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**LET'S TALK ABOUT...**
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# Debt & Solutions

There are basically just five ways to solve – or at least to ease - the problem of unsustainable sovereign debts which trouble many European countries and the United States.
The first solution is a strict budget austerity, a string of hard moves with expense cuts and huge tax increases. Of course the economic growth is negatively affected and the risk arises of social unrests.
The second solution, the one politicians favour, is the debt's "monetisation": the government borrows a lot of fresh money that the central bank prints and gives it sovereign securities in return, that would be not so easily placed in the financial market, thus causing yields to decrease; but the money devaluates and inflation is likely fuelled on a medium-long term perspective. But for the government that is an advantage anyway, in that it supports public expenses and consumes with devalued money, favours exports and – most important – it reduces the real value of the debt to be repaid in time. Of course savers and investors are scared and actually harmed.
The third solution is default: the issuer state chooses not to repay its debts at expiration, or restructures them, pays just partially, reschedules the terms or switches expiring instruments into new ones. That means bad consequences in the financial markets and for the state's image, apart from the investors' losses.
The fourth solution is apparently unusual in its explicit implementation, and may be defined as a sort of enforced investment. A law is issued obliging banks, financial institution and private investors to buy sovereign bonds, according to certain terms and, possibly, with certain tax or fee advantages.
It is worth noting that such seemingly extreme solution is not much far from actual reality. The client who holds his funds in a current account with an Italian bank, is likely and unconsciously invested in Italian sovereign bonds, as the bank uses the aggregate liquidity in that way. Thus his risk level is largely higher than the lower one which the current account involves.
The fifth solution implies the intervention of external rescuing institutions, supranational organizations, sovereign funds…, which borrow money, offer guarantees and other supports, while obviously asking for adequate compensations. A tool does not exclude another one and actually they are to be combined in order to reach an overall solution. - *GLT*