



Re-Define Press Release on the Downgrade of Italian Debt by Moody's

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Below you will find comments from Re-Define on Moody's downgrade of Italy. All comments are attributable to **Sony Kapoor**, Managing Director of **Re-Define** an Economic Think Tank.

"This is a downgrade of EU policymakers."

"Italy is now stuck in a self-fulfilling downward spiral which only an open-ended intervention by the ECB can be guaranteed to stop."

"Unless this spurs the ECB into action, this may mark the official start of Europe's lost decade"

"While the September downgrade was down to Italian leaders, the blame for this one can be assigned directly to inaction by EU policymakers."

"For the ECB not to act decisively now would be a dereliction of its duty as the guardian of the Euro."

On the next stage of the crisis in Italy and the Euro Area

"Unless Italian refinancing costs can be brought down below the 4% level, for example by bold ECB action, all bets are off."

"Belgian and French banks, with heavy exposures to Italy are likely to suffer." "This in turn may drag Belgium and France itself down particularly because the two countries have little fiscal room to spare."

"No sovereigns or banks in the EU are crisis-proof. This will undoubtedly have negative repercussions for France for Germany and for all large EU banks." "France's AAA no longer looks sacrosanct."

"Europe is caught in an excessive austerity-low growth – low confidence trap now."

On the likely reaction from EU leaders

"EU leaders will blame the ratings agencies and they would be wrong yet again."

"One hopes that with the rating agencies, markets, the IMF, the US and BRIC economies all piling pressure on the EU to act, common sense will finally prevail, but this cannot be guaranteed."

On the impact on EU banks

"Without full confidence in the credit-worthiness of Italy, it's impossible to have full confidence in the solvency of the European Banking system."

“If the sovereign-bank loop is not broken soon, for example through Eurobonds or full-blooded intervention from the ECB, banks and sovereigns in the EU will continue to drag each other down towards disaster.”

On the ways out of the crisis and the URGENT need for ECB action

“At this stage, when the crisis has turned systemic, only an open-ended commitment to support sovereigns by the ECB can be guaranteed to work. While other options such as leveraging the EFSF may help, they may no longer be enough.”

“For the ECB not to act decisively now would be a dereliction of its duty as the guardian of the Euro.”

“The only two options that will work to stem this systemic crisis now are an open-ended commitment by the ECB to do ‘whatever it takes’ or a swift move towards Eurobonds issuance. Everything else is likely to fall short.”

“Germany & France need to urge the ECB to act before they too get caught in this downward spiral.”

“The downgrade highlights the limits of what austerity alone can achieve. Europe is caught in an excessive austerity-low growth – low confidence trap now.”

For further analysis on how best to stem the crisis read this [Re-Define Policy Maker Brief](#)

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For further comments on the downgrade of Italy or other issues to do with the **Eurocisis** please call [+44-7986849865](#) or email media@re-define.org

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