

"THE MIRACULOUS FLAT TAX"

Paolo Mondani

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SIGFRIDO RANUCCI IN THE STUDIO

Taxes are the subject of this evening's main inquiry. We will talk about flat tax.. The name itself is tempting since it proposes to cutting taxes for 40 million people. It was one of the main policies during the election campaign by Forza Italia and Lega and proposes lowering income tax rates. There are currently 5 income tax rates: the lowest is 23%, the highest 43%. The flat tax ideologue for Lega, Senator Armando Siri, proposes a fixed tax rate of 15%. Forza Italia proposes 23% AND the Bruno Leoni study centre 25%. If flat tax is applied, it is estimated that tax revenue of between 50 and 90 billion euros would be lost. How would this be covered? They say it would be covered by stricter control of tax evasion in the black economy and cuts in public spending. Since the logic is that if I save on taxes, I put my money back into circulation and invest it again. This is on the one hand but on other, however, if I need a service, I pay for it and I no longer benefit from tax discounts. Our Paolo Mondani travelled the world to those states where governments have applied it and, calculator in hand, he saw - once the electoral spotlights were turned off - who wins and who loses. Yet before that, he visited north-east Italy, which over the years has turned from being our Asian tiger into a cat.

PAOLO MONDANI OFF-SCREEN

Goodbye to the legendary North East. Miracles are no longer made here. Even though, last year, the Veneto Region was still leading the recovery in Italy. Bepi Covre, an heretical Lega figure, former mayor of Oderzo, produces handles exported all over the world. 200 employees, 47 million euros in turnover.

BEPI COVRE - OWNER OF EUREKA - GORGO AL MONTICANO (TV)

Some people earn a billion, and I'm not the least envious, but can't pay as much as someone who only takes home 60,000 euros a year. It's simply not fair.

PAOLO MONDANI OFF-SCREEN

That said, one would assume that Bepi Covre is against the flat tax yet....

PAOLO MONDANI

His party, or rather ...

BEPI COVRE - OWNER OF EUREKA - GORGO AL MONTICANO (TV)

Former party.

PAOLO MONDANI

Your former party, Lega, says 15%, Berlusconi 23%, the Bruno Leoni Institute 25%. In short, we're talking about flat tax.

BEPI COVRE - OWNER OF EUREKA - GORGO AL MONTICANO (TV)

In my opinion 15% is madness in the current state of affairs with the debt we have; we might achieve 15% in x years. I would even be satisfied between 23% and 25%.

PAOLO MONDANI

Even at 23% or 25%, those are thinking about it, who have proposed it, realises that the blanket is very short.

BEPI COVRE - OWNER OF EUREKA - GORGO AL MONTICANO (TV)

We have to reduce the debt. We absolutely have to reduce the debt...

PAOLO MONDANI

Yes, but how?

BEPI COVRE - OWNER OF EUREKA - GORGO AL MONTICANO (TV)

By cutting, really cutting hard. We've heard no more of the Spending Review.

PAOLO MONDANI OFF-SCREEN

Let's start with some general data. The public debt is 2279 billion euros, 131% of GDP. Tax evasion is estimated at 108 billion per year. Fiscal drag in Italy, according to the OECD, is 42.9%. According to businessmen, it is much higher. IRPEF is 182.6 billion and is the most important tax paid by 40 million tax payers. There are currently five IRPEF tax rates in force: 23%, 27%, 38%, 41% and 43%.

PAOLO MONDANI

In 1980, there were 32 rates ...

VINCENZO VISCO - ECONOMIST - MINISTER OF FINANCE 1996-2000

32 tax rates: the lowest was 10%, the highest 72%. Yet all other countries were just the same. In the United States, if I remember correctly, the maximum rate was 85% ...

PAOLO MONDANI

85%.

VINCENZO VISCO - ECONOMIST - MINISTER OF FINANCE 1996-2000

And there was only one taxpayer in the statistics classified at that rate - and it was no coincidence that it was David Rockefeller. Corporate tax rates were between 40% and 50%. While today everyone is doing their utmost to lower them.

PAOLO MONDANI OFF-SCREEN

Article 53 of the Italian Constitution envisages that the tax system is based on progressive criteria. The flat tax is a non-progressive tax system based on a single tax rate. Forza Italia and Lega presented their flat tax concept during the election campaign. Even the Bruno Leoni Institute proposes a single rate of 25% but includes a vital minimum for families in difficulty, costing:

LEONZIO RIZZO - PROFESSOR OF FINANCE SCIENCE - UNIVERSITY OF FERRARA

Costing around 90 billion euros.

PAOLO MONDANI

And how will they cover it?

LEONZIO RIZZO - PROFESSOR OF FINANCE SCIENCE - UNIVERSITY OF FERRARA

60 billion euros will be covered by cuts in transfers and various deductions that would all disappear and about 30 billion through the Spending Review.

PAOLO MONDANI

So they will effectively cut pensions, if I understand correctly.

LEONZIO RIZZO - PROFESSOR OF FINANCE SCIENCE - UNIVERSITY OF FERRARA

For example, they will cut disability pensions, family allowances and other welfare benefits currently in place.

PAOLO MONDANI

It certainly seems that this reform cuts taxes for people who earn more. Do you think that giving more income to the wealthy is also good for those who earn less?

