

Berlusconi: Italy's measures praised in Europe

Written by Administrator

Saturday, 13 August 2011 12:26



Italian Finance Minister Giulio Tremonti arrives at a press conference in Rome's Chigi palace, Premier's office, Saturday, Aug. 13, 2011. Italy's government has approved euro 45 billion (\$64.12 billion) in cuts over the next two years to balance the budget by 2013 to meet demands of European Central Bank. (AP photo/Riccardo De Luca)

ROME (AP) — Italian Premier Silvio Berlusconi says his government's new austerity package has won praise by European leaders including German Chancellor Angela Merkel and by the European Central Bank.

Berlusconi said he spoke with Merkel and ECB President Jean-Claude Trichet on Saturday and that he will speak with other leaders later in the day.

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He told the ANSA news agency that he "received great appreciation" especially since "it was not just the Italian position to be in question — the euro was in question, therefore Europe itself."

The government Friday approved the €45.5 billion (\$64.8 billion) in emergency measures over two years to balance the budget by 2013 in response to demands by the ECB.

ROME (AP) — Italy's government vowed Saturday that its new austerity package will slash the country's huge bureaucratic costs, with thousands of jobs and local elected posts being gradually eliminated as small towns consolidate.

Premier Silvio Berlusconi has even called the cuts "excessive," but said they were approved because of widespread discontent among citizens over the perks enjoyed by Italy's political elite.

The government on Friday approved the €45.5 billion (\$64.8 billion) in emergency measures over two years to balance the budget by 2013 in response to demands by the European Central Bank.

The package — a mix of spending cuts and tax increases, including a "solidarity tax" for high-earners — aims to calm market turmoil and make sure Italy is not the next victim of Europe's debt crisis.

Italy is expected to grow only by about 1 percent this year and has one of the highest debts in the 17-nation eurozone.

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The European Central Bank last week began buying Italian and Spanish bonds to try to stop those countries' borrowing costs from soaring.

Cabinet Minister Roberto Calderoli said Saturday the number of national lawmakers, currently almost 1,000, would be halved — though this requires a lengthy constitutional process.

He said provincial administrations for towns with less than 300,000 people or smaller than 3,000 sq. kilometers (1,160 sq. miles) will be abolished.

Provincial administrations — in-between municipalities and regions — are seen by many as redundant and expensive.

While the exact number will be determined by a fall census, the measure is expected to affect between 29 and 35 provincial governments, Calderoli said.

Newspaper La Repubblica said these include Siena, Trieste and Prato, an important business center outside Florence.

Towns with fewer than 1,000 residents will merge with larger communities, a change that affects about 1,970 out of Italy's 8,094 municipalities, according to the government.

These cuts mean about 5,000 elected jobs will be slashed, plus several thousand related jobs, Calderoli said.

The measures take effect at the next local elections.

The issue of excessive administration has been a mainstay of the Italian political debate for years.

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But citizens have expressed new outrage recently that Italy's political class has spared itself from cuts it demanded of others.

Some critics said the measures didn't go far enough, others said they targeted mostly local administrations.

However, national lawmakers saw their "solidarity tax" double compared to other citizens, who face a 5 percent additional tax on income above €90,000 (\$128,250) and a 10 percent additional tax on income above €150,000 (\$213,750).

Lawmakers already passed a €70 billion (\$99 billion) austerity package last month, but the financial situation has deteriorated significantly since then.

Under intense pressure from the European Central Bank and eurozone leaders, the government agreed to speed its goal of balancing the budget to 2013 instead of 2014, and to come up with structural reforms that stimulate investment and growth.

The news measures were passed in an emergency decree approved by the Cabinet.

The decree is effective immediately but must be turned into law by parliament within 60 days.

It includes plans for the liberalization of local services, such as trash collection or transport.

It also seeks to open up the country's rigid labor market by allowing more room for direct negotiations between companies and unions in areas now regulated by the national contract.

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It promises to crack down on businesses or professionals who do not issue a receipt —a practice so common that customers now are sometimes offered either a discount or the receipt.

But it's not clear whether the package does enough to stimulate Italy's stagnant economy.

Italian Finance Minister Giulio Tremonti said the economic impact of these reforms might be significant but for now Italy is not revising its economic growth forecasts.