

Detour, There's a Muddy Road Ahead

Judith Harris (February 27, 2014)



No one will be surprised if the neo-Premier Matteo Renzi runs into a muddy road or two on his way to reviving the Italian government and the country's spirits. While wishing him well, a few traces of mud are already visible. Perhaps he could have paid attention to the detour signs warning of possible problems involving especially two key cabinet posts: the Finance and Culture Ministries.

ROME - Back in 1945 the Pecos River Boys sang this Western swing ballad written by Paul



Westmoreland:

Detour, there's a muddy road ahead,
Detour, paid no mind to what it said,
Detour, oh these bitter things I find,
Should have read that detour sign.

The good news is that on Thursday the Chamber of Deputies formally voted, 309 in favor, 99 abstentions and not a single "nay", for a revision of the Italian tax system to make it more transparent, equitable and growth oriented. The bill, to be enacted within one year, includes a provision for time payments of tax debts. Interestingly, Finance Minister Pier Carlo Padoan supported a second motion, presented by Beppe Grillo's Movimento Cinque Stelle (M5S), that calls for an "absolute prohibition for publicity for all games with money prizes, including those on line."

However, no one will be surprised if the neo-Premier Matteo Renzi runs into a muddy road or two on his way to reviving the Italian government and the country's spirits. While wishing him well, a few traces of mud are already visible. Perhaps he could have paid attention to the detour signs warning of possible problems involving especially two key cabinet posts: the Finance and Culture Ministries.

Those in the know predict trouble ahead between Renzi and his so-called "technical" Minister Padoan, 64. Along with Undersecretary Graziano Delrio, Padoan is the single most important man in the government after Renzi himself. Padoan, who taught economics most recently at Rome's La Sapienza University, comes into government with a distinguished record of international service. He was former chief economist and deputy director of the OECD; executive director of the International Monetary Fund (IMF) for Italy; a World Bank consultant; and recent nominee to head the official statistics-gathering agency ISTAT. He has also been a director of the Italianeuropei Foundation, a think tank created in 1998 by, among others, the former premiers Giuliano Amato and Massimo D'Alema of the Partito Democratico (PD). He is considered a Keynesian, more interested in growth than in austerity measures.

The big question being asked across the board, from left to right, is how the government will pay for the reforms being promised, including of the education system, underscored by Renzi's visit to an elementary school in Treviso. This was Renzi's first formal visit as Premier and took place just one day after he was confirmed by Parliament in a vote of 378 to 220. "Italy will become great and important only if we invest in schools. For this reason we decided to begin here since in past years teachers have been given scant consideration," he told the teachers. He was applauded in the streets by most of the citizens, surprised at finding him in their midst, but, incidentally, he was also booed by a few demonstrators.

Another promise is to cut taxes so as to spur growth and hence employment. To this end Renzi announced that the government will reduce the extremely expensive employers' contributions to welfare funds known as the Regional Tax on Productive Activities (IRAP). The IRAP, which is calculated on a company's billings rather than its profits, costs employers some 700 billion euros annually but pays for 30% of the Italian national health service. Renzi promised that the IRAP will be reduced by a "double figure." Employers immediately went to work, figuring that by this Renzi meant a 10% minimum, which translates into a saving of perhaps E 30 billion (\$40 billion). This had to be almost immediately corrected by Renzi and by Labor Minister Giuliano Poletti, who explained that what was actually meant was in monetary terms, not percentages, and hence E 10 billion (\$13 billion).

The malicious, however, were already comparing the promised IRAP reduction to former Premier Silvio Berlusconi's campaign promise to eliminate the property tax on first homes, the IMU. This was in fact eliminated--but had to be reinstated later in other forms.



The second potential problem area is, believe it or not, culture. Italy has the good fortune to have 420 state-owned cultural institutions, plus 108 archaeological sites visited by no less than 40 million visitors a year. Another 20 million or so tourists visit the nation's 3,409 state-owned museums and 802 monuments, all of which must be carefully managed and maintained. According to Italia Nostra, in the Sixties industry-oriented choices were made which harmed the landscape, such as the installation in prize locations of mega-factories for steel production, but which are now delocalized in China, India and elsewhere. "Government-subsidized industrial districts were created but are now abandoned relics," say Italia Nostra spokesmen.

The new Culture Minister, Dario Franceschini, is expected to tidy this up. He said proudly this week that "Culture is our petroleum." By this he presumably meant that the cultural heritage will be a money-earner, but this approach is, to many, superficial. Franceschini is a veteran politician with long experience, but none of it in the field of culture. Taking issue with his phrasing was the Florentine Tomaso Montanari, one of Italy's foremost art historians; it was Montanari who blew the whistle on the mega-thefts in the Naples Biblioteca Girolamini. This week Montanari reminded readers of the daily *Il Fatto Quotidiano* that the Culture Ministry was until last week headed by Massimo Bray (bypassed for Franceschini), who had been doing an excellent job as its "first minister truly devoted to bringing change to the Culture Ministry."

The former Minister Bray is recognized, and not only by Montanari, for having made two personal trips to Pompeii to see the damage wrought by the past two years of intense rain. He is credited with battling, on behalf of the cultural heritage, against internal obstructionism in the ministry by a stubborn bureaucracy which refused change. Renzi had also sneered at Franceschini back in February of 2009 as a "deputy disaster" and "disappointment." As mayor of Florence, Renzi himself, writes Montanari, did little for the city that involved its cultural heritage, considered solely as a marketing tool.

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