NICOLA ROSSI - ECONOMIST - BRUNO LEONI INSTITUTE

We are living in what I would call a state of mental laziness whereby we think that progressive taxation can only be achieved by the inland revenue. I think that we have to start achieving progressive taxation through spending.

PAOLO MONDANI

Could you be a bit more specific about this?

NICOLA ROSSI - ECONOMIST - BRUNO LEONI INSTITUTE

Let's take, for example, a family with a high income which will certainly pay less under the flat tax. We then ask that family to make a contribution to the national health service, we would ask them to pay the costs of university education.

PAOLO MONDANI

Nicola Rossi says that with the flat tax will recover revenue by cutting public spending, that is by making wealthier people pay for university and health in full.

MARCELLO MINENNA – ECONOMIST - LONDON SCHOOL OF ECONOMICS

To be blunt, I find it difficult to believe that the wealthy go to public hospitals and public universities. I would rather imagine they send their children to London, New York, Stanford, Harvard. And when they need surgery, they go to a nice little private clinic, perhaps not even in Italy but in Switzerland. Leaving aside that history shows that flat tax has always caused a deficit, if these estimates are wrong and do cause a deficit, which European constraints will not allow, in your opinion who will have to pay for this error in calculation: the wealthy?

PAOLO MONDANI OFF-SCREEN

Forza Italia proposes a flat tax with a rate of 23%, Lega 15%.

The overall cost of the two Flat rates: 50 billion euros for the Forza Italia proposal, 63 billions for the Lega version. Both assume they will cover this through spending cuts and a hope-for reduction in tax evasion.

PAOLO MONDANI

It is rather hard to base everything on a forecast, don't you think?

ARMANDO SIRI - LEGA SENATOR

Just think, lately I only hear negative forecasts. If you do not have a glimmer of hope for tomorrow, if you do not have a little impetus to glimpse tomorrow in a positive way ... what do you do: give up?

PAOLO MONDANI

Yes, but what I meant was that hoping doesn't achieve very much. Tell me a bit more ...

ARMANDO SIRI - LEGA SENATOR

No, but just think - hope, imagination, dreams and optimism are the basis for all evolutionary growth of mankind. If you do not imagine things, things do not happen.

PAOLO MONDANI

To put it very briefly, we can say that recovering of 63 billion euros for you means recovering sums from tax evasion and tearing up tax records.

ARMANDO SIRI - LEGA SENATOR

It is not tax evasion, it's the submerged economy - they are two different things. I'm not referring to something that must obviously be sought out, found and prosecuted. I refer to those thousands of attitudes that are forms of fiscal defence against an aggressive, highly punitive tax system.

PAOLO MONDANI

L'Espresso reports that you came to a settlement one year and eight months for fraudulent bankruptcy, left your company with a debt of one million euros and have not paid taxes totalling 162,000 euros. Can you tell more about all this?

ARMANDO SIRI - LEGA SENATOR

But reaching a settlement doesn't mean you have committed fraudulent bankruptcy, I have never been involved in fraudulent bankruptcy.

PAOLO MONDANI

You acknowledged that there was ...

ARMANDO SIRI - LEGA SENATOR

No, I did not acknowledge anything at all.

PAOLO MONDANI

You said at some point let's negotiate a settlement so I get rid of the matter.

ARMANDO SIRI - LEGA SENATOR

No, listen, let me explain, no, we aren't all rich or all Berlusconi who can afford lawyers. We are all ordinary people.

PAOLO MONDANI

You are the Lega's ideologue as regards the flat tax. It's very difficult to make such a choice, isn't it? Because receiving a sentence for one year and eight months for fraudulent bankruptcy... you know very well that fraudulent bankruptcy is not a minor misdemeanour. Especially for a politician who has to manage, or thinks he manages public affairs.

ARMANDO SIRI - LEGA SENATOR

Listen. listen, I have a clear conscience.

PAOLO MONDANI OFF-SCREEN

And so far, everything is quite normal. It is quite normal that the people most affected are employees and pensioners with the withholding tax at source and the middle class. Let's take a look at some figures. Out of 40 million taxpayers, 23.8 million declare less than 20,000 euros gross per year and pay 13.4% of overall income tax. Another 15.9 million people declare less than 100,000 euros a year and pay 69.4% of

tax. Only 443,000 people declare more than 100,000 euros a year and pay 17.2% of total tax. What would happen with flat tax?

LEONZIO RIZZO - PROFESSOR OF FINANCE SCIENCE - UNIVERSITY OF FERRARA

Here are just a few figures: families with an income of less than 10,000 euros would gain about 24 euros a year - I'm not joking, only 24 euros a year - while families with an income of more than 70,000 euros would gain about 12,000 euros per year.

PAOLO MONDANI

Is that Forza Italia's proposal?

LEONZIO RIZZO - PROFESSOR OF FINANCE SCIENCE - UNIVERSITY OF FERRARA

Forza Italia's proposal more or less involves the same figures. Families with an income of less than 10,000 euros per year would gain 28 euros a year and families with an income of more than 70,000 euros a year would gain about 9,000 euros per year.

