Diary of an Economic Tragedy: “Look Us in the face”

Judith Harris (May 07, 2012)

"Open your shutters and look us in the face!" is what a mournful group of widows of debt-related suicide victims shouted last Saturday in Bologna during a demonstration in front of the local tax office. The number of debt-related suicides in Italy is dramatically increasing: an analysis of the phenomenon and of its causes

ROME – In Naples on April 24 real estate agent Diego Peduto, 52, threw himself from his balcony and died after receiving a tax bill from the state agency Equitalia [2] which he had no money pay. On April 29 at Nuoro in Sardinia a failing businessman killed himself after having been obliged to fire his own two sons. On April 30 Giovanni Caccavale, 57, hanged himself in his home because, after losing his job as doorman, his own home had been put up for sale. On May 5 – again in Naples, near Mergellina – the same tax agency went after Pietro Paganelli, 72, seizing his beloved 40-year-old Fiat

600 and threatening to seize the house in which his youngest son lived because Paganelli was unable to pay the mortgage. Paganelli shot himself in the head and is now in an irreversible coma. Before leaving his home he said he was going fishing; in a suicide note he wrote that “dignity is more important than one's life.” His debt: E 15,000, or about $22,000.

In the North, on May 2 in Treviso a businessman deeply in debt ended it all by hanging himself. And at about the same time in Mestre, the industrial town south of Venice, skilled craftsman Federico Pierobon, 40, found himself jobless and he too hanged himself, using an electricity cord. According to the craft union in Mestre, Pierobon is the eleventh among the businessmen and craft workers of the Veneto Region to commit suicide so far this year. Finally, in case all this should pass unobserved, a mournful group of the widows of suicide victims staged a march in Bologna last Saturday. Standing in front of the tax office there, they shouted, “Open your shutters and look us in the face!”

The sad list goes on: last week a man hounded by the tax cops barricaded himself in a building and waved a gun until he was taken away unharmed; the last straw, he later recounted, was receiving a bill with a series of fines for having failed to pay his obligatory annual TV tax for the state-owned RAI. “I just went crazy when I saw this big pile of papers,” he said. Can he be blamed? In order to avoid just this pile of nasty papers I personally pay the RAI TV tax twice simply because the risk of trouble is greater than the annual tax of around $140.

So what is this all about, and, most importantly, where and when will it end? In an interview with the daily Il Fatto Quotidiano [3], the Minister for International Cooperation and Integration Andrea Riccardi [4], the most prominent Catholic leader in the government as founder of the Sant'Egidio community, which has worked as a peace broker in international disputes especially in Africa, was asked if Equitalia could be a bit less aggressive and permit time payments of debts. “The Government is working on this – people feel abandoned,” he replied. “Emotionally I'm near these people....” In other words, he failed to give a satisfactory answer.

And it isn't over yet. In the past four years in Italy (2008 to 2011) one out of five professional managers has been declared redundant and sent home (20.8% or 104,000 out of 500,000), according to the national statistics agency ISTAT. Curiously, for once it is not the women to be sacked first; of the managerial class both women and men have been sent home in the same measure. “What we have are thousands of people of 45 or 50 who find themselves suddenly unemployed just when it is ever tougher to find a job in a market that's frozen,” said Giorgio Ambrogioni, president of the management association Federmanager [5], adding that those who do find a new job must often do without health insurance or retirement funding.

Like Mario Draghi, Premier Mario Monti is now talking of job creation while also trying its best to curb wasteful government spending, no easy task. He has brought in Enrico Bondi, the commercial bankruptcy wizard who turned round and refloated Parmalat, the Italian dairy multinational which went into liquidation in 2003 – it was Europe's Enron - to help him perform this magic trick.“We have to deal with a bloated burocracy where people have been given jobs thanks to their family, buddies and the parish priest,” one no-nonsense government crusader explained. “It's tough.” Monti hopes to reduce public spending by E4.26 billion (circa $5.2 billion) within the year. If he fails, he has warned, the value added tax (VAT or, in Italy, IVA) will have to be raised from the present 21% to 23%, with obvious consequences on consumption; a 2% hike in the price of consumer goods risks translation into shutting down one shop out of every fifty that have survived so far.

For the first time in a decade, therefore, Italy has appointed a committee to analyze government spending. The effort is called a “spending review,” with the words in English “so as not to terrify people,” our economist friend explained sardonically. In the past Italy has already had several spending reviews, but they were long since abolished by conservative governments (read: Berlusconi). According to sociologist Franco Ferrarotti, another problem is that, “The politicians simply don't know how to read a budget.”

An early analysis suggests that the big waste is the health care sector, which accounted for over 32% of all government spending in 1990 but today, 37%. Already many financially troubled hospitals are cutting services; at the Policlinico Gemelli, Rome's noteworthy Catholic hospital, an area formerly dedicated to post-operative physical therapy has been shut down for lack of funds.

Italy's second greatest area of government spending is education, which accounted for 23.1% of the total in 1990. By 2009 this had already dropped down to 17.7%, however, so in that sector the government hopes to cut expenditures by 10% by the end of 2013, to become 50% in 2014, through reorganizing and centralizing rented offices especially in the provinces, which will be required to use more computers. Good grief: rented school administration offices? Teaching is not supposed to be affected because teachers' salaries are stable thanks to contracts only recently negotiated by the unions.

Links
[1] http://test.casaitaliananyu.org/files/26960vedovebologna1336425339jpg
[2] http://www.equitaliaservizi.it/opencms/opencms/
[3] http://www.ilfattoquotidiano.it
[4] http://www.governo.it/Governo/.../riccardi_andrea.html
[5] http://www.federmanager.it