

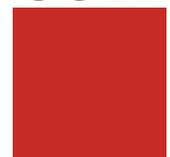
IL PIANO DEL LAVORO

2013

**CREATING JOBS TO GIVE ITALY
FUTURE AND GROWTH**

CGIL. FONDATA SUL LAVORO.

CGIL



The content of the Program for Jobs is open to discussion and to the contribution of the CGIL structures and of scholars at the national, regional and local levels. The counterparts of the plan shall be the enterprises, political forces, institutions, Universities, research centres, voluntary organizations. Schedules for the further discussion of the themes and of the program shall be attached to the text.

The Reasons for a Program for Jobs

The proposal of a Program for Jobs originates from the strong persuasion that no new growth or development phase will start for our Country unless we choose labour and the creation of jobs as starting points.

Employment in our Country has become contracted, impoverished, precarious; for many people it seems an unachievable target, many others worry about protecting the one they have.

The great inequalities in our Country can be defined by the lack of employment, the conditions of the South, of women, of youth and of people over 50.

Employment has become impoverished also because the ideology has prevailed that the public involvement should be reduced and that the welfare state is a cost rather than a factor for development and improved quality of life.

The phase we are facing cannot be only one of austerity, as in the past few months; the focus of policies has to change.

To create jobs and to build a Program for Jobs requires having a vision of our Country, of its problems, of its backwardness as well as of its assets.

To create jobs and choices for development implies strong innovation, respect for work and its conditions, the involvement and mobilisation of the many subjects who do not surrender to decline.

In order to involve and mobilise, a collective concept of the Country, and of the direction to take, is necessary.

To create jobs means to defend and to qualify the current employment by reviving and renovating deeply the industrial base and the productive specialization of the Country. All this, however, is not enough to meet the target of full employment. For this reason, CGIL proposes to the future government, to the forces of society, to politicians, to institutions, and to citizens, a Program for Jobs based on the fact that the main asset of Italy is the country itself, its territory, its culture, its historical and artistic heritage, its manufacturing tradition, the design and production represented by the best "made in Italy" products.

A first example of the important and necessary opening is the plural contribution offered by the "white paper" for the 2013 Program for Jobs.

Alongside the requalification of industry and services, the Program for Jobs is, first of all, a choice to secure the Country, a choice of prevention and enhancement, a new public ethics and respect for the common heritage. A choice of citizenship, of legality, of participation, of wealth redistribution.

A Program for Jobs contains both short and medium term targets; it has the purpose of creating jobs, the ambition of giving again a sense to public intervention as a drive for the economy.

Just because it cannot be realized in a short period of time, it needs a method, the identification of resources, and thus a planning, but also extraordinary choices, such as the proposal of a program for youth employment.

To propose again the crucial role of work, to invest in ideas and in actions for job creation, entails a policy for economic growth, a greater fairness in taxation and in income distribution, the protection of socially vulnerable subjects, a homogeneous supply of services to citizens, integration, the renovation of a stuck system, new economic policies based on strong innovation choices, supported by a radical tax reform.

If Nothing Remains Unchanged

All the observers state that the world crisis will leave nothing unchanged, an important claim that entails radical choices for the governance of the world economy, for the European Union, for the idea of development itself .

Green economy, blue products, public intervention, “decent work”, are hypotheses that are generally accepted in many parts of the world.

Which consumption, which materials, how much energy, which savings, which environmental protection, which health and quality of life for the people: these are the concepts around which not only a new development can be planned, but around which many economists imagine how to rebuild the new GDP parameters.

The Italian crisis is structural

Fifteen years in which productivity has not increased, twenty years of earnings shifted towards financial and real estate rents, a billion hours paid by the fund for temporary work suspension (Cassa Integrazione Guadagni), about four million workers without a permanent contract are the picture of the decline of our Country, of a de-industrialization process that has seen a strong acceleration in the five years of world crisis.

The reasons for the “weakness of our production system” are well known: a scarce capitalization, the small size of enterprises, too few investments in innovation and research; what we have often described as the low route to development, a process that began with the so-called “competitive devaluations”, and has not changed, substantially, with the adoption of the Euro.

The fragmentation of the production system has also brought a “low cost” development of the service sector, which is scarcely oriented to quality and innovation.

The service and communication sectors, despite the rapid growth they have recorded, have emerged more for savings in work and the multiplication of outsourcing and temporary contracts, also in larger companies (e.g. the Italian public TV broadcaster - RAI).

All this has been helped by the choice of not intervening in the governance of the Country’s economy. The privatization of publicly-held companies has not been followed by the introduction of new tools to aid and give a direction to development. The phrase “industrial policy” has been banned and even the large companies that have remained under public control have not played a guiding role as to investments and innovation, as a general rule; on the contrary, in the case of Finmeccanica its own future is at risk if the policies of sale/divestment are not halted.

Which are the motives that have caused this absence from the governance of the productive set up of the Country? The ideology of the self-regulating market, that small is beautiful and that private companies operate better than public ones.

Choices of industrial policy are not forbidden by the European Union, as it is often declared, just look at what has been done in the other Countries.

To make things worse, in the years of the world crisis an austerity policy has been implemented, which has cut down drastically the resources of local authorities and has tied them down to a stability pact that has blocked the investments, which, in Italy, have always been mostly promoted at local level.

The other aspect of the “austerity” policy has been the cut in welfare, from the big national services (school, health, pensions) to local services, thus causing further obstacles to growth. It must be remarked that public administration and social spending in our Country is already below the European Union average.

All this has undercut, and is undercutting, the available income throughout our Country, as evidenced by shrinking consumption – another factor which has accelerated the crisis for many companies producing for the internal market.

If we do not tackle the subject of which development and how to achieve it, the recession spiral of our Country will continue forcefully.

The common talk has been, and is, “it is necessary to re-launch exports”, thus looking at about a third of the Italian companies that surely have consolidated a competitive position, mainly thanks to investments in the product, in the production cycles and in the expansion of their markets, but it is not enough to concentrate on exports alone.

Once again, this recipe relies on the spontaneous working of the markets and does not consider work as the engine for the creation of wealth.

A great cultural revolution is needed, that deals first of all with the issues of the Country as a whole.

Our Country, which is poor, if not totally lacking, in raw materials, must try and consider what its real wealth is. First of all, its extraordinary versatility and the work culture that enabled the “economic miracle” of the 1960s and, today even more, the territory, not only for its quality, but also for its geographic location: south of Europe, north of the Mediterranean Sea, west of the Balkans.

Together with the territory, a Country with a modern Constitution which, not by chance, valorises the historical, artistic and cultural heritage of the Country. If the first aspect is “let’s start from the Country we have” (with an eye to the trade balance), the second one is that this may be a further opportunity for the development of the Country.

In other words, given the insufficiency of the current production system to provide the employment that our Country needs, this new approach may be the resource whereby to identify the objective to achieve, so that we may plan development accordingly.

The cultural revolution also concerns two other aspects: the first one is the value of education and training, the second one the quality of work, especially in the age of temporary, clandestine, underpaid work, or of work at any cost: under any condition, it is necessary to define decent work anew, as it is a necessary component of a concept of development.

WHAT TO DO? A PROGRAM FOR JOBS

The Objectives

- Create new jobs linked to
 - activities for the recovery, reclamation or safety implementation of the territory and for the enhancement of the cultural heritage;
 - the development of technological innovation in the conservation of works of art;
 - the renewal and upgrading of the public administration and of welfare;
 - the knowledge-based economy;
 - the innovation and the sustainability of infrastructural networks (construction, energy, transportation, ...).
- Protect jobs, also by requalifying them, in the more traditional sectors (agriculture, industry and services) through:
 - the reorganization and creation of public demand;
 - support to public research and encouragement of private research;
 - a qualification of investments by increasing the product specialization and quality in industry and the services;
 - a policy that jump starts credit;
 - the quality constraints to the Italian production;
 - fairness and transparency in the award of public contracts (cancelling the “maximum rebate” clause).

