

Reducing the Italian public debt without generating recession

(being on Titanic-Italy, the "Gattopardo" iceberg should specifically be avoided)

Reducing the public debt entails raking money, thereby inevitably generating recession (*somebody say that; others even don't think about it*). Reducing the debt is anyway needed. Also finding the root causes of the debt and stopping the leaks in public expenditures, somebody may say, will generate recession, since all these leaks feed ample layers of society. What should be done, then?

Avoid the three most frequent mistakes

Accepting predefined limitations

Those who spent their life in solving problems know that the best way to find creative solutions is to search for them without setting any limitations in advance. Only after finding the best solution they start to shape it according to what's actually possible.

Focusing on details before framing the problem

Unfortunately, sometimes details are discussed first – of the first order (e.g. the choice of who should pay), or of the second order (i.e. expected impacts, like the size of the ensuing recession) – thereby losing sight of the problems as a whole, of its size and its causes.

Most of all, "allegedly stopping" effects without removing root causes

It makes little sense to rake money without stopping the leaks through which it keeps flowing away. Otherwise, "painfully" filling the pool will have just a transient effect: the water level will then inevitably decrease again.

So, at last, newspapers write about the costs of politics and tax evasion: "Let's stop, these leaks...!" (*forgetting other important ones, however, for which there's little willingness to put a halt...*)

Recover common sense

Discarding any limitations

With a public debt near 2.000 billion Euros, 40 billions per year are a ridiculously small move (*a house worth 200 thousand Euros can't be bought by paying an annual mortgage installment of 4 thousand: it's not even enough to pay for interests!*). A reasonable amount to clear the public debt is about 250 billion Euros per year; even if 100 go to interests, 150 are left to reduce the stock of debt, so that in 10 years it will be cleared.

Evaluating alternatives by taking into account also the origin of the problem

Should everybody pay? Should those who are paying already be charged (since this is easier...)? Should the rich pay? The only sensible solution is to charge those who are really responsible for the debt, leaving alone those who aren't. Otherwise, the former would have profited / stolen (and perhaps would keep doing so ...), and the latter would pay for him instead (*doesn't it seem to you rather a double rip-off, than a solution?*)

Considering how to avoid recession

Again, not setting limits. 250 billion Euros per year are required, but robberies within the economic system exceed 400. 150 billion are duly left to be invested in "useful infrastructures", in order to foster growth too.

Again, considering the whole scenario. If robberies are the cause, all robberies should be stopped, not only those against the State, but also those directly committed against the citizens, including those perpetrated by the State and the Public Administrations (*which generate,*

besides other problems, discontents and litigations unsuitable to a "civilized" country). An overall "cleansing" effort is needed ("stealing" is the problem, not ... "stealing from whom"). A true statesman would act in this way! (others ...just let things as they are, Gattopardo-like)

Starting, therefore, a cleansing project (*the Italian problem, long before "innovating", really is "cleaning"*). The robberies can be grouped into four broad categories, each of the order of 100 billion Euros per year:

1. Tax evasion;
2. Organized crime;
3. "Bribing system" (at central and local levels: "political" and "administrative" bribing);
4. Economic sectors that profit from basic "infrastructures", essential to the life of the Country (and, in some cases, likely to affect its future): pharmaceuticals and healthcare, finance and insurance, distribution, oil and gas, telecommunications, ... We will be protected from the recession – much better than by the 150 billion Euros per year to be used for growth (*money that would go into real economy, instead of ending-up into finance and speculation*) – by a "no profit availability" of infrastructures.

What should be done, then?

All the hypotheses made so far are useful:

- Reducing the costs of politics;
- Charging the building tax to Vatican;
- Slashing military spending;
- Auctioning TV frequencies;
- Introducing a tax on financial transactions (a.k.a. "Tobin tax");
- ...

But the cleansing action must be wider. The four categories of robbery must enter the political agenda (recovering 400 billion Euros per year, and using 250 to reduce debt and 150 to foster growth, even painful interventions on pensions might be avoided; *if they should be based on actual welfare contributions, let them be; but then, within proper financial and actuarial terms, everybody should be allowed to freely decide*).

Two first practical solutions

For the bribing system, public contracts should be put under a transparent public monitoring:

- Internet-based tracking of bids, offers, awarding, deliveries and payments;
- Prohibition of cash payments to suppliers and subcontractors;
- Publication of the list of the Public Administration providers, and of related budgets.

Those who work for the public and/or buy services for the public must act within a "glass house". When spending citizens' money, a close citizens' monitoring on their representatives has sadly become a need.

For one of the sectors (telecommunications) who profit on infrastructures, the next generation, optical fiber based, access network could be deployed – in a short time frame, with full country coverage and without any cost for the State – by about 20 million users, turning to investment, for 4 years, the present 180 Euros per year expenditure for copper last mile fixed fee, net of 30 Euros for maintenance (150 Euros per year x 4 years x 20 million users = 12 billion Euros).

Instead of operators' networks, where partial investments are made, i.e. only where economic benefits are expected, a citizens' network would be universal, with no digital divide and a complete copper switch-off (http://www.ybnd.eu/docs/Citizens_fiber_e.pdf).