

# House prices? In Italy, too, people talk of little else

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Millions of Italians are being plunged into poverty by soaring rents and static salaries. Yet Berlusconi's government insists that inflation is an illusion. Sebastian Cresswell-Turner reports

Some time last year, it became clear to Italians that widespread hardship, which was meant to have disappeared for ever in the 1960s, had returned. Millions of people began to realise that they could no longer make ends meet; the struggle to get by became the stuff of everyday conversation; and the newspapers have been full of it ever since. Only Silvio Berlusconi and his government deny what everyone else knows to be true: poverty is back and *i nuovi poveri* - "the new poor" - are for real.

"People are desperate," says Sabrina, an attractive and capable woman who at the age of 35 has moved back in with her parents, and who despairs of finding a job that will pay her enough to live independently. She finds it almost too painful to talk about the subject. Even Gian Mario Beltrami Campagnani, a nobleman whose family has for centuries owned much of the land around Ferrara, is feeling the chill wind. "And if I'm having to be careful," he says, "God knows what things are like for people at the bottom of the pile." The answer is: tough, and rapidly becoming tougher.

It all started towards the end of the 1990s when, at roughly the same time, the stock market collapsed, mortgages became widely available, interest rates hit an all-time low, and the rental market was deregulated. As a result, everyone piled out of stocks and shares and into bricks and mortar; and Italian property prices, which had been stagnant for ages, rose sharply.

Then came the euro, in January 2002. The Italians had no feel for it, no sense of its value. Being used to carrying wads of low-value banknotes and to treating coins as basically worthless, they could not get their minds round the idea that the new euro notes and coins were worth rather a lot. (Psychologists had warned this would happen, but the pro-euro lobby took no notice.) Even though salaries were faithfully converted from lire into euros, confusion about the new currency combined with property-based inflationary expectations to send prices spiralling. Nevertheless, Italians carried on spending blithely. Only recently have they realised that the euro is here to stay and that the inflation it has unleashed has slashed the value of their salaries.

Property prices and rents have risen by between 15 and 20 per cent in the past 12 months, and have roughly doubled over the past five years. The greatest increases have occurred in the big cities. It is more difficult to establish the across-the-board rate of inflation. All one can say is that it has soared. Quite how Istat - the state statistics agency - has managed to concoct an annual inflation rate of 2.5 per cent for the past few years is a mystery. As Luciano Vasapollo, professor of statistics at Rome's main university, points out, if you take into account what people actually buy (not just cheap Korean imports, or whatever it is Istat puts in its basket), annual inflation for the past few years has run at 15 per cent minimum. I don't see how it is possible to dispute this - unless you are Silvio Berlusconi, who recently claimed, to general hilarity, that inflation was "an illusion".

Meanwhile, a moribund economy has kept salaries stagnant; and it would be futile to deny that legal and illegal immigration into Italy has put downward pressure on wages, particularly for the unskilled and semi-skilled.

Property prices and rents doubling; consumer prices soaring; salaries remaining static: almost overnight, poverty, which used to affect only a small group of unfortunates, has become a fact or a real danger for millions of ordinary Italians. No wonder the country was hit by a wave of strikes this year. "What we are witnessing," explains Prof Vasapollo, "is the collapse of entire social groups and the impoverishment of social classes that used to

consider themselves immune from any crisis." In the words of Prof Francesco Petrino, head of Snarp, a consumers' association: "Italy is facing a process of impoverishment that looks increasingly alarming."

Consider a waitress or shop assistant in Rome, earning a standard 5 (£3.40) net per hour, or 800 (£545) net per month. It is a miserable wage. She would have to pay half her earnings to rent the most modest room in a shared flat, and her entire earnings to rent a bedsit.

Unmarried Italians have always been more likely than their British counterparts to live with their parents, but the proportion doing so in the 18-34 age group rose from 55 per cent to 60 per cent between 1993 and 2001. Fully 73 per cent of unmarried Italian males aged between 25 and 29 do the same, prevented by financial circumstances from living an independent adult life, perhaps even from getting married. It is no coincidence that Italy's birth rate remains one of the lowest in the world.