PAOLO MONDANI OFF-SCREEN

Let's go back to the Veneto Region to ask what would happen with the introduction of the flat tax. TecnoPlastic in Padua manufactures floats for electric pumps. It has 15 employees and with turnover of 2.5 million euros ranks among the top four in the world. All thanks to the owner, while his children try to carry on.

GUERRINO GASTALDI - OWNER, TECNOPLASTIC - PADUA

My children are a little 'distracted... sometimes they think they have already arrived. I understand that they are still young and have a different culture, but working in this world here takes more than just being there - it takes dedication and inventiveness, we must think at night and build by day, stay away from mobile phones and all that clickety-clicking.

PAOLO MONDANI

Lega proposes a flat tax of 15% and the Bruno Leoni Institute 25% but combines VAT, Irpef and Ires at 25%. What do you think about this proposal?

GUERRINO GASTALDI - OWNER, TECNOPLASTIC - PADUA

Look, if they touch VAT, it'll cause a terrible explosion of black work. And in a country like Italy, where will they find the cash to pay for its needs? Cuts to health? Cuts to schools? Where will they cut?

PAOLO MONDANI

So, then, in order to cut taxes as everyone says for entrepreneurs, where would you start since you don't like the flat tax?

GUERRINO GASTALDI - OWNER, TECNOPLASTIC - PADUA

I'd start by cutting taxes in the artisan and small business world. And shift taxes to big capital.

PAOLO MONDANI OFF-SCREEN

Things don't look good in Treviso... industrial premises left empty by relocation that began in the 1990s are still abandoned.

PAOLO MONDANI

Which of the larger companies left and where did they go?

GIORGIO GRANELLO - PRESIDENT CONFESSOCIAZIONI NORD

Benetton itself, De Longhi, Stefanel. Romania was one of the starting points for the area that once hosted these companies.

PAOLO MONDANI

What would happen in this area, in your opinion, with the flat tax?

GIORGIO GRANELLO - PRESIDENT CONFESSOCIAZIONI NORD

It might help save a lot of small companies because it would give them some breathing space.

PAOLO MONDANI

You were Mayor of Ponzano for Lega Nord.

GIORGIO GRANELLO - PRESIDENT CONFESSOCIAZIONI NORD

I believed in a strong, federal state, certainly not the independence of Padania, I was interested in the flag, as an Alpine soldier, so ...

PAOLO MONDANI

You were in the Alpine Regiment.

GIORGIO GRANELLO - PRESIDENT CONFESSOCIAZIONI NORD

The Italian flag and then keeping control of expenses at local level.

PAOLO MONDANI OFF-SCREEN

What would happen on a local area scale with the flat tax is explained by factory delegates of the Fiom Trade Union in Padua.

FIOM DELEGATE - PADUA

I earn a net total of 1,786 euros. Flat tax would not mean I'd earn much more.

FIOM DELEGATE - PADUA

It is self-evident that someone with a higher income will benefit more and in any case be able to cope with cuts in social spheres. This is what we will not be able to have.

PAOLO MONDANI

Are you convinced that companies have to save something?

FIOM DELEGATE - PADUA

Large companies, large multinational companies take their money abroad and must continue to maintain not 60% but 70%. And they should also start cutting the salaries of managers. Why should a manager earn 400-500 times the wages of a worker?

FIOM DELEGATE - PADUA

We could still achieve a fair tax system by leveraging an asset tax that does not take into account who inherits small apartments but big capital. And above all by bringing the submerged economy to light.

PAOLO MONDANI

Even here, even in the Veneto ...

FIOM DELEGATE - PADUA

Oh yes, especially here.

PAOLO MONDANI OFF-SCREEN

Manufacturing has been replaced by business consulting: Skywall in Treviso designs wooden buildings.

PAOLO MONDANI

Flat tax - the topic talked about throughout the election campaign ...

ROBERTO FAVA – SKYWALL - TREVISO

I followed it all with great interest because if I simplify and clarify what I have to pay when I find someone who does not respect what I respect, I obviously get a bit angry? And so I feel there will also be an automatic reduction in tax evasion.

PAOLO MONDANI OFF-SCREEN

Spallinificio BM, near Vicenza, is a small business with annual turnover of two million euros. This family company now has 27 employees.

ALESSANDRO MASO - PRESIDENT SPALLINIFICIO BM - VICENZA

We manufacture shoulder pads and sleeve trimmings. The first is quite simply padding for the shoulders of garments. The second is another technical accessory fitted inside armholes to finish the sleeves.

PAOLO MONDANI

So you have to concentrate a lot to avoid pricking your fingers.

ALESSANDRO MASO - PRESIDENT SPALLINIFICIO BM - VICENZA

Yes, there's a lot of manual work. It's a task that few people are still capable of doing.

PAOLO MONDANI

If the flat tax was launched .. the Bruno Leoni Institute suggests 25%, Berlusconi speaks of 23% and the Lega even indicates 15%.

ALESSANDRO MASO - PRESIDENT SPALLINIFICIO BM - VICENZA

The coverage I saw explained on TV is hypothetical. When, for example, I hear someone say: zero tolerance for tax evaders. I didn't hear anyone on the other side saying "no, we'll we close an eye on tax evasion". It seems to me that in recent years: sector studies - everyone opposed sector studies and no one took them away - Serpico, the Inland Revenue software, Expense-o-meter. The Inland Revenue already has many tools and we are monitored constantly: electronic invoicing will start next year. So, I don't see large margins to be even more intransigent and invasive in the search for tax evaders. I will say even more. This is my point of view: those who didn't pay beforehand won't even pay 25%.