Which Kind of Work

The analysis of data about employment, from unemployment to employment rates, to precariousness, is sufficient to say how work is no longer the byword for good and qualified employment.

For this reason, each and every project making up the Program for Jobs defines decent work as work based on a contract, paid, qualified by universal protections and by training.

From the Emergency to the Medium Term

The Program for Jobs, for its quality of innovation and of structural transformation of our Country's economy, has the ambition of characterizing a period from three to five years, through the definition of operational projects specific to the mentioned objectives.

The credibility of a medium-period target is built by first confronting and reacting to the emergencies, in line with the idea that work also generates processes reducing inequality and promoting social inclusion.

Therefore we identify an extraordinary plan, within the Program for Jobs, in order to start immediately with the creation of jobs for young men and women, especially in Southern Italy.

An extraordinary plan for the direct creation of jobs through programs that can be implemented immediately:

1. the reclamation (through a mix of public and private financing) of the territory, by innovative

- methods that, together with the reclamation, also deal with the implementation of safety and prevention. This program shall include the hiring of young and qualified people;
2. a special competitive examination (open also to the current temporary workers, with the recognition of their previous work) for the hiring of young people in the public administrations that manage and supply services;
 3. the reunification and increase of the tax exemption funds for the hiring of young people and of women with the constraint of a permanent contract;
 4. the creation of an extraordinary plan for the employment of young people, through public employment or intervention, to produce collective and public goods and services.

This is feasible because it operates in the public sectors which are not open to international competition (and may attract resources).

A part of the hydro-geological recovery of the territory and of the implementation of safety measures for our national heritage may include the reorganization, maintenance and implementation of safety measures for school buildings and for earthquake damage prevention, reclamation of industrial sites, energy saving, etc.

How the project is structured:

1. contents and necessary resources;
2. necessary competences and knowledge;
3. implementation of a system of governance, of monitoring, of checks;
4. assessment of the economic and social effects...

Why this project:

CGIL considers that the correct, immediately understandable methodological approach to identify any delays and potentials is to start by identifying the needs of the Italian population in a perspective of social cohesion, of intergenerational solidarity, and of territorial unity.

The artistic, architectural, landscape, cultural, museum, archaeological and historical heritage of the Country is not utilized as it would be necessary. These are assets and professional abilities which, unless they are exploited, go into decline. Italy has lost many positions in the European tourism industry, not because of a lack of resources, but because of neglect, decay, disorganization, underestimation of its economic and occupational effects. In this field, too, investments are necessary for the maintenance, restoration, upgrade, innovation, communication, organization of the offer.

Italy is the Country with the greatest number of UNESCO World Heritage Sites in the world. There is at this time no policy for the enhancement, systematisation and tourist offer of these assets; on the contrary, resources for the study and research to enhance this heritage are being reduced.

The territory is a common good and belongs to everyone (territory, water supplies, environment, coasts, beaches, woods, mountains, etc.) and it must be protected, maintained and valorized as a public resource of a strategical interest. The sell-out of this wealth creates an income that is depreciated and only temporary. The public and private investment in common goods generates added value and employment.

All this translates therefore not only into a project of extraordinary employment, but it also lays the basis for a quality tourist industry and for a greater knowledge based on the cultural and artistic heritage (culture and communications industries, technological innovation of the preservation systems).

The Medium Term: the Necessary Reforms, the Essential Choices

The operational projects related to individual subjects must be based on a general condition of the Country, which must be attractive to investments, efficient and productive, that allows in other words to multiply the value produced by the individual projects.

For this reason structural reforms are essential in the framework of social equality, social inclusion and social advancement.

THE REFORMS

Education

Public education, national and secular, is an extraordinary asset of our Country, which has been suffering from budget cuts and lack of investment.

The targets of the reform are:

- raising the compulsory schooling period to the age of 18 (with a strengthening of the period between the ages of 0 and 8 and in technical education);
- an efficient fight against school dropout;
- lifelong learning;
- a policy for the right to study that increases enrolments in the universities and the number of graduates;
- an actual free education, especially in the first compulsory years.

The Public Administration

A coordinated reform of the institutional setup in two directions:

a)

- a reduction in the number of institutional levels with relation to the assigned functions;
- the aggregation and merger of levels, in particular of the municipalities;
- the enhancement of the administrations through the review of the stability pact for investments and the offer of services to the person.

b)

- the reopening of the bargaining, with the final definition of a contract for public-sector employment, rebuilding the reform of public employment after the legislative interventions;
- the restoration of second-level bargaining, which is essential to introduce actual and efficient organizational innovations of process and of product, reconsidering the outsourcing already made;
- the tackling of the issue of employment, with the reform of the hiring and the stabilization of temporary workers.

Local Public Services

Re-organization of the local public services by aggregation and catchment areas (e.g. single regional integrated rail/road transport companies).

Legality

Restoring legality checks in the economic cycle is a source for the discovery of clandestine workers in the illegal circuits, with positive effects on the national and local budgets, on work and on fair competition. For these reasons it is necessary:

- to strengthen the current laws against corruption in the public and private sectors;
- to revise the Public Procurement Code, by introducing greater protections against the mafia infiltration;
- to set up a plan for fighting tax evasion with the full involvement of Local Authorities;

- to reintroduce the crime of false accounting and to introduce the crime of self-laundering;
- to introduce stricter rules against the "gangmaster system" (illegal recruitment of cheap labour through intermediaries) and to favour the surfacing of undeclared work by bringing migrant labourers into line with the law and cancelling the crime of illegal immigration;
- to revise the Anti-Mafia Consolidated Act;
- to valorize the potential of the companies and of the assets confiscated from mafia members, with the purpose of creating a new employment plan directed mainly to young people.

The Public Intervention and the Medium-Long Term Planning

The cultural revolution includes the end of the age-old debate according to which the State must get out of the economy, or, in the most recent version, it must reduce the scope of its intervention. If we want to build a new development model, or more brutally said, if we really want to stop the decline, to fight de-industrialization and restart the growth of the Country, public intervention is not only necessary, but essential.

The following are the guidelines of public intervention:

- The industrial policy
 - how to finance and to direct public research and how to support the private one;
 - how to network (e.g. the transportation chain, from routes to vehicle manufacturing, to the definition of innovative methods to fuel private vehicles);
 - the driving and orientation function of the investments of the networked companies;
 - the energy policy;
 - the role of public-sector companies, their integrity and growth (e.g. Finmeccanica);
 - the intervention on the companies (sectors) that are necessary to the quality of the Italian production and to the protection of employment;
 - the support to exports;
 - the environmental protection;
 - the green economy (e.g. green chemistry and ENI).
- The creation of public demand and commercial and sales policies
- The creation of infrastructure and the innovation criteria thereof
- The housing and town-planning policies
- The innovation and digitization processes
- The enhancement of the artistic and cultural heritage and the protection of the territory
- The national and local welfare

The much-"demonized" welfare deserves to be dealt with on its own.

While reaffirming that welfare is a development factor in an economy, we must emphasize that it also includes dealing with the new "social question" and with the evolution of development, which must tackle the issue of the production of common goods.

It is not only a question of terminating the policy of budget cuts, it is also necessary to look at the demographic trend, and to define a new social pact that may guarantee quality of life.

Welfare today must include the production of collective goods (the support and care of people must be considered as such, not as unpaid invisible work, but a service system).

It is not therefore a "client" policy, or a policy substituting labour income, but welfare and a usable translation of the constitutional rights.

The idea is not, therefore, to reduce the scope of public intervention, but to improve it, reorganize it, make it transparent and autonomous from share-outs, to guarantee universal basic levels,

integration, active ageing, guarantees for young people (youth guarantee, European scheme).