Nor does it help that work itself is becoming increasingly unstable. A 30-year-old architect friend of mine, who lives with her parents near Bari, earns a paltry 6 (£4.10) net an hour, or 960 (£654) net a month. Although she is to all intents and purposes an employee, working full-time, with fixed hours, she has to submit monthly invoices - an illegal charade that allows her employer to avoid all statutory obligations, including providing paid holidays. It is a widespread abuse, but one that few Italians dare complain about. With so little work available, there is always someone else willing to be exploited, happy to earn something rather than nothing.

An astonishing number of Italians now live in a permanent state of precariousness. Three million earn a net monthly salary of between 600 and 800 (£410-£545). That is pocket money. A further three million earn a net salary of between 800 and 1,000 (£545-£680). As Vasapollo says, these six million (10 per cent of the population) are the working poor who, "although working every day, gravitate around the poverty level".

Then there are the millions of Italians who earn the 1,200- 1,300 (£820-£890) net per month that is standard throughout industry and the service sector - the salary range that embraces most jobs one can think of: nurses, policemen, teachers, firemen, bank clerks, civil servants. A couple who own their flat and both work are still all right, though they won't exactly be jumping for joy. But quite how a single-income couple with rent to pay and a child to look after manage, I cannot think.

They might be among the lucky few who live in cheap council housing (according to Censis, a statistics institute, such accommodation accounts for 1.1 million flats, or 6 per cent of the national housing stock, the lowest percentage in Europe) or in one of approximately two million flats owned by the IACP, a housing association. If they are renting in the private sector and have a typical eight-year contract with a pre-boom rent, however, they are in trouble. When the contract expires, the landlord will inevitably demand a large increase, and if they can't pay, eviction will certainly follow. The free-market rent for a flat for such a family (say, three rooms plus bathroom and kitchen) on the outskirts of a city would today be 725 (£495) a month in Naples, 830 (£565) in Milan and 1,070 (£730) in Rome - roughly 60, 70 and 90 per cent, respectively, of the standard 1,200 take-home wage.

Furthermore, various institutions and state pension funds that used to provide affordable homes are selling them off. Those tenants who cannot buy the flat they are renting at present, or who do not enjoy special protection, will have to leave when their contract expires. Quite where they will go is anyone's guess.

In this environment, evictions and homelessness can only rise. As Aldo Rossi of Sunia, the national tenants' association, points out, families that get evicted (19,000 of them in 2002) have no automatic right to any form of accommodation, and other forms of state aid are virtually non-existent. Quite often they simply disintegrate, with the various members being housed here and there among friends and relatives. According to a study by Snarp, eviction-related suicides rose from 3,000 in 1999 to 4,500 in 2003.

Clearly, Italy is moving towards a situation in which ownership of property determines economic well-being, or even survival. Yet numerous indicators suggest an increasing sense of despair among property-owners and tenants alike. Prof Petrino of Snarp says that 260,000 families are currently being forced to sell their houses at knock-down prices to pay back often

relatively trifling sums to the banks, and that several million families have got worryingly into debt over the past two years. Increasing numbers are also turning to Italy's ruthless loan sharks: 115,000 new borrowers last year, 25 per cent up on the previous year. And now that people have at last woken up to what is happening, consumer expenditure is collapsing. So what is the true extent of this new poverty? Those most at risk are clearly the 20 per cent who live in rented housing. Let's assume that, as a result of the huge rise in rents and the increasing scarcity of affordable accommodation, half of these people are already or will soon be in serious difficulty. That's 10 per cent of the population. Let's also assume that recent price rises are having the same effect on a further 15 per cent of the population. That makes a total of 25 per cent. If you consider that, back in 1997, before all this began, Censis estimated that 12 per cent of the population were living in poverty, the gruesome guesstimate seems entirely plausible.

A senior politician in Berlusconi's coalition to whom I spoke at length would, however, hear no talk of the new poor. Although he did not quite claim that all was for the best in the best of all possible worlds, he came pretty near. Any inflation above the official figure of 2.5 per cent was "perceived", not real; Italians might be worried about the future, but most certainly not about the present; the countless journalists who had written about the reappearance of poverty were all communists; and what Italians most needed to cultivate was a "sense of responsibility".

Berlusconi and his ministers can deny the facts as much as they please. But everyone else in Italy can see quite clearly what is happening: the pauperisation of whole swathes of the population. This was not what the voters had in mind when they put Italy's richest man in charge of their country.