PAOLO MONDANI OFF-SCREEN

Halfway between Padua and Treviso, Daniele Lago designs and builds luxury furniture. 200 employees and 30 million euros in turnover.

DANIELE LAGO - CEO LAGO SPA - PADUA

We called an architect who had never designed factories so this factory was conceived rather like a large home. There are 11,000 square metres of laminated wood, all the

perimeter parts are transparent, so that the sunsets shine in. We have more than a million fans on Facebook and we are the second brand after Ikea in the world.

PAOLO MONDANI

What do you think about the flat tax?

DANIELE LAGO - CEO LAGO SPA - PADUA

I feel flat tax could be unfair for the weakest income groups and so I'm unsure whether it is very sensible, all told. Selfishly, I could probably say that it would be better for us because it would probably be lower, but I think we all live better, the quality of life will improve, if we can find redistribution mechanisms that are a bit fairer. Because otherwise there will be four very rich people and ninety-six very angry people and I don't think this would be a great world in which to live.

SIGFRIDO RANUCCI IN THE STUDIO

No. It would not be great because there is the risk of creating inequalities. Today our tax authorities, however oppressive they are, do still have a little soul. Tax discounts are envisaged for socially significant expenses. Deductions are envisaged which are used to lower taxable income before paying due taxes, as well as other deductions used to lower the amounts to be paid.

So, what do Lega and Forza Italia intend to cut: first of all, deductions but they do not specify what, while the Bruno Leoni Institute also mentions "other deductions".

What does all this mean: we are effectively talking about expenses for education such as fees for nursery schools and university, health costs, specialist visits, health tickets, nursing for the elderly, surgery, including homoeopathic medicines or foods for celiac or allergy sufferers.

Then also those for assistance for the disabled, the purchase of artificial limbs, stairs for the disabled or the elimination of architectural barriers.

Not to mention those for construction: there would be less deductions of expenses for renovation, energy efficiency of apartments or those for interest on mortgages used to buy first homes.

Then also those for pensions and care: we will not be able to deduct pension funds and those for the redemption of degrees, life insurance, expenses for alimony to former spouses and contributions for domestic helpers and caregivers. There would also be cuts on deductions for donations.

In the end, the flat tax could impact all those mechanisms used to rebalance differences and will also affect those incentives that make people better citizens, such as solidarity. The real cost that might be paid can be seen somewhere which has our own vices and that has put flat tax IN its constitution.

PAOLO MONDANI OFF-SCREEN

We're talking of Illinois, which in terms of corruption, debt and fleeing companies has a strong resemblance to Italy. Flat tax has been applied here: 4.95% for individuals, 7% for companies. The State has a record debt of 148 billion dollars and most public pensions are not covered because State governments over the years have made withdrawals without bothering to restore the balance. The American Midwest is rich and yet the streets are so full of holes as to make even Rome envious. And any tobacconist can tell you why.

JERRY MOORE

If you really want to make a mess of things, you Italians, just copy what we did in Illinois. The flat tax has brought us to an economic cliff-edge. With progressive taxation, the rich would pay a little more and eventually the system would be fairer.

DALE CRANE

I know the rich should pay more but if you tax them too much they move to some other State where the taxman treats them better.

VERNE CARTY

If you tax them too much, they go to Michigan or Indiana, if you use the flat and cut taxes to induce everyone to pay, there are still a lot of people who don't.

PAOLO MONDANI

Is Illinois the most indebted State in the entire United States? What are the reasons for this?

JERRY MOORE

Oh, it's very simple: some Governors ended up in jail. We do not have a limit on mandates: politicians keep their places for far too long and after a while to pay for their election campaigns they do favours to companies in exchange for bribes.

VERNE CARTY

Just think that one of the leaders of the Senate of Illinois represents clients whose only goal is to lower taxes and then he goes to Parliament and gets angry over the falling tax revenue. We overloaded with debt and tied down by interest costs. We rather resemble you Italians.

PAOLO MONDANI OFF-SCREEN

Chicago is in Illinois but has its own story to tell. A metropolitan area with 9 million inhabitants, 6 counties and 280 local governments. An administrative monster. The Metropolitan Planning Council helps the City Council plan the transport system, water management and maintenance of roads and buildings.

PAOLO MONDANI

Josh, what's this here?

JOSH ELLIS - PRESIDENT METROPOLITAN PLANNING COUNCIL - CHICAGO

This is a piece of a drinking water pipe that was located under a Chicago street until three years ago. It's a wooden pipe and was there for at least one hundred years.

PAOLO MONDANI

To restructure transport and renovate water pipes, how much money would be needed?

JOSH ELLIS - PRESIDENT METROPOLITAN PLANNING COUNCIL- CHICAGO

For transport and roads along, an investment of 43 billion dollars over 10 years is estimated. While repairing or replacing one mile of water pipes costs about \$1.5 million. Central Chicago has 4000 miles of water pipes, not counting the suburbs. We're talking about immense sums of money.