Good Employment and Decent Work

First Annotations

To promote work means the direct creation of jobs, (in particular for women, new employment creates new jobs that we could define indirect occupation), also through incentives to facilitate fiscally, above all and at a greater extent in disadvantaged areas, the hiring of young people and of women, and the rehiring of long-term unemployed people, on a permanent contract.

The regularization of the migrant workers.

The universal extension of maternity legislation.

The introduction of tax credits for stable hiring in the green and blue sector.

To achieve this, a true reform of active labour policies is necessary.

A reform of active labour policies and the building of the lifelong learning system (through a more tailored and efficient re-use of public resources in this field), starting from those who cannot find, lose or interrupt an activity, or for those who have to update their own competences, to be developed at regional and territorial level.

The need to redefine social safety nets that are really universal must provide for a continuity income between one job and another.

We wish to underline that work must receive a decent pay (we have to fight the increase of poorly-paid work) and regulated by a contract, as emphasized by the ILO and by the world union organizations in their platform for “decent work”.

Decent work means protecting the worker and qualifying work.

Safety on the workplace is the first rule, whose necessary pre-condition is the restoration of a serious check policy.

Quality work means favouring knowledge and skills, therefore lifelong training.

Quality work means defining a good work organization, a subject that is underrated in the discussion about innovation and the use of technologies. The disappearance of a single organizational model cannot translate into the absence of bargaining and regulations.

Qualified work means job security and an adequate pay.

All this means bringing bargaining back to the fundamental subject of the regulation of work activities.

A New Quality, a New Bargaining Model and a Role for the Social Partners

Implementation of the inter-confederal Agreement of June 28th, 2011 about the two-level bargaining system:

- the national contract [CCNL] - level for the general definition of protections, rights, purchasing power and the regulated inclusion of all the work relationships;
- the second level for the implementation of the subjects thus referred by the CCNL in the matter of work organization, professionalism, pay increase.

On the basis of an agreement/law on democracy and representation (of which the June 28th agreement defines the premises) renovating the elected trade union representatives in the private sectors and starting the certification of the trade-union actors' representation, developing trade-union democracy.

Experimenting forms of workers' participation in the choices of the enterprises, in the definition of targets, in their realization.

Collective bargaining shall also have the task of promoting new, stable quality jobs and of

regulating precarious work and atypical forms of employment.

This requires the system and individual enterprises to realise the need for the business system to increase investments, to take the value of work as a strategic target for the enterprise, to deliver process and product innovations, to employ more resources in research, to favour the aggregations of enterprises and the increase in their size in order to strengthen their ability to face the international competition, generating at the same time more growth for the Country.

The environmental sustainability of production, health and safety cannot be variables excluded from the investment choices of the enterprise.

At this time of crisis it is even more important for the enterprises to give attention to the social aspects (without ignoring, for instance, the specificities of gender, maternity and women's employment), also in line with the European principles of corporate social responsibility.

In particular semi-public enterprises should take upon themselves the promotion of investments that, beside their competitiveness, increase the system's competitiveness, productivity and the spread of social infrastructures.

At Territorial Level

Work is necessarily linked to welfare and to territorial systems; for this reason social bargaining at territorial level and the trade-unions' relationship with Regions and Municipalities can become the moment to activate, adapt and verify the Priority Plans for growth, support to SME's and the implementation of the New Program for Jobs.

The social and territorial bargaining can contribute to a fairer utilization of resources and to a fairer use of the fiscal levers in a moment of crisis of the local finance.

Social and territorial bargaining is a tool for the spread of a homogeneous welfare locally in the Country, also as an opportunity to increase new and good employment and as a vehicle of innovation and social enrichment.

The social and territorial bargaining of welfare shall put at the centre of the reform the homogeneous spread of the levels and quality of universal welfare and the public governance of priority services, namely education, health, safety.

Social and territorial bargaining, pending new laws, that are already operational in other European Countries, is the tool to guarantee a truly equal access to rights and services for all the citizens and to avoid discriminations of any kind.

THE PROGRAM FOR JOBS PROPOSES A METHOD

Anticipating the files of technical details, we have identified the main projects on which it is urgent to intervene as:

- a) hydrological reorganization of the territory (extraordinary plan);
- b) non-invasive agriculture, compatible with safety and the environment;
- c) anti seismic prevention measures for the building heritage;
- d) implementation of safety measures in the school buildings;
- e) non-invasive building development linked to processes of urban requalification and energy saving;
- f) development of shopping centres, new consumption patterns and valorization of the cities;
- g) energy saving and reduction of energy costs through the use of renewable sources;
- h) "intelligent" networks for the management of electric power flows;
- i) environmental protection and reclamation of polluted sites;
- j) local public transport;
- k) infrastructures for logistics;
- l) safety of navigation and ports system;
- m) local public services;
- n) waste cycle;
- o) valorization of disused buildings;
- p) digitization of the Country;
- q) reform, rationalization and efficiency of the Public Administration;
- r) reform of education;
- s) welfare;
- t) appraising the establishment of a national investment bank.

The Implementation Profile

The Program for Jobs pursues policies for the creation of stable and qualified employment, in a process of social and environmentally sustainable growth, on the side of the public and private demand for investments, consumption, common assets. The Program for Jobs starts from the needs, the backwardness, the great potentialities of the Country to introduce innovation on the offer side (technological, organizational, administrative, social, institutional, systemic) under the banner of social and territorial cohesion.

The Program for Jobs proposes new methods for the implementation of economic and industrial, national and territorial, policies, devised according to the needs of the Country, multi-year guidelines, priority programs, operating plans, moments of verification and analysis of the results.

The Program for Jobs, being activated by the demand, needs a governance in which both the territorial institutions (authorities, social forces, research institutions) and the real economy actors operating therein participate.

Since its planning stage, the Program for Jobs has been open to the theoretical and practical contributions of the civil society, with particular attention to the world of non-profit associations and youth.

An Ideal Route

The ideal route should see a strategic framework defined by the national government, discussed with the social partners and transformed, in agreement with the State-Regions Conference and the

Local Authorities, in multi-year policies. With the social partners, the universities, the research centres and other entities, the Regions and the Local Authorities define operational projects which, consistently with the multi-year policies, tackle the regional and territorial peculiarities.

The Program for Jobs is implemented through public-public (national, regional, local) and public-private co-financing lines, subject to the approval of the Operational Projects and to realization checks, at the conditions, pre-set each time, of need, feasibility, innovation, involvement, etc.

A Proposal for a Method and for the Assessment Grids of the Operational Fields and Projects

Quantitative Grid: the importance of the subject, its territorial dimension, the degree of territorial efficiency, in particular in the Southern regions, the costs of the project and for its realization, the benefits generated with reference to the remaining territorial system, its potential in generating jobs, the number of training contracts activated, the duration of the Project, its capacity of involving public and private enterprises, either national or not, etc.

Qualitative Grid: the capacity of producing and transmitting innovation, the required levels of competences, the features of the necessary work, the degree of involvement of research, the enterprise organizational models, the possibility of creating networks of enterprises, the possibility of spreading knowledge, the capability of transmitting competences, the involvement of young people and of women, etc.

Sustainability Grid: the degree of environmental sustainability in the perspective of not dispersing the resources and of their valorization; financial sustainability with reference to the available public resources and to the capability of attracting private resources; social sustainability, as the measurement of common welfare, the quality of life of the communities, the integration effects, the release of resources, etc.

The Start-Up

The Program for Jobs is open to contributions, integrations, improvements, in terms of both the route and its projects.

The Program for Jobs aims at discussing with the next Government and with all the administrations, in order to produce job creation and growth policies.

The start up phase of the Program and its concrete implementation are entrusted to the consultation and unitary territorial bargaining which, on the basis of the experiences made in the past few years, has been able to build a solid wealth (even though not a homogeneous one) of understandings and agreements between the Social Partners and the territorial Institutions.

