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## Interview: Sen. Luciano Barca

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# Unregulated market leads to chaos

*Luciano Barca represents the Party of the Democratic Left (PDS) in the Italian Senate in Rome. Claudio Celani interviewed him by telephone from Wiesbaden, Germany on Sept. 25. The interview was translated from Italian.*

**EIR:** Senator Barca, you have taken a courageous stance against the Maastricht Treaty. Aren't you afraid of being accused of being anti-European?

**Barca:** I think European unity is more harmed by keeping mechanisms like the present European Monetary System and setting up mechanisms like the ones in the Maastricht accord, which have certainly failed. I think that when all is said and done, it was a miracle that the EMS accords held up for 12 years, and the time has come for revising these mechanisms too, if we don't want to run up against new, serious crises.

**EIR:** You refer to the monetarist policy which is behind these accords?

**Barca:** I refer to the monetarist policy which is behind these accords and I would say, the natural, almost objective, consequence of the way these accords are set up. Instead of starting out from the growth of political unity and from the common definition of democratic rules, they started from the currency, a monetary link, thinking that everything would follow. The rest—the convergence of economic policies and above all, democratic powers of direction and control—did not follow, and a new, very serious imbalance has been created. As I wrote in *Unità* [the PDS newspaper], in Italy a lot of people really thought that either the monetary system, the EMS, or Maastricht should work as an outside “whip” for Italy's parties and government, which by themselves would not have made changes in the social status and so forth.

Now, at a time when we have in one day movements of finance capital, currencies, and stocks of 1,000 trillion liras, it is clear that there is no possibility any more for this whip to stop anything.

**EIR:** At this point, to maintain monetary stability, would it not be better on the European level to define and launch investment policies to guarantee economic growth?

**Barca:** There can be no doubt that we cannot deal with the question of the EMS and Maastricht merely institutionally.

Here in Italy we are all sick of institutional engineering (just look at the electoral law). But I believe that one of the structural problems is the one that Germany ran into at the time of reunification.

That is, the failure to correctly define the relationship between regulation and the market. People thought that it would suffice to remove the dike between East and West for the East, at a certain point, to attain prosperity. Instead, the result has been that 70% of the East's factories, which even at low productivity could have continued to produce for a certain period and also kept a certain slice of the population employed, was immediately swept away, put “out of the market,” and shut down.

**EIR:** You say, therefore, that these industries should have been kept in order to maintain the trade with the other countries of the ex-communist bloc, and simultaneously start up a process of modernization, investment.

**Barca:** Exactly. The process should have been regulated. The market never operates in an absolute way: In every country there are regulations. Even the EMS, even Maastricht is a complex of regulations. So, on this point even American economists like Modigliani and Samuelson had seen the risks and the costs which east Germany would pay, especially because it would lose all the relations it had with the rest of the East, which in some way, as you said, was trade and therefore was useful. We talk about low productivity, low quality in the East: In respect to the demand in Russia, Ukraine, and other countries, undoubtedly the level of East German products was still superior.

**EIR:** Let's stay in the East for a moment. Unfortunately, for about two years now they have been applying so-called shock therapy to the East, totally opening up the economy to the so-called market and watching what happens next.

**Barca:** I am very worried about the Russian situation. On this road, of letting the market “do its thing,” things can only worsen. In the end what will be propelled into motion are both reactionary and generically nostalgic forces, which would have accepted a reformist approach but will not accept a neo-liberal approach. It is clear that the reforms had to be done and that there was a delay in doing them, that at first mistakes were made, steps forward, steps back, yet in some way a system of rules kept not just Russia, but a great union together.

It is clear that at this point, with everything broken up, the price to pay will be dramatic, also because there were reciprocal trade ties and integrations, such that some states which today declare themselves sovereign have steel, while others do not. Truly, the process should have been controlled. It gets back to the relations between regulation and market.

**EIR:** The situation in Europe, in the East, and in America

offers a picture of economic depression. There are no more markets for expanded production, domestically or abroad. So a guided intervention is needed. Representative Formigoni [European Parliament deputy and leader in the Popular Movement wing of the Italian Christian Democracy] and others have exhorted Europe to project itself eastward, superseding Maastricht, which was devised before the Wall fell. There are concrete projects for infrastructural development, roads, high-speed railways, communications, everything needed for allowing industrial plants. This could absorb unemployment and also would create a consumer market and work to pull along the rest of the economy. But the market won't finance it; special interventions are needed. How can it be done?