PAOLO MONDANI

And does the tax system suffice to ensure that the city government can make these vital investments?

JOSH ELLIS - PRESIDENT METROPOLITAN PLANNING COUNCIL - CHICAGO

Generally no. Motorways, roads and transport are paid through petrol taxes and revenue is falling. Water management is paid through taxes on property and income. And this is also insufficient.

PAOLO MONDANI

Illinois has opted for flat tax. Are tax revenues sufficient or would progressive taxation be better?

JOSH ELLIS - PRESIDENT METROPOLITAN PLANNING COUNCIL - CHICAGO

I'll give you an example. In Illinois, we pay for education through property taxes. So, if you live in a poor community with low real estate values, there will never be good schools, youngsters will not easily find work and the community will continue to decline. It would be better to pay for education with income tax but it would take a progressive system, with higher rates for those who earn more; only then could we finance better schools for the poor.

PAOLO MONDANI

A problem that the Republican Governor of Illinois doesn't worry about since he has cut the education budget, although here in Urbana is one of the finest universities in the country.

FRED GEERTZ - PROFESSOR OF PUBLIC FINANCE - UNIVERSITY OF ILLINOIS

State funds for universities have fallen dramatically, so the fees have gone up considerably. And an ever-growing percentage of students choose universities that are outside Illinois.

PAOLO MONDANI

Flat tax is now written into the Constitution of Illinois: why ever did you include it in the Constitution?

FRED GIERTZ - PROFESSOR OF PUBLIC FINANCE - UNIVERSITY OF ILLINOIS

Illinois did not have any income tax until 1970. The group of powerful entrepreneurs who opposed it decided to accept one as long as the progressive system was banned in the Constitution.

PAOLO MONDANI OFF-SCREEN

This University was where LEDs were discovered, YouTube was invented, as well as the Paypal platform and software for 3D printers. Craig Rost is the man who found the money to finance these projects.

PAOLO MONDANI

Are there any entrepreneurs, people with significant capital, who over the years have chosen to come to Illinois because there is a very low flat tax?

CRAIG ROST - DIRECTOR, ECONOMIC DEVELOPMENT CORP. CHAMPAIGN COUNTY

For people who earn a lot of money our flat tax is an attractive advantage, since corporate tax is 7%. Yet taxes are not really a concern for companies in Illinois. They are more concerned about wage and transport costs.

PAOLO MONDANI OFF-SCREEN

Last December, Donald Trump changed the federal tax system. Taxes on corporate profits were cut from 35% to 21%. While seven tax rates remained for individuals,

they were slightly lowered starting from the top rate, which was cut from 39.6% to 37%.

CRAIG ROST - DIRECTOR, ECONOMIC DEVELOPMENT CORP. CHAMPAIGN COUNTY

The problem is that tax benefits for companies often become money that entrepreneurs and shareholders pocket rather than resources to be reinvested in company growth.

PAOLO MONDANI

How can we induce or force entrepreneurs to invest at least part of their profits in new work?

CRAIG ROST - DIRECTOR, ECONOMIC DEVELOPMENT CORP. CHAMPAIGN COUNTY

We have to tell entrepreneurs: first, make the investments and only then will we give you tax breaks.

PAOLO MONDANI OFF-SCREEN

Instead, the opposite happens, as the OECD certifies: since 2000, the money left in the coffers of American companies (after paying taxes) went up from 5% to 8.5% of GDP. While net investments fell by one third. Inasmuch, companies pocket tax advantages and do not reinvest them.

CAROL AMMONS - DEMOCRATIC DEPUTY - STATE OF ILLINOIS

Trump's tax system will benefit 1% of the country. While here the unemployment rate among Afro-Americans is in two figures and everywhere they are paid less. This also affects whites In the suburbs of Chicago and rural areas. The fact is that for years we Democrats have been unable to raise even the minimum wage for workers.

PAOLO MONDANI OFF-SCREEN

We are in Indiana where the flat tax is 3.3% for individuals and 6% for companies. Near Indianapolis, Carrier, a world leader in heating and refrigeration, has obtained large tax discounts but despite this is still moving to Mexico. Trump offered the company even more tax relief but it did not help.

DEREK THOMAS - TAX POLICY ANALYST

Recently, a company from Chicago moved here to Indiana because the minimum wage is seven dollars twenty-five cents an hour. The mentality is that the lower wages and taxes the more industries the State can attract. But this is not true. Sooner or later, they will also transfer to Mexico.

PAOLO MONDANI

And so billionaires like Bill Gates and Jeff Bezos would never come to live in Indiana?

DEREK THOMAS - TAX POLICY ANALYST

Oh no, they would never come to Indiana. This is a Reagan model State: low taxes, including flat tax and spending cuts, so poor services. Really wealthy people prefer places with high taxes that offer better services. 41% of the richest people in the world live in the United States, while 1/3 of its population finds it hard to get to the end of the month. So, such people live in places like Indiana.

PAOLO MONDANI OFF-SCREEN

Overlooking Lake Michigan, all American steel was once her; today it is owned by Arcelor Mittal, the same outfit that bought our Ilva in Taranto. Keeping faith with his electoral promises, Donald Trump has imposed new duties for imports from China coming to over 60 billion dollars.

