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Monti challenged over fiscal compact

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By Guy Dinmore in Rome

Italy's centre-right People of Liberty (PDL), the largest party backing Mario Monti's technocratic government, has challenged the prime minister over his commitment to a speedy ratification of the EU's fiscal compact and says he must change his economic policies to avoid early elections.

Renato Brunetta, former minister for public sector reforms in Silvio Berlusconi's previous government and PDL spokesman for economics, told the Financial Times that the fiscal compact had to be amended to give the European Central Bank the authority to take part in government debt auctions and allow for commonly issued debt, or eurozone bonds.

Mr Monti's government is in talks with German officials to stage a synchronised ratification of the fiscal compact in both countries' parliaments.

Mr Brunetta, insisting that his position was the party's agreed line, dismissed the possibility of that happening unless the pact was amended.

In another sign that Italy's main parties are distancing themselves from Mr Monti's government as the recession worsens, Mr Brunetta launched a scathing attack on the unelected prime minister's domestic policies and said he had to stop playing the role of "Germany's representative".

"Monti and the technocratic government can get to 2013, if they are in synthesis with a Europe that is not a German Europe, and demand of Europe a strong response to this crisis. Otherwise it is better to go to [early] elections," Mr Brunetta said.

He denied that his party wanted to bring down the technocratic government that replaced the PDL-led coalition in November. But Mr Brunetta warned that the government risked "imploding". "Monti has done nothing for growth," he said.

Mr Brunetta accused Mr Monti of allowing himself to be "co-opted" into the Merkel-Sarkozy alliance but that the defeat of the French president by François Hollande demonstrated that Europe had to change course.

The former minister was speaking as polls closed after two days of local elections in Italy which were expected to see a drop in support for the PDL as a result of the chaotic collapse of Mr

Berlusconi's coalition last year and the party's subsequent support of Mr Monti's increasingly unpopular austerity measures.

Mr Brunetta said it was "intolerable" that Germany could finance its debt at costs below the level of inflation, while the rest of Europe was paying on average three percentage points more.

"We cannot give as a gift this competitive advantage to Germany. This is provoking the destruction of the [European] club," he warned.

"If there is not a commitment by the European Council [made up of leaders of EU member states] in June to amend the fiscal compact, it won't be ratified," Mr Brunetta said, expressing doubt that Ireland would back the compact in its referendum on May 31.

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Without the support of the PDL, which is likely to be joined by the Northern League, Mr Monti would struggle to win ratification of the fiscal compact in parliament. The centre-left Democrats, the legislature's second largest party, have said they would vote in favour of the fiscal compact while demanding that it be accompanied by growth measures.

Pier Luigi Bersani, leader of the Democrats, has spoken in favour of a tax on financial transactions, "project bonds" and a strengthening of the European Investment Bank, as well as eurozone bonds. However, Stefano Fassina, his party's economics spokesman, called on Monday for ratification of the fiscal compact to be delayed.

Mr Monti's government had no immediate comment on Mr Brunetta's remarks. A senior official, who asked not to be named, said the PDL realised that after Mr Hollande's victory there would be a reassessment of the fiscal compact but he felt it was unlikely that this would lead to a new role for the ECB or eurozone bonds.

Commenting on the People of Liberty's losses in local elections on Monday, Angelino Alfano, party secretary, said this was due in part to its support of the government's unpopular austerity programme, but he insisted that the party would continue to back Mr Monti in office.

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