

Insubordination everywhere

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Hope never dies, or dies last. In an act of international insubordination, the new Italian government has announced a budget with a deficit of 2.4 percent of GDP. This will add to the Italian public debt, which at 131 percent is the second-highest in the Eurozone after Greece. Originally the new Italian government had envisaged the same deficit for three years in a row. But then “the markets” became restive, *lo spread* increased, and Brussels panicked. Please, Italy, don’t make our life even more difficult. So the Italians let it be known that next year was still a year off; that budgets are for one year only; and that economic growth as triggered by deficit spending would lower the public debt by four percentage points within three years (if you believe in forecasts). A big sigh of relief.

Now the budget is being condemned by the European Commission, the IMF and the ECB. (It has also come to the attention of the infamous rating agencies.) Will they find it in breach of the rules? Ultimately they will be reluctant to say so, in order not to allow the “populists” ruling Italy to run and win an “anti-European” campaign in the upcoming European Parliament election. Juncker, the inveterate fixer at the helm of the Commission, has already signaled forgiveness. On the other hand, if he and his fellow-institutionalists don’t want to make a mockery of themselves, they cannot publicly endorse Italy’s revolt against austerity. After all, more deficit spending may make the Italian public debt unsustainable. Who would then see to it that the almighty “markets” get their money back? Moreover, as the value of Italian financial papers declines, as a result of investors selling them, Italian banks invested in them may get in trouble.

So the ECB in particular, led by the old Italian neoliberal, Mario Draghi, has already sent warnings to the Italian government and its voters. Perhaps it hopes to bring back its de-

feated neoliberal battle-horses, Monti and Renzi? But Draghi must not overplay his hands. If he makes “the markets” think that Italy may have to default at some point, they might panic, and Draghi will no longer be able to do “what it takes” to defend the euro. On the other hand, “the markets” may bet on the ECB and Germany finding ways secretly to bail out Italy, so as to protect German, French and Italian banks, and their bet may keep the cost of credit for Italy manageably low.

But will Germany pay if worse came to the worst? There is insubordination there, too. Schäuble, the taskmaster of the Eurogroup, has left the Cabinet. But Merkel is weakened, very likely terminally. Her party is losing voters, many to the AfD, and it is hard to imagine that she could convince it to support yet another, necessarily gigantic, “rescue operation. There also is the SPD, still her coalition partner, and its Finance Minister, who believes as much in balanced budgets as Schäuble did. That his party may already be on its deathbed, with voters defecting in droves to either the AfD or the Greens, doesn’t seem to matter. Maybe in a heroic effort, Merkel might kick out the SPD and replace it with the Greens, who document their Europeanism by promising German “solidarity” with countries suffering under the Germanic common currency. But will they be able to get their will as a minority partner of the CDU/CSU?

Meanwhile things continue to drift apart. Macron is almost as weakened as Merkel, and his grandiose ideas on European reform are submerged by the Italian crisis and Merkel’s approaching end. A Finance Minister for the Eurozone, with a Eurozone parliament and a budget of his or her own, for “investment” in whatever, in as yet indeterminate places in Europe? Better forget it. Another Greek crisis, one hears, is in the offing, this time – surprise, surprise! – a crisis of the Greek banking industry. And Brexit is coming closer, with nobody knowing what kind of deal could both suit the Brussels hardliners and pass the British parliament. Insubordination everywhere.