ROSA MARIA RODRIGUEZ – UNITED STEELWORKERS - HAMMOND INDIANA

In thirty years we have fallen from 26,000 to 2,600 workers. Beforehand, this was a throbbing place, an area enjoying growth. People came to live here because there were crazy shops.

This is where I started work 41 years ago. I was a waitress earning a dollar an hour and then I went into the steel mill. It was the first time I had earned enough to look after my daughter, who later died.

PAOLO MONDANI

Donald Trump has promised to bring work back hereabouts ...

ROSA MARIA RODRIGUEZ – UNITED STEELWORKERS - HAMMOND INDIANA

Only low-cost jobs will come. But America needs wages that allow you to put bread and butter on the table and send your children to university.

PAOLO MONDANI OFF-SCREEN

Tom Hargrove, the head of the steel union, has another opinion of Trump.

TOM HARGROVE - PRESIDENT UNITED STEELWORKERS

I am a Democrat but Donald Trump took up our cause and this is why our members voted for him. We have been destroyed by Chinese imports and now he is doing a good job with the duties on steel.

PAOLO MONDANI

How much does a steel worker earn per year and how much do federal taxes and taxes in individual states affect pay?

TOM HARGROVE - PRESIDENT UNITED STEELWORKERS

About 100,000 dollars a year, out of which 31% federal and state taxes have to be paid. I would rather not have taxes, as in Nevada, but having said that I think a progressive system would eventually be fairer than a flat tax system.

PAOLO MONDANI OFF-SCREEN

Evansville on the River Ohio: Koch Enterprises is a multinational that produces aluminium profiles. President Trump decided to impose duties on aluminium, which together with steel, is used in military production. Trump no longer wants national security to depend increasingly on foreign imports. How did Koch take this decision?

SUSAN PARSONS - FINANCIAL DIRECTOR KOCH ENTERPRISES

It's just great.

PAOLO MONDANI

Indiana has a flat tax. What do you think of this way of taxing individual citizens?

SUSAN PARSONS - FINANCIAL DIRECTOR KOCH ENTERPRISES

Flat tax works very well for citizens and even for companies. It's true, after 2008, that the rich become richer and the poor have suffered. But we have full employment here and ... we also do a lot for charity.

PAOLO MONDANI OFF-SCREEN

In the evening we find them here for a drink and the following day the services trade union confirms: Indiana has full employment ... but what kind of jobs are they?

STUART MORA - PRESIDENT UNITE HERE LOCAL 23 TRADE UNION - INDIANAPOLIS

You work in hotels, restaurants, public bodies, private companies. In the richest and most luxurious buildings of our city. Isn't it offensive that they only offer you jobs on starvation pay?

Yet we cannot even allow ourselves to say: at least give us the minimum wage. These jobs do not even pay \$10 an hour! And without health insurance.

DORIS JONES

My daughter was taken out of health care because they say I earn too much. I am a caretaker. I earn 990 dollars a month and pay 330 in taxes. Do you really think it's possible?

LAN MURPHY

25% of my salary goes in federal, state and local taxes. My net pay is 800 dollars a month. People like me don't earn anything extra with the flat tax.

PAOLO MONDANI OFF-SCREEN

We are in Lansing, the capital of Michigan, where the flat tax is 4.25% for individuals and 6% for companies. The Republicans who now govern the state are thrilled with Trump's tax reform.

JIM TEDDER - REPUBLICAN DEPUTY - PRES. MICHIGAN TAX POLICY COMMISSION

When we see companies investing in Mexico, Africa or Europe, American workers are the people most affected. So I would even be prepared to take the risk of increasing debt to cut taxes and get these companies back.

CHARLEY BALLARD - DEPARTMENT OF ECONOMY, MICHIGAN STATE UNIVERSITY

They cannot openly say: "We want to give billions of dollars to the rich and raise taxes for the middle class". So, they emphasize the tale that the flat tax and the Trump reform will ensure more economic growth. We economists are well aware that these are fairy tales: While the federal debt will increase to 21 trillion dollars, Michigan with the flat tax has no more money for schools.

PAOLO MONDANI

Bill Gates - the richest man in America - has said that he does not like Trump's tax reform because in his opinion rich people like himself should pay more.

JIM TEDDER - REPUBLICAN DEPUTY - PRES. MICHIGAN TAX POLICY COMMISSION

Well, nobody is preventing Mr. Gates from paying more taxes. Come and take a seat with us. The point is that the more you raise taxes the people who have the means to do so are encouraged to circumvent the rules, advantages that the middle class and workers do not have. Michigan was decisive for Trump in 2016 where he won by a handful of votes and do you know why? Because he told the truth to the working class that it had been exploited and forgotten by the Democrats.

PAOLO MONDANI OFF-SCREEN

The working class means Detroit, the capital of the American automotive industry. Last 23 January, the Michigan District Court accused Fiat Chrysler vice president Alphons Iacobelli of paying a million and a half dollar to bribe members of the United Auto Workers, in exchange for more favourable labour contracts for Fiat-Chrysler. Here we see Sergio Marchionne with General Holiefield, the vice president of the union, who has since died - the man who apparently took more money from Iacobelli. Some company workers have now promoted a class action: they believe that their labour contracts are the result of fraud and demand millions in compensation.