The activities of the regional and territorial union structures, since they carry out representative functions different from and wider than their own, shall experiment with practices of effective participation, of exchange, of cooperation and of verification with the civil society.

Thanks to the very open and shared nature of the Program for Jobs, other collective subjects may solicit the Institutions to satisfy social needs, by defining innovation Projects for the territory.

THE FINANCIAL SUSTAINABILITY OF THE PROGRAM FOR JOBS

In order to realize the New Program for Jobs, resources are needed to be devoted mainly to:

- a) Priority projects (4-10 billions Euros per year);
- b) programs of the extraordinary Plan for the direct creation of employment (15-20 billions Euros per year);
- c) employment support, reform of the labour market and social safety nets (5-10 billions Euros per year);
- d) plan for a New Welfare (10-15 billion Euros per year);
- e) tax reimbursements (15-20 billion Euros per year).

The total necessary resources amount to about 50 billion on average in the 2013-2015 three-year period, partially additions, partially replacements (obviously we do not assume that they shall be fully implemented in the first year).

The resources may be recovered through:

- a) an organic reform of the tax system, based on a structural recovery of the evaded income, a widening of the tax base, a higher progressive rate of the overall taxation may generate higher tax revenues for about 40 billion Euros per year;
- b) a reduction in the costs and in wastes of politics and a redistribution of the public expenditure may generate at least 20 billion Euros of structural savings;
- c) reorganization, incentives and transfers to the enterprises, to recover at least 10 billion;
- d) utilization of a part of the resources of the banking foundations (for "collective values and common interest purposes", as envisaged by the Italian Law 218/1990), especially for the Plan for the New Welfare;
- e) a planned utilization of European Funds;
- f) unbundling of investments from the application criteria of the Stability and Growth Pact;
- g) utilization of the pension Funds through projects to favour the channelling of savings flows to the financing of long term investments, guaranteeing their social-securities returns;
- h) the "Cassa Depositi e Prestiti", similarly to the French "Caisse des Dépôts", must consolidate the mission of utilizing its long and very long term bond issues to attract capitals, beyond the time horizon of the traditional operators, towards development and infrastructure projects for strategical and long term investments, both for the Public Administrations and for the industrial companies, thus becoming one of the essential partners for the innovation and the reorganization of the National Economic System.

Annex 1

The Crisis

The global economic, financial, demographic, environmental and democratic crisis, which has by now lasted for five years, has led to a slowing down of growth at world level and to its slump at European level. Italy has been technically in a recession since 2008 and it is not expected to get out of it in 2013.

Up to now the interventions imposed by the European authorities have only been on the austerity side: cuts in public expenditure to reduce the sovereign debt and to rebalance public budgets in the hope of obtaining the confidence of the markets. This has produced a further impoverishment of the weakest Countries, an increase in unemployment and in inequalities, the compression of labour income and rights, especially to the detriment of the new generations. The increased distance between richer and weaker Countries and between individuals does not help in restarting the European and world Economy.

The architecture of the Euro Area (ECB, Treaties, etc.) and the European economic policies (the Stability and Growth Pact, The Euro+ Pact, the Fiscal Compact, etc.) are not structurally able to stem the crisis, to reduce the economic and financial imbalances and to guarantee the future for a new "intelligent, inclusive and sustainable" growth (EU 2020 Agenda).

The Euro system, which was born fragile due to the absence of a political governance of the currency, is now in a deep crisis. The spreads describe a situation of different interest rates due to the divergence of the actual exchange rates.

In the absence of rules, European and national, for the reform of finance, at the end of 2011 the notional value of the derivatives on the financial markets rose again up to nine times the world GDP and 'sick' finance continues to pollute the real economy. To paraphrase Gresham "Bad finance drives out good finance".

The excessive financial power, which also utilizes market speculation, attacks the European Countries that have most suffered the joint effects of the structural imbalances caused by the single currency, of the abnormal debt growth and of the global crisis. The market, when it is not regulated, amplifies the instability phenomena instead of mitigating them, and it also interferes in the dynamics of democracy and determines real political shifts through pressure on economic accounts.

In the Euro system no Country is able to achieve a stable balance of the accounts, due the impossibility of utilizing the currency lever, in the absence of choices from the political, economic, fiscal and social governance of Europe. Europe is divided between stagnating Countries and Countries in recession. The European policies are imposed by the stronger Countries on the international banking and monetary institutions. The stronger countries do not pursue the idea of a balanced and common growth of the European economy. European policies are driven by Countries which do not believe in a possible economic cohesion of a 27-member EU.

The redress and austerity policies recently imposed by the European Council (together with the CEB and the IMF) to contain instability, do not work and do not guarantee the survival of the monetary Union and have recessionary effects; they push back the possibility of a recovery, and in fact they give up the European targets of full and fair employment, of social cohesion and development, while they do not even achieve a reduction in public debts.

The financial constraints placed by the tools of the European economic policy have significantly reduced the economic interventions that can be made using public budgets. Also the resort to

private capitals and financing is limited by the critical conditions of the banking system and by the contraction of demand.

The reduction in the financing from public and private budgets prevents the growth of the economy and a lasting recovery of the public budgets.

Financial stability is a necessary condition for growth, but the recession, the contraction of demand and of consumption make a lasting financial stability impossible.

Essentially growth is functional to a lasting health of the public accounts.

Europe continues to suffer from the shortage of aggregate demand and from the internal macro-economic imbalances that have built up especially in the last decade.

Finance is no longer at the service of the real economy. With the most recent European decisions about the financial and credit systems, the banks are more cautious in the supply of credit and use the new resources for "internal" necessities for the settlement of the banking system:

- they buy government bonds;
- they increase interbank interest rates and restrictive conditions;
- they increase the request to the clients for precautionary guarantees (especially collaterals);
- they do not supply credit to the enterprises;
- they do not use the credit policy in a counter-cyclical function.

European aid to the Countries in difficulty is given exclusively against "austerity" policies which, with cuts to the public expenditure and increased taxes, worsen the crisis, unemployment, the fall in the income and in the demand, the reduction of wages and salaries.

Italy, which has been for too long marginalized on the European stage due to the Berlusconi governments, is paying a very high (economic, social and political) price to be readmitted among the stronger Countries; it must now find the strength and the alliances to agree upon European policies for growth and to control monetary and financial speculation.

The last Italian Government, inspired by the European policies, has implemented measures of financial austerity, stabilizing the emergency with decisions of indiscriminate cuts to public expenditure, increasing taxes, especially on "fixed" income and with microeconomic measures again on the supply side or in the logics of competitive devaluation on the cost side, in particular of labour costs.

The consolidation of public finances and the reduction in the stock of public debt are necessary, besides being a European constraint, but they require a choice of European mutualisation of the debt and a "golden share" for good investments, in order to release resources for growth.

To this date, because of the lack of a European economic *governance* it is not possible to regulate private finance (for instance the tax on international financial transactions), mutualising the European public debt (for instance the issue of *Eurobonds*), choosing expansion macroeconomic policies in order to favour investments. A new European economic policy is needed to allow growth, to aim at full employment and to consolidate the public budget; without this new policy the national spaces are more limited.

Annex 2

Italy

The liberal policy, totally enacted on the side of supply and of the competition on costs, in Italy has led to considering as irrelevant and residual the quality of work, of production, of the added value of a large part of the Italian industrial system, and it has imposed the “structural reforms” as the only answer, essentially a subordinate and defensive one, to globalisation. Together with the lack of investments and the loss of productivity, such process has caused a decline, which has been denounced by CGIL, since 2004. For this reason Italy adds to the financial crisis its own structural crisis.

