

Report from Italy by Liliana Gorini

Will the Bank topple the government?

Premier Craxi's presumption to dare oppose the illegal powers of the Bank of Italy has provoked violent reactions.

A government crisis steered by the Aspen Institute and the Bank of Italy now looms over Rome. It is not the usual "government crisis every fifteen days," as some political circles in the United States view such things in general. The government of Socialist Premier Bettino Craxi has lasted some two years now, and will reach a post-war-record 833 days at the end of August—unless the Bank of Italy decides otherwise.

It all began on July 19, when the lira had its "Black Friday," falling to a level of 2,200 to the dollar, an unprecedented devaluation. The government had actually planned a devaluation, but it was supposed to be "a perfect operation, without burning any currency reserves." The opposite happened, and it turned into a "comic opera," in the words of London's *Financial Times*, which rejoiced over the fact that the Bank of Italy acted on its own, without informing the government of what was going on.

One of the directors of the Aspen Institute in Italy, the president of the state-run ENI, Franco Reviglio, decided all of a sudden to sell lire to obtain \$125 million to meet a foreign obligation—on the very July 19 that the lira devaluation was to take place. The Bank of Italy, despite contrary advice of some bank officials who proposed that ENI postpone its dollar purchase to another, less destabilizing day, agreed to sell its dollar reserves, and at the end of the day, the dollar had climbed to levels "ridiculing Italy

all over the world," as the weekly *Espresso* put it.

It took almost 10 days for Premier Craxi to realize what was going on, but on July 31, during a speech before the Senate on the state of the government, Craxi provoked an uproar by attacking the Bank of Italy: "From what I have heard, learned, and tried to figure out, it remains disconcerting and inexplicable that a state industry buys currency at an absurd price and absolutely out of the market, and a state bank sells this currency to the industry at an absurd price and out of the market." What happened on July 19, Craxi continued, "is unjustified and unacceptable."

A few hours later, the head of the Bank of Italy, Carlo Azeglio Ciampi, and Treasury Minister Giovanni Goria stormed the Senate to present Craxi with their letters of resignation. What really upset them was his reference to the Bank as a "state bank," overlooking its supposed "autonomy." Like the utterly unconstitutional Federal Reserve System in the United States, so in Italy, the central bank has acquired special powers which allow it to have the highest interest rates in the Western world, despite the government's open invitations to reduce them. The Bank has also prevented the magistracy from investigating the accounts of mafiosi and dirty-money launderers.

That is why some circles in the Christian Democracy, as well as Craxi's Socialist Party, would like to "nationalize" the Bank as a first step

toward a clean-up of the economy. Obviously, Ciampi and Goria perceived Craxi's attack in the Senate, and the words "state bank," as a signal in this direction, and decided to provoke a crisis on the issue with their resignations.

There were other violent reactions. The Christian Democracy, the majority party in Craxi's five-party coalition, demanded that he retract his words and "clarify whether the Bank has or has not the trust of the government." They threatened to leave the coalition.

The republican party, the main proponents of the disastrous austerity policy provided to the government by the IMF and the Bank of Italy, reminded Craxi: "Everybody should respect the absolute autonomy of the Bank of Italy. It is a question of principle on which we will not accept uncertainties."

In order to avoid an immediate government crisis, Craxi backed down, as he had when he accepted the lira devaluation, rejecting Ciampi's and Goria's resignations and reaffirming his "trust" in the Bank of Italy.

On August 9, Treasury Minister Goria will present the government with a "dossier" on the devaluation which is supposed to clarify matters, and then the Premier will decide whether to continue his battle against the illegal powers of the central bank, or to again affirm his "trust" in it, in order to remain Premier long enough to make the *Guinness Book of World Records*.

The majority faction inside the Christian Democracy, led by Moscow-leaning Foreign Minister Giulio Andreotti and General Secretary Ciriaco De Mita, according to well informed circles in Rome, is planning to exploit the crisis to take over the premiership in September-October, forming a new government with the support of the Communist Party.