

Ambrosetti forum

Italy calls for new benchmarks to measure reforms

'All the forecasts ... have been revised down. Let's hope this is not a triple dip'

Interview

Pier Carlo Padoan
Italian finance minister

Eurozone ministers face argument for greater flexibility on budgets, write **James Politi** and **Rachel Sanderson**

Italy is pushing for new rules to monitor economic reforms across the eurozone, in an attempt to reassure its European partners of its commitment to tackling its biggest structural problems and persuade them towards greater flexibility on budgetary policy.

Pier Carlo Padoan, Italy's finance minister, told the Financial Times that "benchmarks" to measure and compare structural reforms would be both "disciplining" and "confidence building".

"This would be extremely useful for Europe and for Italy," he said. "You need to exert peer pressure to scrutinise what countries are doing."

Mr Padoan, a former chief economist at the Organisation for Economic Co-operation and Development, said his previous role gave him extensive experience in the

area of setting common standards for economic performance.

His remarks come ahead of meetings of EU finance ministers this week in Milan where they will debate how to respond to the latest disappointing economic data.

The European Central Bank last week further eased monetary policy but governments have struggled to agree on ways to stimulate growth while maintaining budgetary restraint. Under Matteo Renzi, Italy has sought a relaxation of budgetary rules to allow it to boost public investment as long as it moves ahead with plans to make its economic system more competitive.

"We're not talking about trade-offs here. Certainly Europe has concentrated its efforts after the crisis on fiscal consolidation ... so what's left is jobs and growth, and this means structural reforms," Mr Padoan said.

Mr Renzi is already coming under criticism for not moving quickly enough, particularly on labour market reform.

But Mr Padoan said the efforts of his government – for instance in the area of pension reform – had been under-appreciated. "One thing I'm not happy about is how the policy effort in Italy is being perceived and judged as something confusing and limited to announcements, which is not true," he said.

Mr Padoan said it would take a "minimum" of three years to have "visible

results" from structural reforms and rejected the charge that Spain had done more to reform its economy than Italy.

"If you really look hard with an unbiased approach, you see there is not much difference. The reform effort in Italy is not much less than the reform effort in Spain, yet the results are different," he said. He denied that momentum for labour market reform in Italy had stalled, and said he expected "acceleration" in the political debate on it as early as this week.

The urgency of reform increased further last month after data showed Italy's economy shrank by 0.2 per cent in the second quarter, after a 0.1 per cent contraction in the first. Mr Padoan said the figures took many by surprise, including the Treasury.

"All the forecasts were pointing north and they have been revised down. Let's hope this is not a triple dip," he said.

Mr Renzi's government had hoped to boost consumption with an €80 tax cut for workers earning less than €1,500 per month, but that mini-stimulus in May has failed to produce an economic boost.

The Italian government has pledged to renew the tax cuts next year but will have to cover their cost with new spending cuts.



Intervista a Pier Carlo Padoan - L'Italia chiede nuovi parametri per valutare le riforme