

Italy's recipe for growth will work for whole of Europe, says Di Maio

◆ Deputy PM hails Trump tax cuts and spending ◆ Faith in talks to resolve Brussels clash

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Italy's deputy prime minister believes Rome's controversial spending plans will become "a recipe" for reviving European growth and that the continent is ready to abandon austerity and embrace the deficit-busting approach of President Donald Trump.

Luigi Di Maio, leader of the Five Star Movement, Italy's largest political party, said he believed dialogue with Brussels would resolve the fight brewing over Rome's budget ahead of European elections next year, which he said would show electoral support for austerity policies had been exhausted.

"If the recipe works here it will be said at a European level: we should apply the recipe of Italy to all other countries," Mr Di Maio said in an interview with the Financial Times.

Italy's coalition government, made up of Mr Di Maio's Five Star Movement and the anti-migration League party of Matteo Salvini, who is also deputy prime

minister, has clashed with Brussels for proposing to sharply increase government spending on welfare while also cutting tax. The European Commission said last month the plans were so serious a breach of its budgetary rules that it had "no alternative" but to ask that they be redrawn.

"We are not betting on Italy being 'too big to fail'," Mr Di Maio said. "We believe in the fact that we can greatly reduce public debt with an expansive budget. I am convinced that we can change the rules on austerity and investment, and we can strengthen the European Union and the eurozone to do good from the point of view of social rights."

Mr Di Maio said the budget plans, which could see Rome fined under the EU's excessive deficit rules, would not change but that he expected Italy's model for higher government spending to gain wider acceptance.

Despite disagreeing with Mr Trump on issues such as the environment, Mr Di Maio believes developed economies will move closer to the US president's

policies of tax cuts and spending increases, which have brought robust growth to the US.

"I believe that over the next 10 years Europe will go in this direction because the United States is moving in this direction. The US economy is growing at 4 per cent with the expansive policies of Trump, which everyone said were wrong. He is expanding the deficit, lowering taxation and investing in infrastructure."

Economists question the ambitious growth assumptions underpinning the budget, and investors in Italian debt have pushed the cost that the eurozone's third-largest economy pays to borrow much higher. Mr Di Maio said investors were worried by "a narrative" that the government wanted to leave the eurozone, which was wrong. Once investors realised Italy would never leave the euro then its borrowing costs would fall.

"We will tattoo ourselves to explain to the investment community that we do not want to leave the eurozone," he said.

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Luigi Di Maio
of the Five Star
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