The finance-based economy and the attempt to retain the acquired positions without investments have paralysed the Italian industrial capability. The net result of the first decade of the 2000's can be easily summarized as: not much quality, not much knowledge, not much innovation in the manufacturing processes; not much national income to redistribute and reinvest; unequal distribution of wealth, delocalizations; avoidance of tax, of contributions, of administrative procedures, of rights and of safety procedures and devices; environmental degradation.

The liberal policy in Italy has created the systematic transformation of labour in a savings factor in the manufacturing costs, as the latest deregulations in the matter of shop-opening hours have demonstrated, lowering salaries without increasing employment.

This defensive, short-sighted strategy contributes to freezing a manufacturing specialization at a low technological level and with a low knowledge use, as well as a persistently too small size of the Italian enterprises and their excessive turn-over. The recalled factors concur to the progressive reduction in the internal demand and to the Country's growing dependence on imports.

For Italy, the imbalance of the balance of trade is the other side of the coin, that contributes to determining the imbalance of the public budget and, therefore must be confronted by sustaining the aggregate demand and not through deflationary policies.

Italy has been growing less since the 1990's: for this reason the crisis is currently deeper than in the main European countries and increases the economic and financial imbalances.

The industrial policy has been almost absent in the Governments of the last 20 years (both in strategic sectors and in declining ones) - with the exception of the Government Bill “Industry 2015” that was not implemented – with the effect also of boosting rents to the detriment of hard investments and of discouraging research and innovation.

The service sector, which has long represented an employment alternative to the decline of the manufacturing sectors, is undergoing today a new, deep crisis, showing the limits of a model conditioned by the contrast between industrial manufacturing and related services.

The Italian welfare has been considered as a cost and not as a resource.

The lack of social infrastructure and of services in wide areas of the Country contributes to keeping women outside the productive system.

In the public sectors, the so-called “legislative” innovation processes have not been accompanied by investments in facilities and training. An employment policy has been continued instead, based on cuts into the labour force and on the massive utilization of precarious workers. All this has increased backwardness and inefficiency and has contributed, in the perception of public service

users, to increase the distance between the citizens and the public administrations, in addition to making the public services unstable, thus causing the low productivity of the system.

The labour legislation has favoured the use of precarious workers, a smaller unionization and contract-based protection of atypical work, the insufficient placement of disabled workers as well as of immigrant men and women, the discrimination of workers by age, personal opinions, sexual orientation and gender identity, thus emphasizing the differences and the segmentation of the job market.

The crisis and the austerity policies further reduce public investments, both in the more traditional activities such as construction and infrastructures (characterized by a growing temporariness of the work relations) and in the strategical sectors such as education and research.

In a European crisis, which is today mostly due to an insufficient demand, Italy has structural deficiencies on both the demand and the supply sides:

1. Deficiencies on the demand side:
 - a) investments are stopped or detoured;
 - b) consumption is at its historical low level;
 - c) savings are decreasing;
 - d) confidence and expectations are decreasing;
 - e) a “systemic” low productivity (infrastructures, company capital, regulations, etc.);
 - f) low wages and salaries (in the latest years lower than inflation);
 - g) profits reinvested in non-productive activities (rents);
 - h) unfair taxation system which discourages the real economy.

2. Deficiencies on the supply side:
 - a) low added value of products and services;
 - b) a scarce innovation in industry, services and the Public Administration;
 - c) a prevailing very small size of the enterprises;
 - d) a productive specialization with a low technological and knowledge intensity;
 - e) a low propensity to internationalization;
 - f) inefficiency of the financial services and a difficult access to credit, an insufficient regulation of the markets and of competition;
 - g) lack of innovation (low investments in ICT and R&D, especially at the basic levels, etc.);
 - h) energy inefficiency with ensuing high costs;
 - i) diseconomies of scale in the ownership structures and management;
 - l) the inefficient degree of utilization of the installations;
 - m) a downsizing of the offer of public services combined with a strong reduction in the financial capability of local autonomies.

The austerity policies adopted in Italy have further depressed demand.

The public demand of goods and services must be oriented to spreading innovation and recovering the delays of the Country. It can, in this field, attract and mobilize private resources and investments and increase the multiplying effect on income.

Annex 3

Employment

The economic and employment crisis highlights the end of two decades of the dominant neo-liberal thought that in Italy has been based on an alliance between profits and rents to the detriment of labour (which, between 1980 and 2012, has brought to an 8% decrease in the national income share devoted to salaries), and thus of wages and salaries, and of employment.

The job market has been further fragmented into many separate segments which do not communicate with each other: young and less young people, men and women, permanent and temporary, legal and illegal, educated and not, public and private, northern and southern, employed and self-employed and fake self-employed, agriculture, industry and service, migrant and stable workers, large and small enterprises, etc. There is a worrying increase in relative poverty and in the inequality between workers in the different segments and inside each segment.

With the crisis, the Italian job market has further fallen apart: those who have intermittent careers have an even more difficult access to a “stable work”; traditional work itself becomes unstable, poorer and less protected, due to the structural weaknesses of the production fabric, of work devaluation policies, of the lack of an industrial policy. The wait to have access to the job market has become too long; those who get out of the stable work circuit find it difficult to get back in again.

The chronic, unregulated insecurity of the public and private job market, in Italy, has led to the creation of thousands of professional cooperation relations that disguise contracts of subordinate and salaried work. The laws of the last Italian Government have caused the expulsion from the workplaces of thousands of fake collaborators instead of making their positions stable.

The Italian crisis first, and the world one later, have caused an increase in the structural unemployment rate (the unemployment rate in Italy has long been higher than 10% and the incidence of long-term unemployment continues to increase).

The unemployment and under-employment of young people and women (which was already higher in Italy) is high and growing, which adds to the mass of workers covered by the income support fund or under “mobility” conditions (the women’s unemployment rate is higher than 12%; the young people’s over 37%, with peaks exceeding 40% in the South of Italy). The care, assistance and relationship jobs are still not acknowledged and underpaid.

The number of the so-called “NEET” (young people who do not work or study) has long been over 2 million. This rate of non-employment and non-education costs about 27 billion Euros per year as loss of national income and loss of welfare.

Italy has the lowest expenditure in Europe for the fight to youth unemployment and for active work policies (welfare to work). On the other side it has the highest “young brain” drain.

Italy has always had a strong incidence of “undeclared work”: in the past few years, according to several estimates, the share of undeclared economy has been equal to 1/4 of the GDP.

According to the National Statistical Institute (ISTAT) 800,000 women have left their job after childbirth for several reasons: from the pre-signed “blank” resignations to the lack of services. About 30% of mothers stop working for family reasons: the women’s employment rate decreases as the number of children increases. To the opposite, women’s work creates development because it creates a demand for goods and services and creates in turn other work for women. The Bank of

Italy and the OECD calculate that the increase in the Italian GDP in the presence of a women's employment rate of 60% would be 7%.

Inactive workers remain about 15 million (26.8% of the male labour force and 48.7% of the female labour force), among whom "discouraged" and irregular undeclared workers.

Only one new contract out of three is a permanent contract, during the crisis even less. Precarious work has come to involve 4 million people. Fixed-term work, which should be activated for peak needs of the activity, is used to replace permanent work. The turn-over in the last 10 year has recorded a strong increase among employed workers and fake self-employed workers.

Competences and knowledge are too often outsourced and kept outside the enterprise system. The excess flexibility wastes professional resources and creates low productivity and low wages (8% of productivity has been lost only in the 2000-2010 decade because of the increase in temporary jobs).

The balance of twenty years of work flexibility policies, far from having redefined the new paradigms of full and stable employment in the post-industrial age, has widened the area of economic non-self-reliance of entire generations, restricting the necessary innovation processes that also the service sector needs.

Unemployment, non-employment, under-employment, discouragement, inactivity, irregular work, segmentation of the job market and non-valorization of the competences are generated by the regressive characteristics of the Italian economic development, and not vice versa. There has been no demand for competences by the economic system.