BRIAN J. FARRAR - CLASS ACTION LAWYER AGAINST FCA-UAW

Iacobelli himself says he gave bribes to the union with the specific aim of weakening employment contracts and obtaining benefits for Fiat Chrysler. CEO Sergio Marchionne told judges that he knew nothing even though Iacobelli himself says he did not act alone.

PAOLO MONDANI

When did this corruption start?

BRIAN J. FARRAR - CLASS ACTION LAWYER AGAINST FCA-UAW

According to Iacobelli, it dates from 2009 to 2015.

PAOLO MONDANI

Well, if Iacobelli says that he was already giving bribes to the union in 2009, it means that he was doing so from the foundation of FCA ...

BRIAN J. FARRAR - CLASS ACTION LAWYER AGAINST FCA-UAW

It is no secret to anyone that the bailout of the automotive sector in 2009 absorbed a huge amount of American taxpayers' money.

PAOLO MONDANI OFF-SCREEN

In 2009, President Barack Obama, working with the union, organized the "piloted bankruptcy" of General Motors and Chrysler, pledging \$64 billion. Later, tax breaks and condoned debts, cuts of thousands of jobs and future contracts that have reduced health protection and halved the pay of new employees. In mid-2009, Fiat and Chrysler signed a strategic alliance and in 2014 Fiat took control of the company.

BRIAN J. FARRAR - CLASS ACTION LAWYER AGAINST FCA-UAW

The news of our class action was picked up by all American media but very little by yours and this is because the company's leadership is in Italy. What is essential for us is that the judges move ahead. We know that other people are being investigated and we will certainly see some fireworks.

SIGFRIDO RANUCCI IN THE STUDIO

While waiting for these fireworks, in the meantime suspects under investigation grew to seven. And as regards to feasibility of the class action, we shall have to wait until the end of May when the judge decides. What we have understood in the meantime is that lowering salaries is a pathology and flat tax has made it chronic. AND rather than benefits in the area, it has left only rubble. To finance education In Illinois, they have been forced to tax buildings on the basis of their market value. Yet can we really stoop to linking teachers and students with the official values of buildings? And even where flat tax was introduced in the most reckless way, it has not brought more

investments because what companies save on taxes they hold tight in their pockets while waiting to move to another country because they will always find someone who cuts taxes more than you, someone more tempting and more willing to play dirty.

PAOLO MONDANI OFF-SCREEN

Last January, not far from Turin, the American company Embraco announces 497 layoffs and the closure of the plant after making the decision to relocate production to Slovakia. The Minister of Economic Development Calenda promised a new industrial project but there is nothing left to do for the workers. By the end of 2018, they will all be out. Embraco produces the best compressors for refrigerators on the world market.

PAOLO MONDANI

How much do you earn a month?

MAURIZIO UGHETTO - RSU EMBRACO

Around 1200-1300 euros.

PAOLO MONDANI

And about how much do you make a month?

GIUSEPPE PIAZZA - EMBRACO WORKER

Around 1300-1400 euros.

PAOLO MONDANI

Do you know how much a worker earns in Slovakia?

MAURIZIO UGHETTO - RSU EMBRACO

Around 600 euros gross.

DANIELE BARBUTO- RSU EMBRACO

And they now share own same fear - that in five or six years' time the entrepreneur allowed to do so will move even further East.

PAOLO MONDANI

Did you know that Slovakia has flat tax?

UGO BOLOGNESI - FIOM UNION - TURIN

Not only from a fiscal point of view is legislation more advantageous but also, for another, from the point of view of environmental regulations.

PAOLO MONDANI

When did you realize that the European Union's structural funds were being used by the Slovakian government to fund tax rebates for companies that decide to relocate there?

UGO BOLOGNESI - FIOM UNION - TURIN

We have denounced this for many, many years. If these funds are then used by other countries for unfair competition and steal work within the European Union, it is clear that we are now well beyond what was also defined by the Treaties.

PAOLO MONDANI

Do you think it is right to take a company out of Italy using European funds that are taxpayers' money?

IVAN MIKLOS - FORMER MINISTER OF FINANCE - SLOVAKIA

There was no unfair competition. European regulations are not perfect but they allow us to do what has been done.

PAOLO MONDANI OFF-SCREEN

Yet according to EU regulations, using Structural Funds to encourage companies to change countries is illegitimate state aid that distorts competition. The former finance minister, liberal Ivan Miklos, knows this perfectly well, since he took Slovakia into the EU. And he is also the man who wanted 19% flat tax.

PAOLO MONDANI

Does it seem right and normal to you to use a different tax system in Europe in order to compete with other member states?

IVAN MIKLOS - FORMER MINISTER OF FINANCE - SLOVAKIA

I am a supporter of tax competition because it encourages the necessary reforms. Which is something you should also do in Italy.

PAOLO MONDANI

Are you telling me that you are becoming increasingly like a tax haven because we Italy is a fiscal hell?

IVAN MIKLOS - FORMER MINISTER OF FINANCE - SLOVAKIA

I am no defender of tax havens but I am against fiscal hells.

