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For Italy, Berlusconi Is a Problem but Also a Solution

By ELISABETTA POVOLEDO

ROME — Prime Minister Silvio Berlusconi has promised fellow European leaders a quick series of wide-ranging changes to get Italy's imperiled economy back on track, but it is not clear that he has the political clout to enact them, leaving the country and the euro zone still at risk of a collapse.

Mr. Berlusconi, at 75 the dominant Italian politician for almost two decades, has watched his support slide precipitously in recent months over everything from the economy to his own trial on charges of tax fraud, corruption and paying for sex with a minor. As Italy has struggled to present viable responses to the euro zone crisis, calls have multiplied for Mr. Berlusconi to step aside, even from his own coalition.

Italy, the third-largest economy in the euro zone, is not currently running large budget deficits and should be capable of shouldering its overall debt, which stands at 120 percent of gross domestic product, one of the highest levels in the world. But that assumes that markets maintain faith in its ability to handle its problems and do not send interest rates on its debts skyrocketing, as they did with Greece, Portugal and Ireland.

When it comes to calming jittery markets, Mr. Berlusconi and his increasingly paralytic government are seen as a growing liability. While the prime minister gave a letter to the European leaders in Brussels laying out his intentions for economic change, his immediate record on making good on his pledges is spotty at best.

"It's difficult to believe that the tough 'intentions' adopted yesterday can really be transformed into the biggest plan of market reforms Italy has ever put on paper," Antonio Polito wrote in a front-page editorial in Corriere della Sera, a daily newspaper.

The letter to the European Commission contained a substantial checklist of measures to make Italy more efficient and competitive, stimulate growth and cut the public debt. But the broad scope of the plan, with measures range from scaling back the state to accelerating privatizations to loosening labor laws, as well as its rigidly drawn timetable, makes its passage in Parliament an uphill battle.

The plan contains "commitments and dates that would be very difficult to respect," Dario Franceschini, leader of the opposition Democratic Party in the lower house of Parliament, said Thursday morning.

Trade unions also said they would fight the proposed changes, and threatened to call a strike over a change to labor law that would make it easier for financially troubled companies to fire people.

The measures, said Susanna Camusso, leader of the CGIL, Italy's largest trade union, "go in the opposite direction of what's needed to help the country grow," she said. "Giving young people a future means guaranteeing their rights, not taking them away."

Others criticized the plan for its omissions, like a wealth tax, which has been object of much national debate. Pension reform was also notably absent, after Umberto Bossi of the Northern League threatened to pull his support from Mr. Berlusconi's government over the issue.

"Italy is not living in normal conditions, its debt is high, too high to sustain according to markets, and bankers are also looking on with preoccupation. In these conditions, they should have done more" regarding pensions, said Elsa Fornero, the scientific coordinator of the Centre for Research on Pensions and Welfare Policies at the University of Turin. But pension restructuring is never a vote-getter, which is why in Italy, "reforms are passed and then politicians want to defend everyone from them," she said.

Mr. Berlusconi warned Thursday that Italy's credibility was on the line if the government failed to maintain its commitments. In his favor, some commentators suggested, if there is one thing many Italians fear more than the current government it is the available alternatives.

"We are in a situation where we are without a government, but also without an opposition, and that is the trouble of the Italian political system today," said Sergio Fabbrini, Director of the Luiss School of Government and Professor of Political Science and International Relations at LUISS Guido Carli in Rome.

Mr. Fabbrini said that even with open opposition to Mr. Berlusconi from Confindustria, the Italian business lobby, the Roman Catholic Church and several major newspapers that have been calling for his resignation on almost a daily basis, "voters don't trust the opposition." Many Italians believe that they, too, would not be able to make the tough choices needed to pull Italy out of the cross hairs of the financial markets.

Mr. Berlusconi's "strength is the weakness of his rivals," he said. "This is a stalemate."