The work demand and supply do not know each other, do not communicate, are not guided (in the wrong conviction that in a free market demand and supply meet spontaneously and set the fair price). High and medium education profiles have no corresponding demand, the same way as high and medium professional profiles are not easily found on the market. The necessary active work policies are not implemented and professional training is scarce and inadequate.

The prevailing economic culture in Europe and in Italy disparages the role of work in the production of value and its role in the social system. The labour policy implemented in Italy is in contrast with the constitutional principles (arts. 1, 3 and 4 of the Italian Constitution).

Economic liberalism and the crisis have also impoverished the knowledge of labour transformations: its quantitative dynamics and its different qualitative characteristics are not studied disaggregated by segments. Also the enterprise world tends to neglect the organizational models for the use of labour and their different consequences on productivity and efficiency. The productivity targets of the enterprises have moved from investments to the indicators of attendance and worked hours.

Annex 4

Hypothesis of the Impact of CGIL's Program for Jobs Prepared by CER (European Research Centre)

Notwithstanding the weight of the European situation and the structural limits of the Italian condition, a way out of the crisis is possible. It is necessary, therefore, to take new paths, not conditioned by old interpretations or bent by the resistance of corporative and parasitic interests. Against the recessionary austerity, a "great push" is needed towards development policies supported by a new public intervention.

This possibility is corroborated by an econometric simulation prepared by the CER which has calculated the macroeconomic impact of CGIL's Program for Jobs.

In summary, on the basis of the resources recovered through the reforms proposed in the Program (taxation, public expenditure, European funds, etc.) a simulation has been realized of the following economic measures from 2013 to 2015:

- priority projects and programs for 5 billion Euros;
- an extraordinary program for direct job creation for 15 billion Euros;
- a support-to-employment policy for 10 billion Euros;
- tax reimbursement for 15 billion Euros;
- Program for New Welfare (5 billion Euros, calculated with the implicit consumption deflator).

Compared to the basic scenario (based on the previous measures, in the absence of new policies) over a three-year period the activation of the Program for Jobs could generate, in cumulative terms, **a new GDP growth equal to +3.1%, +2.9% of new employment, on the basis of new investments (+10.3%), an increase of the available income (+3.4%) and of the households consumption (+2.2%), together with a further increase of exports (+1.8%), reducing the unemployment rate in 2015 at the pre-crisis level (7%).**

The following table, for instance, shows a simulation of the impact of the Program for Jobs over the current three-year period as difference with a basic scenario based on the current measurements and forecasts:

	Basic Scenario			Impact of the Program for Jobs		
	2013	2014	2015	2013	2014	2015
Gross Domestic Product	-0.5	0.7	1	2.2	0.8	0.1
Imports	1.7	4.5	4.8	6.4	0.2	1.3
Households Consumption	-1	0.6	0.5	1.4	0.3	0.5
Gross Fixed Investments	-1.5	1.4	2.8	6.7	2.5	1.1
Exports	3.2	4	4.6	1.4	0.4	0
Inflation	2.4	2.1	2.2	-0.3	-0.3	-0.3
Unit Labour Cost (ULC) of the Private Sector	1.8	1.3	1.7	-2	-0.2	0.3
Employment	-0.4	0.5	1	1.9	0.6	0.4
Unemployment Rate	11.3	10.8	9.7	9.6	8.5	7
Real Available Income	-0.8	-0.2	0.3	2.4	0.3	0.7
Public Debt (% of GDP)	127.3	125.5	122.8	126.7	125.9	124.8

NOTE: in the example in the table, the public debt, just for the effect of the expenditure measures envisaged in the Program for Jobs, would decrease to 124.8% of the GDP. If also the "income policy" is adopted as envisaged in the Program for Jobs, the public debt would decrease at least to 122.8 (as in the basic scenario).

Impact of CGIL's Program for Jobs Depending on Different Methods of Public Intervention

The CER has also highlighted the different impacts that would occur, again with reference to the **Basic Scenario**, in the 2013-2015 three-year period, with reference to the Gross Domestic Product (GDP), employment and reduction of the public debt, if there were a public intervention in the following way:

Scenario 1 with the simulation of the effects of a 10 billion Euros cut in the Personal Income Tax (Irpéf) in 2013

Scenario 2 that estimates the impact of a cut in the Irap (regional company production tax) again for 10 billion Euros in 2013

Scenario 3 which takes into consideration a VAT cut in the same terms

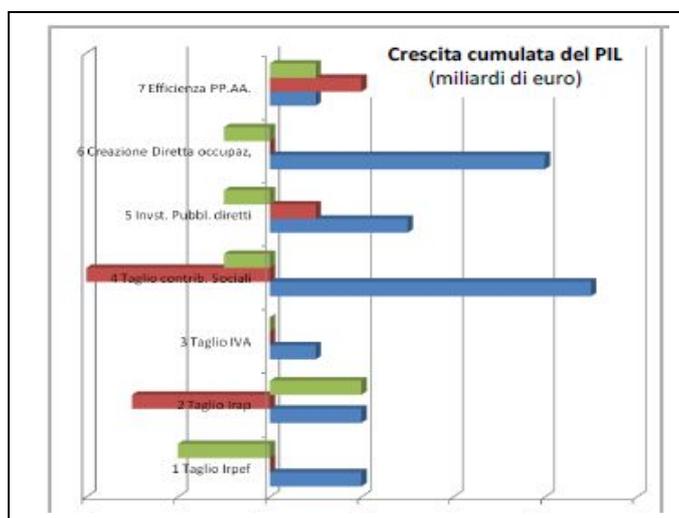
Scenario 4 which assumes a cut in the social security contributions of 10 billions Euros in 2013

Scenario 5 the one relative to the increase of the expenditure for public investments for 10 billion Euros

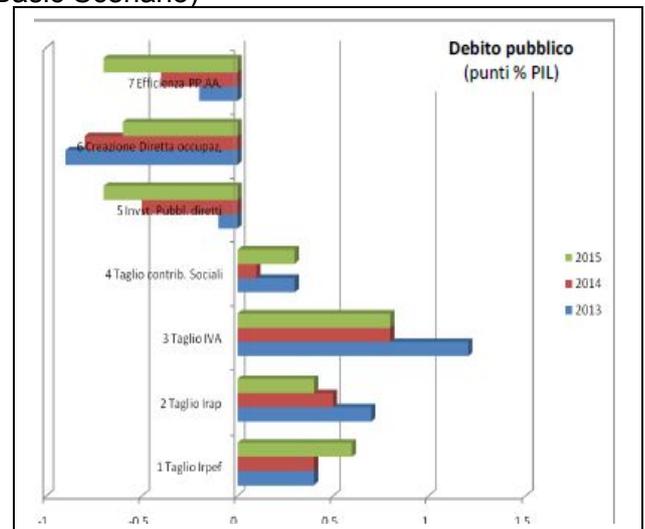
Scenario 6 which assumes an increase in the number of public employees for about 175K units in 2013, equal to a higher expenditure for about 10 billion Euros

Scenario 7 simulates the effects expected from an investment of 10 billion Euros for a desired better efficiency in the management of public resources

Simulation of the Impact on the real GDP and Public Debt of the Different Scenarios – 2013- 2015 (differences from the Basic Scenario)



Cumulative GDP Growth (billion Euros)



Public Debt (GDP % points)

Legenda: 7 – Efficiency of Public Administration
 6 – Direct Employment Creation
 5 – Direct Public Investments
 4 – Cut into Social Contributions
 3 – Cut in VAT
 2 – Cut in IRAP
 1 – Cut in IRPEF

