Italy faces the future

Berlusconi's woes mount as protests gather pace

Clashes as students take to the streets

PM's party losing support, polls show

By Guy Dinmore In Rome

Silvio Berlusconi's coalition government – falling in opinion polls and weakened in parliament – is facing mounting street protests against its austerity programme and rising unemployment.

Thousands of students took to the streets across Italy on Wednesday, clashing with riot police in Palermo, occupying Naples' main railway station and paralysing the outskirts of Rome.

The protests were directed against the government's proposed education reforms and university spending cuts, which were being debated in the Senate ahead of a vote that was put off until Thursday following delaying tactics by the opposition.

"You block our universities, we block your city," students chanted as more than 6,000 marched through Rome's suburbs, cheered on by residents.

The rally deliberately avoided the "red zone" of the city centre, where riot police protected parliament and ministries, with students wanting to avoid a repetition of last week's rioting by militant groups, the worst seen in Rome since the late 1970s.

Student leaders later met Giorgio Napolitano, the 85-year-old head of state and a former communist, who this week warned of a "growing malaise" among young people as latest statistics revealed that a quarter of under-25s are jobless.

Nonetheless senior government officials say they are confident that the protests will evaporate once the education bill is passed and students leave their campuses for the Christmas break, returning in January when mid-year exams will divert their attention.

Students and their professors conceded that this latest wave of protests may already have peaked. But they see their "anti-liberal" movement winning greater acceptance among a public that appears increasingly disillusioned with a centre-right government marked by corruption scandals and internal disarray.

Latest opinion polls show a continued decline in support for Mr Berlusconi's centre-right People of Liberty, which nonetheless remains the strongest party, leading the centre-left Democrats by 2.5 to 3.5 percentage points.

The prime minister's coalition with the rightwing Northern League narrowly survived a vote of no confidence in the lower house of deputies on December 14 by just three votes, failing to gain an absolute majority.

Its fragility was exposed again on Wednesday when Stefania Prestigiacomo, minister of environment, unexpectedly announced she would quit Mr Berlusconi's party and join a group of unaligned MPs.

While the government's hold on power appears tenuous, the prospect of early general elections has receded. Gianfranco Fini, who broke his 16-year alliance with Mr Berlusconi last month, failed in his attempt to unseat the prime minister in last Tuesday's parliamentary vote. Pier Ferdinando Casini, head of the centrist Catholic UDC and would-be power-broker, has made it clear he is not interested in snap elections.

Opinion polls indicate that fresh elections would produce only continued uncertainty.

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Wealth of the nation is a private matter

Affluence

Personal riches are underpinning Italy's ability to withstand the worst of the crisis, writes Rachel Sanderson

On a bright afternoon before Christmas, Milan's Piazza del Duomo throngs with shoppers. Milanese women in fur coats and fashionable teenagers wearing down jackets in this season's style belie months of gloomy predictions about Italy's future.

It is an impression that is sharpened by the square's 50-metre high Christmas tree, this year decked in advertising for high-end jewellery. Such displays of affluence are being played out in many town squares across Italy.

Moreover, according to statistics released by the Bank of Italy, it is not just appearance. Despite months of political unrest, stagnant economic growth and continued sharp divisions between the country's richer north and poorer south, Italians remain among the richest people in the world.

Many, having sidestepped the banking crisis and housing bubble, have seen their wealth increase in relative terms during the financial crisis compared with other larger economies. Wealth among Italian families and individuals, including disposable income, property, land and financial investments, has risen to €8,600bn between 2000-2009, roughly equal to €350,000 per family, according to the central bank. Such affluence is on a par with Germany and France and far outstrips the US.

Analysts at Credit Suisse estimate the proportion of Italians with wealth of more than $100,000 is four times the global average and three million Italians are in the top 1 per cent of global wealth distribution.

Such statistics have been good news for Italian retailers in the Christmas season. Affluence among Italian families, coupled with low levels of private debt, also allowed Italian banks to weather the crisis better than US and European peers. Some experts believe these factors have wider implications for the Italian economy next year, as sovereign debt concerns continue to lap at Spain and Portugal. Treasury officials argue this private affluence provides an important counterbalance to the country's public debt of €1,800bn, especially when taken with Italy's low indebtedness among families and private enterprises.

Marco Fortis, a professor of industrial economy and international trade at the Catholic University of Milan, shares the view that Italy's high private wealth and low private debt offer "clear evidence of the resilience of the Italian economy". Italy's aggregate debt – a figure which includes debt from households, financial, non-financial and public sectors – is lower than that of Spain, the UK and the US, Mr Fortis notes. It stands at 319 per cent of GDP compared with 413 per cent of GDP for the UK.

Critics respond that headline aggregate debt does not usefully reflect the complex dynamics of the Italian economy, especially as any picture of affluence is complicated by organised crime and endemic tax evasion, a black economy worth around 18 per cent of Italian GDP by some estimates. Italians, even of moderate affluence, often keep a portion of their private wealth outside Italy, in Switzerland or in Luxembourg, so the state does not get its cut to invest in the wider economy, forecast to grow just 1 per cent next year. Economists at Intesa Sanpaolo suggest private wealth may also have eased the unemployment burden on the state, allowing jobless numbers to fall slightly in the third quarter to 8.3 per cent, compared with 20 per cent in Spain, with anecdotal evidence that families have provided support to out-of-work relations.

Victor Massiah, chief executive of UBI, a banking group predominantly based in Lombardy and Piedmont, two of Italy's richest regions, acknowledges the contradictions of the Italian economy but says the value to the wider economy that "80 per cent of Italian families own their house and (that) there was no housing bubble" cannot be underestimated.

He says the value of private affluence to Italy was the efforts Italian entrepreneurs went to during the crisis to protect their family wealth by reinvestment in their businesses and seeking opportunities abroad, preserving Italy as Europe's second-largest exporter after Germany. "The best of breed kept their position in the export market and when the euro re-devalued they were able to take some share," he says. "We are not saying Italy is only good, but it is not only bad."

Key figures

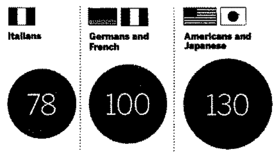
5.7%
Italian families' ownership of global net wealth

3%
Italian contribution to global gross domestic product

1%
Italy's proportion of global population

Through the storm: private debt compared

Families' debt as % of disposable income



Source: Bank of Italy