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Italy: The new economic programme

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COMMENTS

Italy

The New Economic Programme

The economic programme of Mariano Rumor's new centre-left government may be said to have a common denominator of "stability and efficiency". It is the second of these criteria which distinguishes the aims of his government from those of former centre-left governments. They concentrated on structural reforms and paid less attention to overall productivity of the system. Signor Rumor's programme lays special stress on the return to a policy of rigorous curbs on state expenditure and the need for willing sacrifices by private industry.

The principal objective of the new government is to fight inflation and thereby reclaim the economic equilibrium which is the prerequisite to domestic reforms and a place in the EC currency phalanx. Budgetary and financial levers are to be set in motion to this end. An attempt is also to be made to check prices by administrative measures. Besides, the government intends to seek the support of producers and traders whose self-discipline is to be coordinated.

To the almost total freeze imposed on the prices of consumer and investment goods has been added a freeze on rents and ban on evictions. Whether these measures will be as successful as expected is questionable, for there are by now quite a few countries in which these kinds of anti-inflationary remedies have proved unsuitable. Signor Rumor's cabinet however has no choice but to get on with this programme, because it will also have psychological effects which must not be made light of. Italy's high inflation rates, especially for food, are a heavy economic and political burden, not only for the European Community, but for the country's own population. iwe.

EC

Environment Conference

It was only under the threat of total failure of their negotiations that the Ministers responsible for the protection of the environment in the EC countries at their first Council meeting reached agreement on the EC's first action programme for the environment which the heads of state and government had instructed them to present by July, 31. The Community is thus the first large region in the world to set up common standards for the fight against pollution.

The controversy in the Council of Ministers went on for many hours. It was primarily concerned with a constitutional issue: in opposition to the other members the French held that the programme

ought to be underwritten not only by the EC Council of Ministers but by the Ministers as representatives of the national governments. Seeing that for technical reasons large sections of the environment policy will in any case remain a task for the individual member states, adoption of the French proposal would in fact have provided an opportunity for giving the resolution added importance. Instead, agreement was reached on a compromise in the form of a platitudinous preamble: the envisaged actions are to be carried out in part by the Community and in part by the members, with the Council of Ministers in charge of coordination throughout.

Italian objectives on development grounds against the principle that the polluter must pay, which is fundamental to the programme, were met by one exception: the application of minimum standards for the protection of the environment must not impair industrial development in backward regions. This proviso is not really apposite because even by strict criteria the under-developed regions can still cope with more environmental handicaps than the industrial conurbations. In their own interest the under-developed regions should be advised against emulating the bad example of the latter. ch.

USA

The Take-Over Game

The raisins in the cake of US industry have never before looked so appetising. The falling dollar and shifts in the relative costs of production are bestowing ever greater locational advantages on investments in the USA. The previous situation has been completely reversed. For nearly a quarter of a century the dollar has been overvalued. But now other currencies, the DM in particular, seem to have the edge on the dollar. At no time have dollars been so cheap; never has investing in the USA been so worthwhile.

This is why German — as well as British and Japanese — firms have been committing themselves more heavily in the USA. Not only the leaders in the electrical and chemical industries — firms like Siemens and the Farben successors — but, with US wages almost looking attractive, a much larger manpower potential to draw on and, especially, the currency risks at the back of their minds, others are bracing themselves up for the leap across the Atlantic. A significant example is the much discussed Volkswagen project to transfer part of the production to the USA.

Although this trend is well marked, it must be asked why the number of German firms investing in the USA is not even larger. The reason is presumably that the investment climate is still not very favour-