Talking Money

Judith Harris (November 05, 2013)

Wherever one goes these days, the talk is money. But even in the midst of recession there are encouraging signs of financial life. Although the GNP is expected to hit a minus 1.8% by year end, the statistics-gathering agency Istat has just predicted a 0.7% rise for 2014. Elsewhere too there are positive notes. Says Economics Minister Fabrizio Saccomani, "We won't be growing like China, but we will have a sustainable growth level of around 2% a year." This is the background for the forthcoming debate in Parliament of the Letta cabinet's proposed budget, the so-called "Stability Law."

ROME - Wherever one goes these days, the topic is money. But even in the midst of recession there are encouraging signs of financial life. Although the GNP is expected to hit a minus 1.8% by year end, Istat, the statistics-gathering agency, has just predicted a 0.7% rise for 2014.
Elsewhere too there are positive notes. On her amusing blog for the financial daily Il Sole/24 Ore, Paola Bottelli asked readers how much they are willing to spend for a pair of jeans. The answers poured in. A few came from cost-cutters: "My pair that cost E40 ($55 or so) have given me great satisfaction." But others were happy to spend far more. "My top price would be E150." "Depends on the model. In my closet are some for E140, for E220, for E200 and E150." Another was willing to pay E250 on grounds that, if the wearer is willing to pay that for other trousers, why not for jeans?

Fashion pros joining in the discussion spoke of production, promotion and payroll costs. Besides, one complained, "Europe has just tacked on an additional 26% customs duty for denim for women's jeans, making the total tax on denim 38%." But if denim has risen in price, so have other fabrics:

"Have you noticed that the price of cashmere has risen by 10% and another 20% hike is expected?"

In the end blogger Bottelli showed her hand. "Okay, now tell me why, when just one year ago I asked the same question, almost all of you replied that you would not pay more than E100 ($135)." To this, there were few answers. Blue denim is the new black.

Another telling money tale is the extraordinary success of a new movie which is essentially about money and is also making it hand over fist. Actor Checco Zalone, noted for his earlier success "Zelig," stars in "Sole a Catinelle" (more or less "Drowning in Sunshine"). In its debut showing this past holiday weekend, the film earned a record $25 million. (For its trailer, already seen by 3 million, see >>> [2])

The setting: the Italian Northeast. The plot: a man who learned his values from years of humble work in swanky hotels longs for luxuries. As a result he overspent and finds himself in debt, even as his wife loses her job and becomes a labor organizer. The father promises to take his 10-year-old son on a fantastic journey if the son gets good grades at school. The boy doesn't, but the trip is necessary, for Papa wants to shake down relatives. The two set out for the deep Italian South, to the Molise. When they arrive they find that the relatives are mostly dead. On their return they meet the rich Italy Papa had imagined.

In other words, the film about having no money is the biggest cinema money-maker in town.
Turning from reel to real life, the latest news is that over the past seven months a 7-year Italian treasury bond (Btp) has been attracting investors from the UK, France and Germany, to the point that foreign investments in the Italian state bond have earned E32.3 billion ($43.6 billion), according to Bankitalia. Why? An answer comes from Francesco Perilli, chief administrator of Equita Sim (cited in La Repubblica Nov. 4). "There's the sense that Italian politics have undergone a shift in generations, and confidence in the staying power of the government." Improvement in the public debt is another factor, and "renewed confidence in the executive's willingness to respect European commitments." Successful Snam and Beni Stabili emissions suggest that some corporate bond sales are also improving.
Nobody is pretending that all is well, of course, but at least there is disagreement over just how bad the situation is. An association of small businesses made big noises last week by forecasting that the tax revision underway, which curbs state property taxes on first homes while allowing local governments to boost service taxes, will cost the business community upwards of a billion euros. Economics Minister Fabrizio Saccomani contests this, saying that, on the contrary, the new taxation system will bring savings of a billion euros.

Another area where Italy can boast is in exports of agricultural products. Already second in Europe for farm exports including wine and olive oil, the agro-alimentary sector exports surged in the first quarter this year by 6.6%. At the same time, despite dismal employment figures elsewhere, employment in the sector rose during that same period by a gratifying 12% in Central Italy and by 2% in the North, for a total increment of 0.7%.

Privatization as a remedy is also in the winds. Saccomanni has suggested privatizing a part of the state-own radio-TV network Rai; the TV portion would remain public, however. In addition, the Government is considering privatizing 4.3% of the publicly-owned energy agency ENI, according to Reuters news agency.

The politicians too are talking money--and it was about time--because the Letta cabinet's proposed budget, called the "Stability Law," is now up for debate in Parliament beginning Nov. 11 in Commission. Health Minister Beatrice Lorenzin backs the bill because, "This is the first time in ten years that there will be no cuts in the national health service. " Saccomani says, "We won't be growing like China, but we will have a sustainable growth level of around 2% a year."

Letta hopes to have it passed before the full Senate votes on stripping Silvio Berlusconi of his senatorial status. This may not be easy. Despite the positive signs, the bill has broad opposition from a somewhat unholy coalition. The right, led by Berlusconi, hopes to use it to bring down the government so as to provoke new elections. On the left the trade unions oppose the bill because of fear of higher taxes and the relatively small wage increase (circa E40, or $55 monthly) the bill promises. Another criticism is that taxes on financial income, supposed to rise by 2% to 22%, have been left as they were.

Links
[1] http://www.iitaly.org/files/money1383669872jpg
[2] http://www.youtube.com/watch?v=aAPT9FBKcf0