The *Manifesto*'s Underlying Concept

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The *Manifesto*'s logic can be summarised in two basic points: the first is that unemployment is not a divine punishment, to be passively accepted, but should instead be fought and defeated; the second point concerns economists and above all politicians. It is time to end the contraposition between the old Keynesian thread of demand stimulation and that with classical roots which is structuralist.

The rationale of the *Manifesto*'s logic is faultless: demand stimulation requires that supply be flexible and that it responds to the stimuli; otherwise, inflation will result; implementing flexibility without demand worsens the problem of unemployment. Hence, I believe we can only wholly agree with this perspective.

There are only two supplementary considerations to be made. These derive from the debate one hopes will commence in Europe and in Italy on the *Manifesto* and its logic.

The first: the *Manifesto* clearly proposes an important intervention, namely, on interest rates to stimulate investment and hence, through said, employment in Europe: in fact, the Bundesbank is very gracefully being told: "Interest rates have to be lowered". However, we should not forget – and this is the first consideration – to also act on another front, namely that of taxes, because the debate should hinge on the opportunity of acting with both instruments. If, in fact, low interest rates probably stimulate investment, it is however equally necessary that the fiscal pressure in general, and particularly that on company profits in Europe, decrease to an equal extent; otherwise, the resources destined for investment are reduced by the tax levy with which we in Europe are all familiar and transformed into current spending.

Hence, although the *Manifesto* does not explicitly address the fundamental issue of the problem of structural reforms regarding the level and composition of public spending and tax levy, it does not fail to highlight the problem.

One should also emphasise the problem of interest rates. Caution should be exercised as a danger is envisaged for the upcoming months: the contrast between a pragmatic America – as Solow affirms in his paper – and a Europe which is still somewhat ideological on the monetary policy of interest rates is giving rise to the following evident situation: America, all said and done, lowers interest rates, prudently however, as it perceives the danger that the financial crisis will transform into a slowing down – not a depression, but into a strong slowing down of output; Europe remains immobile because it has to build its Euro and the Euro should be strong, stable and credible from the very outset.

Hence, we have to exercise caution to avoid an excessively strong Euro because within a few months we may in fact find ourselves faced with a strong devaluation on the part of the Asiatic countries; a dollar which has undergone a 10% devaluation and European competitiveness which risks being seriously compromised precisely when the recovery should be strengthened. This is the second reason why interest rates in Europe should be lowered.