

**Five Bullets:
ON THE EU COMMISSION’S HARD-NOSED LETTER TO ITALY**

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- In a strongly worded letter, EU Commissioners Valdis Dombrovskis and Pierre Moscovici have accused Italy of planning an “obvious and significant deviation” from EU rules with its draft budget for 2019. The budget raises “serious concerns” and is “unprecedented” in the history of the EU’s economic governance.
- The letter appears too intransigent to give Italy’s government any room for escape. It also ties the hands of the EU Commission, which, by October 29, could formally reject the Italian budget and potentially activate a sanctioning procedure in December. The hard stance assumed by the EU Commission needs to be clarified in relation to the three violations mentioned in the letter concerning, respectively, past rules, future rules and the very commitment of the country to abide by any rule.
- The first violation is the disregard of the structural balance target, which is the anchor of European fiscal supervision. Italy already violated it in the past, but the current announced deviation is three times greater than the largest past deviation (in 2016), which was not even projected to continue in the future.
- The second is the public expenditure nominal target. The criterion is relevant because it is factually easy to check and could thus assume a bigger importance if any reform of the current, inextricably complicated, rule book is implemented.
- Finally, the debt rule. Last July Rome was spared a sanction for the insufficient reduction of its debt on the condition - underwritten by Italy’s government and by the whole European Council – that it would approve in October (that is, now) a fiscally responsible budget plan for 2018, 2019 and 2020. The fact that the opposite occurred has come across as an unmistakable sign of self-denounced unreliability.