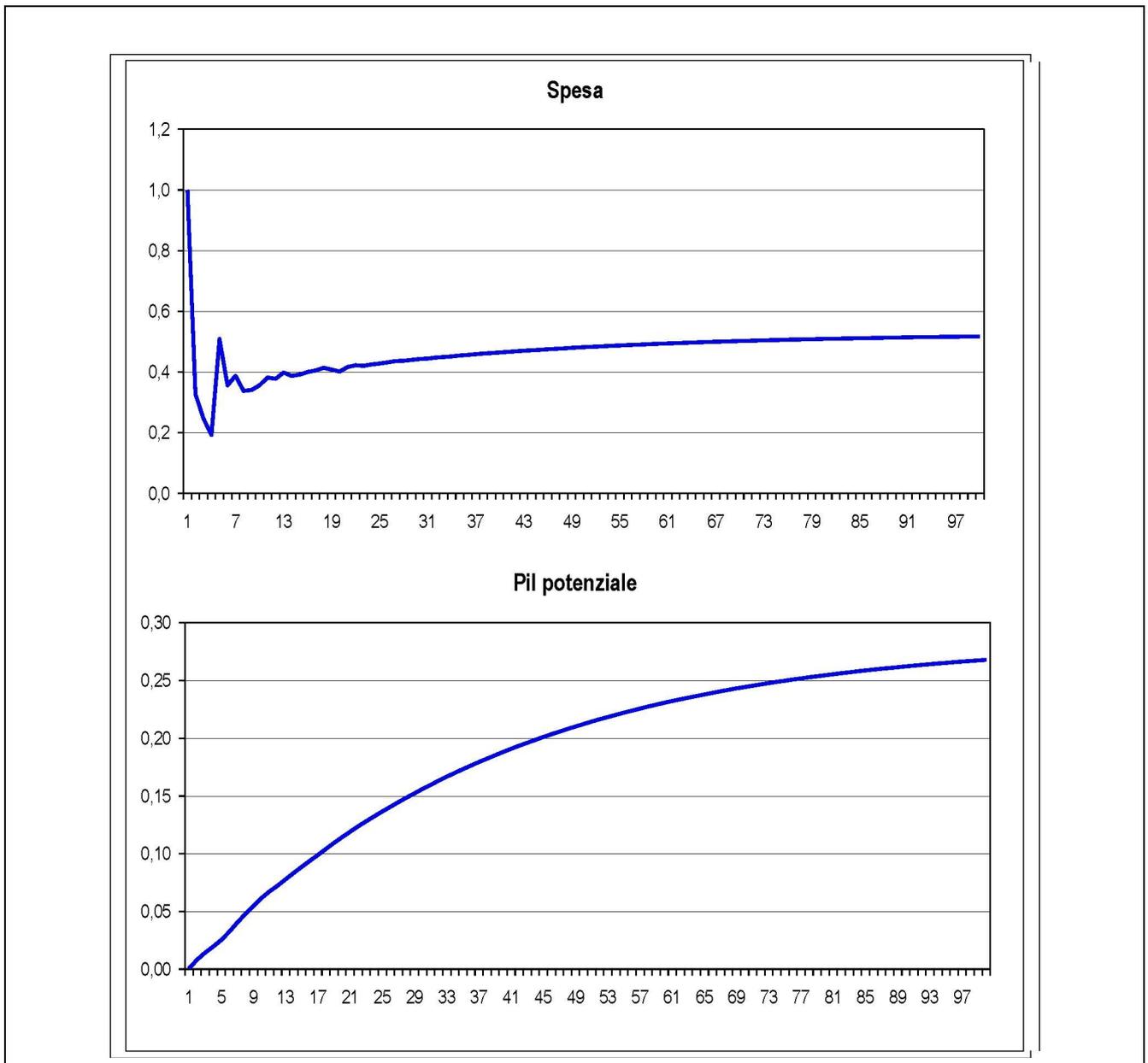
Impact of CGIL's Program for Jobs over the Long Term

Through a further level of econometric processing, the CER has estimated the stimulus of direct public intervention on the potential GDP, thus demonstrating that an increase in the investments (first public, then private ones), in addition to determining an increase in the demand, also increases the stock of capital and therefore the long term potential for productivity. An increase in the employment linked to the increase in the aggregate demand thus increases the stock of jobs

and the potential growth level.

By simulating over the long term the effect of a *shock* of public expenditure as envisaged in the Program for Jobs, for instance equal to about the increase of a GDP percentage point, the impact on the potential growth is positive and permanent, without structural and non-sustainable increases in such expenditure.

Simulation of the Impact of a Shock of Public Expenditure over the Long Term



(percentage points per number of months)

Legenda:

upper box: Expenditure

lower box: Potential GDP

All these simulations show how the impact of the measures envisaged in CGIL's Program for Jobs represent a strong thrust to counter-cyclical policies and, in particular, analysing the *Scenarios* with reference to the different methods of public intervention (4 fiscal incentives and 3 direct public interventions), it becomes evident that only direct public interventions allow reducing the debt, besides improving the GDP growth, in all the three years examined.

This represents a further demonstration that the many clichés that mortify our public discussion do not help in searching for new and efficient paths out of the crisis.

Annex 5

A Radical Tax Reform that Shifts the Axis of the Tax Levy

CGIL is fighting for a tax reform based on a greater progressiveness of the overall taxation, shifting the tax burden from “fixed incomes” to the unproductive or parasitic wealth, that are not taxed enough, on a greater levy on speculative financial transactions, on great wealth and on financial rents, shifting the tax levy and burden in favour of paid employment and of the production of goods and services.

It envisages, in particular:

- a) a structural plan for the preventive fight against the tax and contributions evasion/avoidance and against the undeclared economy. It is possible to program a reduction of the tax and contributions evasion by 10% in 2014 and by 20% in 2015, envisaging specific and mandatory Budget entries within the public finance Laws;
- b) the introduction of the structural Levy on the Large Wealth (LLW), as a replacement of the local real estate single tax (IMU);
- c) to make the Tax on the international Financial Transactions (TFT) more efficient, especially in order to drastically reduce short-term financial speculation (the one that creates difficulties also to sovereign debts), which by its very nature needs many financial movements, and to release resources for “real” investments, which generate growth and employment;
- d) as an alternative to the VAT increase envisaged by the Government, which has a regressive character and raises inflation, it is possible to increase the taxation of financial rents (currently at 20%, excluding government securities), still below the actual European average;
- e) the introduction of environmental taxes, consistent with the European indication on the basis of which “whoever pollutes, pays” (CO2 emissions, generation of toxic waste, consumption of fossil fuels), while providing for rewarding dynamics.

If these are the proposals also for an immediate and extraordinary financing of the Program for Jobs (it must be remarked that the CER’s simulations, as per Annex 4, **do not calculate** the relevant revenues increase), the other proposals remain on the table, for the revision of the personal income tax (IRE) structure:

- a) the increase and the unification of the current tax-free amounts for labour and pension incomes;
- b) a correction of the tax curve in a more progressive manner, starting from the reduction of the first tax rate from 23% to 20% and of the third rate from 38% to 36%;
- c) the increase and the linearization of the deduction for paid employment and the equalization of the deduction for pension income to the one for paid employment;
- d) the creation of a single support tool for households, as identified by the official records, with children, to the integration of the current family allowances and the personal income tax deductions for dependent children;
- e) a tax bonus for those who are not able to enjoy the deductions fully.

Annex 6

Crisis of the Eurozone – Possible Structural Interventions

The sovereign debt crisis that affects the Eurozone requires a decisive and structural intervention aimed at making the debts of the different Member Countries sustainable, in order to realign the economic, financial and tax situation between the “stronger” or “core” Countries, such as Germany and France, and the “weaker” or “peripheral” Countries, such as Spain and, partially, Italy.

