

After populist propaganda and costly confrontations, Italian government is forced to revert to EU rule-based banking and budget flexibility to partially remedy self-inflicted harm

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Following the decision by the Italian government to prop up the troubled lender Banca Carige by giving it access to state-backed guarantees for new bond issues and funding from the Bank of Italy, the Socialists and Democrats in the European Parliament made the following statements:

S&D Group vice-president responsible for economic and monetary affairs, Mercedes Bresso, stated:

“The use of emergency liquidity for Banca Carige is the only viable option to defend and protect depositors and investors, even if it opens the door to a bank bailout. Paradoxically, the right-wing government itself had contributed significantly to worsening the capital situation of the bank by entering an irresponsible budget conflict with the EU, thus causing higher spreads.

“Following the U-turn on the budget, the Banca Carige decision comes as another drastic change of course. Again, the right-wing government acts in complete contradiction to what they have been preaching during their years in opposition. We are relieved that the populists have again changed course and thus avert harming their own citizens.”

S&D Group spokesperson the economic and monetary affairs, Pervenche Berès, added:

“The ramifications of last night’s decision to prop up troubled Banca Carige go beyond the financial realm. After following an irresponsible head-on-collision course with the EU, the right-wing government now seems to have seen the light of reason: they have decided to cooperate with the very EU institutions and follow the very European legislation they have been attacking and sabotaging for years. Finally, when faced with the facts, this populist government has realised that in Europe everybody is better off when we find common solutions.”

S&D Euro MP and chair of the economic and monetary affairs committee, Roberto Gualtieri, added:

“We welcome the activation of emergency liquidity and potential precautionary recapitalisation in order to safeguard depositors, clients and workers of Banca Carige. We are happy to see that after years of populist propaganda the Italian government recognises the merits of the flexibility tools of the banking legal framework, which have been prepared and used by the previous progressive government. It’s the second time, after the agreement with the European Commission on the budget, that Italian populists are forced to revert to EU rule-based flexibility

to partially remedy self-inflicted harm. The long and irresponsible confrontation on the Italian budget, which for months increased the spread and tightened financial conditions in Italy, and resulted in a very bad budget with deep cuts in public investments, has unfortunately contributed to making this decision necessary.”