
Book Review

The stakes in the fight for Italy's 'heavy lira'

by Paul Gallagher

A 'Gaullist' Solution for Italy's Monetary Crisis

by Lyndon H. LaRouche, Jr.

National Democratic Policy Committee

New York, 1980. 70 pages.

Suggested donation \$2.50.

This book, just released in the United States as a U.S. foreign policy study of the National Democratic Policy Committee, has been circulating in Italian-language translation for the past month. Known in Italy as the "heavy lira" book, it has already caused a storm of controversy over Italy's credit and monetary policy.

The book outlines, on the level of immediate action, a currency reform of the Italian lira based on the "heavy franc" French reform of 1958, by which de Gaulle and his Finance Minister Jacques Rueff saved France from chaos and began building the modern French economy to its present power. LaRouche describes how to "trap" the untaxed billions of Italy's "black economy" profiteers (real-estate speculation, gambling, drug traffic) in two basic steps. The first is the replacement of the debased Italian currency with a "new lira" at 1,000 to 1 (1,000 liras now buy a loaf of bread). The second is state direction of plentiful, cheap credit and tax breaks to investment in real, tangible production—capital formation. The two steps must, of course, be made as one simultaneous package, and at an early date. Just how early is now being debated by the Italian press, with denials from the treasury minister and statements in newspapers controlled by Italy's black oligarchy as to how unconcerned they are about the proposed reform.

Today Italy's "black economy" is larger than its real economy, its humpty-dumpty government is negotiating with international terrorists and trying to legalize drug use. Under those circumstances the LaRouche book has sparked a current of sanity in Italy flowing in the other direction, toward joining and strengthening the French-German orientation to economic development.

At the outset, LaRouche reminds the reader that this current of sanity is the still-fresh legacy of Pope Paul VI, whose reign in its last years coincided with the extraor-

dinary stability of the Andreotti government up to the pope's death. LaRouche evokes his own 1976 conversations with Jacques Rueff, author of the "heavy franc" reform of 1958, about the failure of politicians to act on behalf of nation-states when those nations are in peril from the supranational institutions of the oligarchy. He points to the existence of a "Gaullist" potential among Italian political currents. This is the potential to mobilize the full economic powers of a nation against foreign financial warfare—the quality feared by opponents of de Gaulle and LaRouche alike.

But LaRouche makes it clear it is not political currents he is relying on, but the quality of statesmanship represented by the influence of Pope Paul VI, whose principal moral goal was the progress of humanity to be assured through the policies of sovereign nation-states.

The "*Gaullist*" *Solution* is released in the U.S. as a proposed outline of bipartisan U.S. foreign policy support to its ally, Italy. Jimmy Carter's departure will also remove U.S. Ambassador Richard Gardner from Italy. Gardner, while wearing the stripes of an American representative, is in fact a member of the Italian black nobility both by marriage (into the Luzzatto family) and by political commitment. Most leadership strata in Italy have realized, at least since the Moro kidnapping, that Gardner was merely "the enemy within" cloaked in American authority.

Now with a new, nationalist American administration, the possibility for collaboration with Italy's nationalists to repair the damage will be opened up by LaRouche's book. But the proposal cuts both ways for America. In the U.S. as well, the black economy, centered on drug traffic and New York real estate, has grown larger than the real economy, which is now being collapsed by credit shutoff. The U.S. government has also been negotiating away its sovereignty and those of its allies to international terrorism in the Iran crisis.

What LaRouche is proposing is not the simple solution of an Italian problem. He lays out, measure by measure, the basic weapons of selective tax and credit-creation powers available to sovereign states and how they can be wielded to destroy speculative accumulations of inflationary "hot money" while protecting and stimulating real productive economic activity.

The notion of "two-tier" tax and credit policy is the crucial one to be understood by statesmen and citizens. As de Gaulle and Rueff understood, the question is not inflation policy or deflation policy, but mobilization of the powers of the government for financial warfare against the international financial oligarchy to save the nation. What LaRouche has laid out for the new American administration, facing a worldwide depression fostered by its predecessor, is the basis for foreign policy collaboration with all of its allies, from Italy to Mexico.