Before the crisis, the correct operation of the “Euro system” was guaranteed by a series of relationships for mutual support among Countries, the financial market and the manufacturing system:

- the ECB’s support to the liquidity of the banking system through the granting of financing guaranteed (mainly) by the Government bonds of Eurozone Member Countries (so-called collateralization);
- the ECB’s implicit support to the diffusion of Government bonds of Eurozone Member Countries thanks to their assumed assessment as risk-free securities;
- an unlimited use of the Government bonds of Eurozone Member Countries in the interbank system as collateral in the bank re-financing transactions;
- support to the demand for the Government bonds of Eurozone Member Countries by the banking system (even through their use as collateral) with an active participation in the auctions;
- support to the real economy by the banking system utilizing, inter alia, the liquidity received from the ECB.

Since 2007, with the emergence of the *subprime* crisis and then of the sovereign debt crisis, the financial market has taken stock of the actual existence of a credit risk for the Eurozone Member Countries, quoting it through credit *spreads* that are different between the “strong” Countries and the “weak” Countries (namely a different interest rates curve for each Country), also in consideration of the impossibility for the ECB to monetize sovereign debts.

The deterioration of the credit *spreads* for the “weak” Countries has reverberated in turn on their debt service cost since, upon the issuance of new bonds at the auction, the banks have asked for ever higher interest rates, in fact consistent with the *spread* levels.

The breakdown of the single interest rates curve in the Eurozone has been accompanied, on the other hand, by the circumstance that the banks (especially the German and French ones) have discriminated against Government bonds, disposing of those of the peripheral Countries they had in their portfolios and, when they are used as collateral, by applying a cut on their nominal value (so-called collateral discrimination); circumstances that have made the government bonds of the *core* Countries ever more desirable (so-called *flight-to-quality*) and have started an irreversible process in which the banks of each Country buy the government bonds of their own Country (so-called nationalization of the debt).

In this context, also ECB-subsidized interest rate financing operations were added, which, however, have not reversed the *trend* of a decline in the supply of credit to the real economy, nor reduced the appetite of the banks for other more than convenient financing sources, often to the detriment of the savers through the placement of opaque products (so-called *spread intermediation*). This aspect is of primary significance for Italy, where the savings in financial activities, accumulated over time, exceeds several times the GDP and in 2012 the propensity to save has remained very high (and among the highest in Europe) and it continues to be therefore an attraction for the banks, especially the foreign ones, which entails a net wealth transfer outside the national boundaries.

The risk transparency of financial products with the representation of their probability of preserving the capital, of losing or gaining, and to which extent, is the solution to stem this outflow of wealth and to offer a concrete protection of the savings; savings that are at the basis of credit intermediation in support of the real economy.

Of course the protection of savings is not sufficient to get out of the crisis, since the dysfunctional elements of the Euro have to be solved, through an extraordinary intervention of monetization of part of the Eurozone debt by the ECB, quantified on the basis of the size of the GDP of the various Countries (and not, as other proposals would have it, on the basis of the size of their debt), and which leverages on the financial mechanisms that have fed the crisis itself.

The intervention consists in the gradual purchase by the ECB – modifying appropriately the statutes and the treaties establishing the two stabilization facilities, the ESM and EFSF – of government bonds for about 1,900 billion Euros (a figure equal to the sum of 20% of the GDP of each Country) and in their simultaneous cancellation. The gradualness is achieved by selecting the bonds as they near their expiry date; for about 1,000 billion Euros the ECB could, on the other hand, proceed by utilising the bonds already purchased or deposited as collateral of the financings granted to the banks (so-called LTRO's – Long Term Refinancing Operations). Taking into account the average maturity of the debts of the various Countries, the minimum duration of the intervention can be estimated in 12/18 months.

The first immediate effect of the proposal would be the reduction of the *stock* of sovereign debt in the Eurozone. In particular, as the following table shows, the debt/GDP ratio is positioned under the 100% symbolic threshold for all the EU Countries (Greece excluded).

GDP and Debt of the 17 Eurozone Member Countries
(Source EuroStat and Bank of Italy – figures in billions Euros as of 31/12/2011)

Country	GDP	Debt	Debt/GDP before	ECB target (20% GDP)	Debt/GDP after
Germany	2.571	2.088	81%	514	61%
France	1,997	1,717	86%	399	66%
Italy	1,590	1,897	119%	318	99%
Spain	1,073	735	68%	215	48%
Netherlands	602	393	65%	120	45%
Belgium	368	362	98%	74	78%
Austria	301	217	72%	60	52%
Greece	215	356	165%	43	145%
Finland	189	93	49%	38	29%
Portugal	171	184	108%	34	88%
Ireland	156	169	108%	31	88%
Slovakia	69	30	43%	14	23%
Luxemburg	43	8	18%	8	0%
Slovenia	36	17	48%	7	28%
Cyprus	18	13	72%	4	52%
Estonia	16	1	6%	1	0%
Malta	6	5	72%	1	52%
1,881					

The downsizing of the sovereign debt levels would allow in turn the member Countries to avoid for some time the issuance of new debt to refinance the expiring one and, with it, the spreading of the tensions present on the market through the auctions (on the so-called primary market).

More in detail the suspension of the auctions would bring the following benefits:

- a greater stability of the financial flows linked to the management of the tax and budget policies;
- the consolidation and acceleration of the convergence process of the cost of the debt at a newly sustainable level for the peripheral Countries;
- an improved perception of the Eurozone situation by the market, with the following structural contribution to the contraction of the credit *spreads* and, therefore, a mitigation of the collateral discrimination and the revaluation of the government bonds of peripheral Countries;
- the interruption of the mechanism that allows the banks to realize the *spread intermediation*;
- an incentive for the banking system to the restart of an activity of greater support to the real economy through the financial resources that would be released by improving the capital ratio arising from the above mentioned revaluation of the government bonds of the peripheral Countries present in their assets.

This proposal has also the advantage of redistributing in a fair and virtuous manner the ECB contribution towards the Eurozone Member Countries as a proportion of the positive contribution given to the growth of European production (and not to the creation of debt), thus resulting more easily acceptable also by the *core* Countries (which have always been contrary to forms of monetization of the debt). The absolute value of the amount of German and French government bonds cancelled by the ECB would be the highest among the Eurozone Member Countries, thus realizing a kind of compensation for the disappearance of the financial benefits deriving from the current low level of their interest rates curves, among which of course the ludicrous cost of the debt.

The proposed solution would also bring, in the short term, competitive advantages for the banking system of the *core* Countries in terms of reduction of exposure to the risk of peripheral Countries. As already mentioned, in the period following the explosion of the crisis, the German and French banks have implemented operations aimed at reducing the amount and the average financial duration of their own portfolio of securities of the peripheral Countries, contrary to what has been done by the banks located in the peripheral Countries themselves. Consequently, the purchases of securities close to maturity by the ECB should favour those banks (German and French ones) which have a portfolio of securities of the peripheral countries with a shorter residual life.

It is not possible to underestimate that a form of monetization of the debt by the ECB, as the one here proposed, could set the basis for a re-examination of the terms of the *fiscal compact* which, as it is known, is currently based on a hypothesis of evolution of the macro-economic scenario and of the repayment of the debt that are mutually compatible.

The operations of the ECB described could, therefore, on the one hand contribute to decreasing the excess demand for the securities of the *core* Countries via the reduction of the *spreads* over the peripheral Countries and, on the other hand, contribute to discouraging phenomena such as the collateral discrimination on the interbank market and *spread* intermediation, thus eliminating the divergence between the positive interest rates of “weak” Countries and the negative ones of “strong” Countries, to interrupt the process of debt nationalization and thus reconstructing the univocal relationship between the Euro and the corresponding interest rate curve, bringing back, for Italy, the BTP-BUND *spread* at the pre-crisis levels in a structural manner.

The ECB intervention, however, would have pre-set time and quantitative limits in order to avert risks of *moral hazard* by the peripheral Countries in the management of their debt because they are aware that the extraordinary measures adopted by the ECB could not be repeated.