

## Uncomfortable Prodi

**Italy's centre-left government is struggling to keep control in parliament, especially over the budget**

Dark clouds have been building up over Romano Prodi's government for several weeks. They may prove to be the first signs of a storm. On the evening of Thursday October 26th Italy's centre-left administration is due to put its life on the line for the eighth time since coming into office in May. To ensure the speedy passage of a measure to fund its 2007 budget, the ruling coalition's parliamentary managers have called a confidence vote in the Chamber of Deputies. Were it to lose, the government would have to resign.

That is unlikely, given Mr Prodi's comfortable majority in the lower house of parliament. But by resorting to a confidence vote at this early stage (the government has until the end of the year to get its budget approved) Mr Prodi is making clear that he faces serious difficulties. Not only is the opposition, led by Silvio Berlusconi, harrying the government at every turn, but many of its own centre-left supporters are also deeply uneasy about economic reform.

The main disquiet is about a measure that proposes raising taxes to trim Italy's public-sector deficit. That particularly troubles the centrist part of the coalition, which could prove fatal when the proposed budget reaches the Senate, where Mr Prodi's administration has a majority of just one. On October 25th he was given an uncomfortable reminder of his vulnerability when a government motion unrelated to the budget was defeated in the upper house. Soon afterwards Mr Prodi threatened, for the first time, to resign. He told his allies either to stop sniping or to "get another prime minister".

Mr Prodi sorely needs to create a consensus. He has called a meeting on October 28th of some 50 leading members of his coalition, to whip them into line. But the way ahead looks arduous. Lawmakers have submitted around 7,000 amendments to the budget to be discussed in committee; some 3,000 of these are from deputies on the government side.

There are two problems, one political and the other economic. The political problem is that the finance minister, Tommaso Padoa-Schioppa, apparently in a sop to the left, is taking aim at the middle classes. The budget proposes raising taxes for those earning over €70,000 (\$88,000), while lowering them on incomes below €40,000. The government claims that there will be more winners than losers, but that is hard to believe. The budget assumes a considerable increase in revenue from a clampdown on the tax-dodging that is endemic among Italy's self-employed liberal professionals and small businessmen. Many of those who will lose out under the proposed tax regime are precisely those who voted for Mr Prodi earlier this year and who are represented in parliament by the moderates in his coalition.

The economic point, made by employers' representatives, ratings analysts and many Italian economists, is that the budget offers far too little in the way of much-needed structural reform to Italy's tottering economy. The few spending cuts proposed in the budget would mostly be the responsibility of local and regional governments that could well decide to offset them with taxes of their own. A week ago two ratings agencies, citing worries about Italy's budget, downgraded the country's debt.

Mr Prodi is no doubt uneasily aware of his past. He first became prime minister in 1996 and succeeded against all odds in rallying the country behind an austerity programme that got the economy fit for entry into the euro. Two years later, he was brought down when some of his supporters on the left refused to back his budget. Today he insists that the "spirit of '96" is not dead on the centre-left. But by calling a crisis meeting and resorting to votes of confidence, Mr Prodi seems to fear being haunted by the "spirit of '98" instead.