

Economic alarm bells challenge Italy's way to rebuild credibility

By Marzia De Giuli

ROME, Jan. 8 (Xinhua) -- While the election season is well underway in recession-plagued Italy, alarm bells about the fragile economy's ability to recovery continued to ring.

According to a European report on unemployment and social development which was released on Tuesday, there is an "elevated risk" that many Italians may fall into an "enormous poverty trap" as the economic crisis worsens.

The home levy known as IMU introduced to tackle Italy's debt crisis by the technocratic cabinet of Mario Monti, who resigned as prime minister on Dec. 21 but will remain as the head of government until next month's elections, needs to be made more progressive or it could deepen poverty, the report said.

A case of coincidence, the European news was coupled with bleak economic indicators released on Tuesday which added evidence of the painful times that Italians are going through.

The national statistics institute Istat said that youth unemployment in November hit a new record high of 37.1 percent, with those aged 15 to 24 facing the direst labor prospects since quarterly records were first tracked in 1992.

Political figures of different colors, at the first round of name-calling and finger pointing of what prepares to be a heated electoral campaign, made haste to blame Monti and his painful austerity drive mainly made of tax hikes and welfare cuts.

"It is clear that the outgoing government not only did not do anything for growth and jobs, but its policies have further worsened the situation," Sergio Cofferati, a union organizer and member of center-left Democratic Party (PD) which heads the opinion polls, was quoted as saying by local media.

More jobs, in particular for the younger generations, must be the priority for the next government, as rising unemployment is a "very alarming" bell which confirms the trend of "progressive worsening" that has been in place for too much time, he said.

Labor Minister Elsa Fornero replied during a radio interview that the reform carried out by the cabinet made important progress in favoring apprenticeship contracts as the main gateway for youths to enter the job market, but Italy is overpaying "long-term mistakes."

Monti has said he was "forced" to raise taxes "because irresponsible people" put Italy into a financial crisis.

According to local analysts, a fairer redistribution of wealth and the fight against tax evasion are fundamental challenges for the next government to mark a turning point for recovery.

In fact, unbearable tax pressure at over 50 percent triggered by fiscal disparities and record high evasion is unavoidably leading to consumption collapse, failure of tens of thousands of businesses and soaring unemployment, warned Codacons consumer rights group.

"Italy lacks a fiscal system able to take an exact picture of reality," the Director of the European Commission Representative Office for Italy, Lucio Battistotti, told Rai state television.

As a consequence, the home levy could not be adjusted on the different incomes among citizens differently from what happens in the other European countries, he pointed out, and the reintroduction of IMU by the Monti government - after the old ICI property levy had been abolished on first homes by former prime minister Silvio Berlusconi - unavoidably had a tough impact on citizens.

Regarding the fight against tax evasion, experts hailed the national tax agency's introduction of its revamped "redditometro," or the computer data system which compares taxpayers' income declarations with their spending habits.

While the previous system was based upon the possession of certain assets, such as yachts or large cars, the new anti-evasion instrument will consider a wide range of elements of spending divided into categories, a commentator of Il Sole 24 Ore financial newspaper, Giorgio Costa, clarified.

A high difference, of above 20 percent, between the spending and declared income would lead to action being taken on a presumption of non-compliance.

However, the instrument also poses some risks of spending contraction because induces prudence and caution in purchases, the expert noted. "In fact, Italians are not worried by the checks, but fear of ending up paying even if they are right, because of a complex and uncertain bureaucracy."

Experts agreed that no matters what government comes out from Feb. 24-25 elections, it is improbable that the Mediterranean country will see any socioeconomic improvements in 2013 unless it finds the resources to make structural investments that are necessary to jumpstart the real economy.

Italy urgently needs "reconstruction" in various fields from introducing "rigor and morality" in politics to putting young generations at the center of economic and social policies, according to the President of Florence-based Fondazione Circolo Rosselli think tank, Valdo Spini.

Only by implementing notable changes, Italy will be able to rebuild its credibility at the European and international level in the ongoing difficult times, he said.