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COMMENT & ANALYSIS

Letters

A stark warning for Italian leaders

Sir, Standard & Poor's recent downgrading of the long-term credit outlook for Italy ("Euro and bonds hit by fears of contagion, May 24) is a warning sign to the country's leaders that, despite admirable control over the public sector deficit, they have not done enough to reduce the level of public debt.

Italy entered 2008 with the highest level of public debt to gross domestic product of any major country in Europe and, even today, Italian debt represents

nearly a quarter of outstanding public debt in Europe.

With very low levels of forecast GDP growth and rising interest rates, it is hard to see how this can be sustainable. Further budget cuts may serve to appease public opinion (in other parts of Europe) but are self-defeating if they lead to further weakness in Italian GDP growth.

By privatising some of the assets owned by the state, Italy could significantly reduce the level of public debt as well as the costs of financing it. Doubtless there will

be objections from those arguing against privatisation in principle but the risk remains that if the Italian government does not move quickly to resolve these issues, northern European governments will dictate the solutions as they have been doing in Greece, Portugal and Ireland. It is time for Italian politicians to show leadership.

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