**Barca:** Keeping monetary management of currency and monetary liquidity separate from economic policy does not mean that the state should not make a policy of active intervention, not only by setting up investments, etc., but also setting up incentives, thus creating what can be called "demand blocs." I can even plan certain "demand blocs"; at the time I decide that all over eastern Germany there should be modern, well-equipped outpatient clinics with certain machines, technologies, and instruments, behold! I have created demand blocs in the economy. To create demand, I don't necessarily first have to build, other than improving the necessary streets and rail links with the industries I will create.

I do not use the phrase "infrastructure first"—sure, if there is no infrastructure you have to give it priority; let's not forget that the principal infrastructure is industry itself, and that demand blocs can be created not only by making streets, but by making schools, carrying out education, training the professions, raising the level of quality. If we create in East Germany a demand for all this—schools, universities, outpatient clinics etc.—we immediately give things a push and then factories and research centers would start springing up.

**EIR:** You spoke of "dirty" big capital (recycling of drug-and weapons-trafficking money) which, with the present financial deregulation, is inserted into the legal economy. Would not a currency reform, sprung of course by surprise, force this capital to come under scrutiny?

**Barca:** If it were done as it was done in Germany in 1948, it seems to me that this would certainly allow this capital to be checked. It would not be easy to do this on the European scale. Most of this dirty money is not in liras, but in marks and dollars.

**EIR:** But it turns out that such money has been invested in Italian Treasury bonds, too.

**Barca:** In Italy everybody who has liquidity but no possibilities to run operations through Swiss banks, invests in Treasury bonds, which give greater security.

For now, the anonymity of the bonds cannot be touched, because the whole public debt portfolio which holds every-

thing up would collapse.

**EIR:** Speaking of public debt, since in order to satisfy the demands of Maastricht and the International Monetary Fund (reducing the deficit 3-5%) we would need four times the Amato measures [austerity decrees of the Giuliano Amato government; see *EIR*, Oct. 9, p. 8] and it would not even suffice to sell all the state holdings, is not debt consolidation the only alternative, perhaps protecting the small investors?

**Barca:** This consolidation is not possible today, and anyone agitating for it only creates a flight out of the lira to the mark. . . . In the medium term we could consolidate, by which I mean in three or four years. It could not be done by taking the poor and rich into account, because they are all held anonymously. The moment you introduce [bond] registration—since in Italy there is deep distrust of the tax apparatus, and the stock market does not work at all, because the stocks are registered and are part of your total income—there would be panic. The Italian saver has no faith in the state. We have a finance minister who affirms, denies, contradicts himself, and reaffirms every 24 hours. . . . With a new tax every day, we have managed to create absolute uncertainty about the law. If it goes on this way, we'll be back to mattress economics. . . .

**EIR:** So we need an authoritative executive.

**Barca:** We must reestablish certainty in authority and certainty in the law. This law can even be used in the harshest, most severe way, but . . . I must not think that if I buy a house, the day after tomorrow a minister will wake up and slap a tax on the windows—which is a tax one minister actually proposed! Since, he said, Italy's tax assessments are behind, and we don't have time to recalculate them, let's put a tax on windows. . . . So we have to proceed with a government that has credibility and would first commit itself to enacting measures by normal means, which does not mean that there cannot be any extraordinary measures. . . .

**EIR:** The knot of the debt, which is not payable by normal routes, remains. One last question. What difference do you see, at the level of economic programs, between Clinton and Bush?

**Barca:** I see very little difference right now. The impression is that we are in a period of electoral promises in which more attention is paid to the impact on the voter, with promises of cutting taxes, than anything else. Then a lot will depend on the forces which will be organized around the two. The impression is that Bush is strongly tied to the past of the Republican Party and the policies of the Republican presidential period, and that there are fewer possibilities with Bush to aim at a change in economic policy, because the financial power groups, the lobbies close to Bush, are so many. That's the only sense in which I see a difference. At the programmatic level, it is very hard to distinguish a difference.