merkel smirking and mocking Italy and the conduct of its government in dealing with its €1,900bn debt burden.

But as Mario Calabresi, editor of Turin's La Stampa noted, as irritating as it might be to witness this behaviour, "we are the sick man of Europe because our government is paralysed and is not succeeding in showing a way to growth and reforms".

Tito Boeri, economist at Bocconi university, said the Italian government had been put into receivership by "Mer-kozy". He also noted that the Berlusconi government had managed to

procrastinate so long because the European Central Bank had been propping up Italy's bonds on the open market for more than two months.

Il Giornale, a Milan daily owned by the Berlusconi family, compared Mr Sarkozy's "arrogance" with the headbutt delivered by France's Zinedine Zidane against Italy's Marco Materazzi in the 2006 football World Cup final. It said Mr Sarkozy had little to laugh about in the run-up to his election campaign thanks to the state of France's banks and industry.

Mr Berlusconi's government, elected in 2008, has narrowly escaped numerous attempts by the opposition to bring it down in parliament through votes of no-confidence. But although his coalition manages to unite in the face of external opposition, it is too divided internally to agree on tough reforms aimed at substantially reducing Italy's debt and boosting its near-stagnant economy.

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