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Pressure grows on Monti to stay

Police fire teargas during a protest against austerity measures in Turin yesterday AP

Rome resurgent

Some business figures see the unelected premier as a guarantor of political stability, says **Guy Dinmore**

Blue lights flashing, limousines and security escorts held up Rome's evening traffic and disgorged their occupants – politicians, bankers, Catholic clerics, diplomats, film stars and, guest of honour, Prime Minister Mario Monti.

"A display of pure Roman power," was how one guest described the mix in a rooftop restaurant echoing with techno-style music.

The reception was hosted by Francesco Gaetano Caltagirone, a publicity-shy, billionaire real estate magnate, to celebrate the relaunch of his newspaper, Il Messaggero, on its 134th birthday.

As guests remarked, it was unclear who was courting whom. But with speculation building over Mr Monti's future after his technocratic government steps down, it did not go unremarked that Mr Caltagirone's son-in-law, Pier Ferdinando Casini, is leading a campaign to keep the prime minister in office.

Italy's two main parties want the professorial Mr Monti to go once his tenure as caretaker premier ends. But Mr Casini, head of the small centrist UDC party, and other smaller parties, industrialists and financiers see him as the sole guarantor of stability if, as widely feared, elections next spring produce a fragmented parliament with no clear winner, against a backdrop of rising public anger at a discredited political elite.

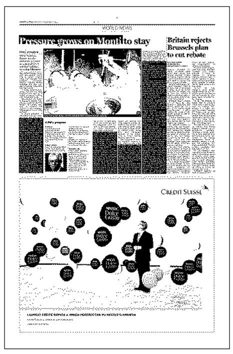
Efforts to persuade the unelected Mr Monti to run as a candidate have failed so far, although the premier has said he would be willing to serve if called upon, as he was a year ago after the resignation, amid turmoil on financial markets, of Silvio Berlusconi's centre-right government.

Asked at a conference hosted by the Financial Times in Milan whether he would like to stay in the job, Mr Monti replied: "No." But he added: "I am seeing many people do imagine such a scenario. Some like it and some dislike it."

His caution is understandable. Apart from the obvious difficulties of running a disparate coalition surrounded by bickering politicians, Mr Monti is losing popularity as recession, now in its sixth quarter, deepens. Polls show that support for Mr Monti and his government has nearly halved since a year ago to about 35 per cent of Italians. Visits by ministers to Naples and Sardinia this week triggered protests by students and workers. The only political leader rising in the polls is Beppe Grillo, an activist comic whose Five Star Movement emerged as the biggest party in Sicily's regional elections last month.

"The traditions of revolt are arguably stronger in Italy than in any other European country. Given the depth of the economic problems Italy faces, the scale and direction of its public anger merits close attention," said Christopher Duggan, history professor at Reading university in the UK, during anti-austerity protests yesterday.

Marking this week's anniversary of Mr Monti's rise to office, Italian newspapers have devoted reams of newsprint to summing up his progress. The "Monti dividend" has been restoration of Italy's credibility on the international stage and, with Mario Draghi at the European Central Bank, a joint strategy that has



quelled market panic over the euro.

Martin Slater, who runs a public relations agency in Milan, goes further. "This is the first government you feel is at the service of the citizens, instead of seeing citizens as at their service," he said.

But even Il Sole 24 Ore, a business daily supportive of Mr Monti, attacks the tax rises and "timid" spending cuts imposed to reduce the budget deficit. Mr Monti's stated first priority of promoting growth "has lost its way", it commented.

Mr Monti said: "We erred on the side of excessive intervention,", arguing that decisive action was needed last year to put out the "fire" spreading through the eurozone from its third-biggest economy.

That Italy has already nearly met its funding needs for its €2tn public debt this year is a marked achievement. Yields on 10-year bonds are down from about 7 per cent last November to just under 5 per cent this week.

The government says its measures have sown the seeds of future growth. The OECD, a group of countries which aims to promote stable economic growth, estimates that the reforms will add 4 per cent to the economy over the next decade.

Augusto Lopez-Claros, World Bank director of global indicators, said the Monti government has been ambitious. But structural problems and erosion of competitiveness are "not going to be addressed overnight". "My hope is that the various political parties in Italy will be motivated by the interest of the country and will find a way to consensus and push forward with the government's reform agenda," he said.

A PM's progress

Pensions
A contribution-based system introduced. Retirement age rose to 66 in 2012 while women will gradually work as long as men. Net savings estimated to be almost €22bn by 2020.

Labour reform
Aimed at making the labour market more flexible, with faster procedures and less compensation for laying off workers, but more protection for workers on short-term contracts and entering the labour market.

Taxes
Property tax imposed on first homes; higher taxes on fuel and luxury goods, such as yachts and big cars.

Spending cuts
Cuts to public spending, budgets for local governments; extension of freeze on civil servants' salaries; 20 per cent of state managers to go.

First round expected to save €26bn over three years. Next round, still being debated in parliament, would cut a further €3.5bn.