PAOLO MONDANI OFF-SCREEN

Last 22 February, near Bratislava, Jan Kuciak was killed together with his girlfriend Martina. Jan was an investigative journalist working for the Slovak Aktuality site from which he denounced the shareout pact between the 'Ndrangheta and the Slovak government to make money on taxes and European funds. In 50 cities in Slovakia, anger erupted in the biggest street protests since the days of communism.

MARTIN TURCEK - AKTUALITY JOURNALIST

They came here to recycle money from arms and drugs trafficking; it is difficult to do so in Calabria but not in Eastern Europe. Here prosecutors and police are an opaque world and politicians have no problems in taking bribes.

PAOLO MONDANI OFF-SCREEN

Following Jan's death, the Social Democratic Prime Minister Robert Fico was forced to resign. Jan had already written about Fico's personal secretary, model Maria Truskova, a business partner of Antonino Vadalà, an entrepreneur linked with the 'ndrangheta who moved to Slovakia many years ago and was recently arrested in Italy for international drug trafficking.

MARTIN TURCEK - AKTUALITY JOURNALIST

'Ndrangheta companies received a lot of European funds from our government and despite a favourable tax system still evade tax, a widespread custom here since our Inland Revenue is well-known for not making checks.

PAOLO MONDANI OFF-SCREEN

The flat tax should encourage everyone to pay but in Slovakia it did not work out like this, so much so that it was necessary to increase it. Yet who earned something from the single tax rate?

IVAN MIKLOS - FORMER MINISTER OF FINANCE - SLOVAKIA

We were emerging from communism and the chaotic 1990s and initially with flat tax the economy grew. I admit that the richest earned the most, while the poor and the middle class much less.

PAOLO MONDANI

People started talking about flat tax in the early 1980s with Reagan and since then tax systems have been constantly ...

VINCENZO VISCO - ECONOMIST - MINISTER OF FINANCE 1996-2000

Flattening out.

PAOLO MONDANI

We might even say "flattening".

VINCENZO VISCO - ECONOMIST - MINISTER OF FINANCE 1996-2000

The incomes that benefited most from this were typically those of the wealthy classes, i.e. income from capital and real estate assets. Multinational corporations no longer pay taxes because they can juggle their financial statements in accordance with jurisdictions and then send income to tax havens. In particular, at par tax revenue, the middle classes are penalized most ...

PAOLO MONDANI

With the flat tax?

VINCENZO VISCO - ECONOMIST - MINISTER OF FINANCE 1996-2000

With the flat tax, there is no doubt over this.

PAOLO MONDANI OFF-SCREEN

Yet the middle class is the fulcrum of world economy. As regards flat tax, we leave the final word to two Think Tanks in Washington. Let's start with the Heritage Foundation, which materially writes part of Donald Trump's measures.

ADAM MICHEL - ECONOMIST HERITAGE FOUNDATION

The flat tax is the future and it's great to know that even you Italians are becoming convinced. With Trump's current tax reform, inspired by a flat system, we will increase our GDP by 2-2.5%. The problem is that the debt will grow but to lower it we must not increase taxes, we must cut costs.

PAOLO MONDANI

Where would you start to cut State costs?

ADAM MICHEL - ECONOMIST HERITAGE FOUNDATION

First of all, social security, that is pensions, and medicare health insurance. That's where we have to make cuts.

PAOLO MONDANI OFF-SCREEN

The Urban Institute is an historic study centre closer to the more moderate wing of the Democrats.

RICHARD AUXIER - ECONOMIST URBAN INSTITUTE

Trump's reform will lead to a gigantic deficit that will cause interest rates to rise, new inflation and a probable recession. We'll be in trouble. But America can take on a lot of debt because it can print money, adjust the budget and think in the long-term. You Italians can't do these things. So who is making you adopt the flat tax?

SIGFRIDO RANUCCI IN THE STUDIO

So who is making us do it? The Italian flat tax ideologists are Senator Armando Siri, who has negotiated a settlement for fraudulent bankruptcy and has not paid company taxes amounting to more than 160,000 euros. The other is Silvio Berlusconi who was sentenced to 4 years for tax fraud. With all due respect, we do not seem to have a particular vocation for welfare, which is the first likely to fail with the flat tax. Silvio Berlusconi says that he has consulted with his friend Putin. Flat tax did well in Russia but what he does not say is that the merit for growth has to be shared with the boom in the energy sector - and now even this field is suffering setbacks so even he is also in trouble.

Yet how do Siri and Berlusconi think they will make up for the lack of tax revenue, lower tax revenue, first and foremost with cuts in spending, doing away with the computer bonus introduced by Renzi, and then fight evasion and the submerged economy. But how will they reconcile all this if obstacles are then placed to the traceability of money by proposing to raise the limit on the use of cash? While these may be their hopes, on the other side we have certain data. Cuts in public spending: we had two commissioners at the spending review. The first one left after slamming the door. The second lost a few bits and pieces along the way. And a few days ago, the Court of Auditors concluded the last report by stating: the spending review is ineffective. AND if this is what it was yesterday, how it will be effective tomorrow? Then the fight against tax evasion, we have 108 billion euros of tax evasion and our debt collectors manage only to recover 1%. All the measures that included the return of capital from abroad have also been a disappointment. Since the Unification of Italy, we seen 80 different amnesties. We have to admit it: evading tax is in our DNA: all this will have to be taken into account by whoever governs us after the government agreements in coming days.