LaRouche notes a unique application in American

history of the wielding of government power to protect the growth of the nation's economic strength—the American system of patents. This creates a unique, temporarily protected relationship between the inventor and the venture capitalist, to jointly develop the full potentials of a new innovation, while the official publication of the invention stimulates further applications of it by other inventors. The extraordinary growth of American agricultural productivity has resulted from just such an arrangement between the publicly funded agricultural extension colleges, and the farmer acting as both venture-capitalist and occasional inventor.

Today this principle is grotesquely replaced by the sight of the government's pouring billions into solar and synfuels gimmicks which are scarcely inventions, and which, on their own, would attract no venture-capital at all.

The "Gaullist" *Solution for Italy* is one of three books on the moral basis of economic science and statecraft written by Lyndon LaRouche in September and October 1980, just before his national series of televised "Dump Carter" addresses to Democrats on election eve. The first, *How Credit Can Be Greatly Expanded Without Adding to Inflation*, is a direct statement of the LaRouche economic method, applied to averting the looming 1981 world depression. The third, *An Open Dialogue With Leonid Brezhnev*, is a direct statesman-to-statesman call to Brezhnev to turn the Soviet Union away from supporting depression and destabilization in the West, a course leading toward world war by miscalculation.

The three books were written as a "package" to break the logjam of economic inaction and worse by the world's statesmen, who are now, as LaRouche puts it, "in the trenches" of economic collapse and have not yet begun to fight. But the books are written to the *citizens* of America and Europe, who must take responsibility for their nations. In America, in particular, LaRouche is attacking the tendency of the citizenry to leave the government to the politicians for four years between elections, despite all the evidence that these politicians themselves are leaving economic policy to supranational institutions and banking consortia which have destroyed the nation's credit.

What LaRouche demonstrates with these three books is that economics is fundamentally a moral science—a science of human progress—and that it is the science whose mastery is most accessible to the average citizen. The primary requisite for such mastery is moral courage. While thousands of citizens dabble in various fields of science and art during their lifetimes, they could master economic science and take responsibility for rescuing their nations from looming disaster. If they continue to rely on elected political leaders, whose failures of such courage have already been shown, their posterity faces "perhaps, no future at all."

Treasury: no new lira now

On Christmas Eve, a Rome daily carried a front-page notice announcing that in February 1981 production would begin on a new Italian banknote, a one-lira note—the so-called heavy lira, worth one thousand of the present lira notes.

The announcement, which is an accurate reconstruction of the proposal first made by U.S. economist and Democratic Party policy-maker Lyndon H. LaRouche, Jr., produced an explosion of denials from Italian Treasury officials in the press.

The LaRouche proposal was formally announced at a Rome conference Dec. 5, and is detailed in the Italian-language book titled *A "Gaullist" Solution for Italy's Monetary Crisis*. The idea of the currency substitution is presented as the prerequisite to a thorough economic and fiscal overhaul of the Italian economy. The measure is characterized as "Gaullist" since it is based on a program actually carried out in France 20 years ago by Charles de Gaulle and his economic adviser Jacques Rueff.

The announcement that the heavy lira was going into production was carried front page in the Italian Communist Party daily *L'Unità*, Dec. 24, in a box outlined in red. "It seems" that Italy will have a "heavy lira" worth 1,000 of the old lira notes in 1981, *L'Unità* reported. The design for the new note is ready, production would begin next February, and "it is an operation analogous to that carried out in France."

Three leading Italian papers, *La Stampa*, *La Repubblica*, and *L'Unità*, promptly carried the Treasury's denial. Turin's *La Stampa*, newspaper of the Agnelli family, which owns FIAT, explained. "No 'heavy lira,' at least for the moment, says the Treasury Minister, in a communiqué denying the announcement made by a daily newspaper recently." *La Stampa* claimed that the heavy lira "is a project particularly dear to [former Treasury, now Industry] Minister Pandolfi," who envisions it as "the crowning of [his] operation to reduce inflation and stabilize the currency." Pandolfi recently concluded a stint as chairman of the International Monetary Fund.

La Stampa claimed that the heavy lira measure was only directed to simplifying bookkeeping, since it would eliminate huge figures and rows of zeros! *La Stampa* argued that even if the proposal were to be implemented, it would make no difference to the economy.