
Paola Mariani

It's Time for a New Financial Structure

Deputy Mariani, of the Left Democrats, followed Lettieri, speaking in favor of the motion. Her speech is translated here from Italian.

Mr. President, the recent financial crashes (Parmalat, Finmatica, Enron, the Argentine bonds), the echoes of which are still reverberating today, are indicative of the fact that we are faced with a crisis of the international financial system, characterized by strongly speculative tendencies.

For this reason, it is necessary to institute, at the international level, a series of mechanisms capable of guaranteeing the correct functioning of the economic and financial system through greater controls and more guarantees, to protect the interests of all participants in the economy.

I am referring to the necessity of mechanisms of protection at the international level, considering the fact that, with



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the internationalization of financial markets and economic globalization, which allow for the immediate movement of capital and information from one part of the world to another, it has become impossible for a single nation, and even for Europe as a whole, to guarantee adequate controls and supervise the application of the rules that must be the foundation of a free financial system.

A \$400 Trillion Financial Bubble

The current system is a financial system directed towards pure speculation, such that the entire international financial bubble amounts to about \$400 trillion, compared to world GDP of little more than \$40 trillion. In order to have an open, free, and global financial system, it is urgent to establish, through the relevant international venues, a new financial architecture able to make up for the limits of the current system, based on the International Monetary Fund and the World Bank.

These institutions were fine when they were established, as the Honorable Lettieri reminded us a short time ago, in 1944 at Bretton Woods, in a postwar situation, where the priority was assistance for reconstruction of the countries devastated by the war, and monetary stability was based on a strong anchor of all currencies to the dollar. As the financial crises of recent years have demonstrated, today this system protects neither the industrialized countries nor the developing countries.

It must be said that the monetarist policies of the International Monetary Fund towards developing countries—such as Argentina—have in the past been directly responsible for the worsening of the financial situation of those countries, to the point of provoking bankruptcy, since the IMF imposed the payment of high levels of interest, along with cuts in both the budget and productive investment, which seriously damaged the real Domestic Product of those nations. In fact, the crash in Argentina can not simply be attributed to domestic corruption, but rather is mostly the result of the policies of the International Monetary Fund, that, instead of supporting true participation in the country's development, introduced monetarist mechanisms which favored various forms of corruption.

At this point, I would like to recall what has been said and written by Joseph Stiglitz, an American economist who was a White House advisor to Clinton, Vice President of the World Bank from 1997 to 2002, and won the Nobel Prize for economics in 2001; he wrote a book that caused a scandal: *Globalization and Its Discontents*. In the book, the author seems to take on the role of spokesman for the original intent of the World Bank, expressed clearly in the words that dominate the entrance to the Bank itself: "Our dream is a world free of poverty." This saying, though, contrasts with the motto of the International Monetary Fund: "What's good for Wall Street is good for the world," which updates Charles Wilson's famous saying about the interests of General Motors and those of the United States.

'Market Fundamentalism'

Stiglitz's book, in fact, is a denunciation of the collusion between the institutions of the Washington consensus and the financial community. His judgment regarding the institutions which arose from Bretton Woods, and in particular, the International Monetary Fund, is very clear: those institutions had the task of stabilizing the markets and correcting their failures, yet they then became, according to Stiglitz, examples of what he defines as market fundamentalism. All of the weakness of this economic system was revealed by the Enron case, which served as a wake-up call by demonstrating that the markets are not self-regulated, but need Governments; just as the deregulation the International Monetary Fund applies to the whole world can not work.

The event which unleashed his criticism of the International Monetary Fund's operations was surely the suspension of the Fund's assistance program for Ethiopia, a country whose economic parameters were in order, and which left no room for touches of doubt or uncertainties in judgment regarding the economic conduct to be followed. So it was considered seriously problematic that certain global organizations, in addition to making serious economic errors, such as the closure of banks in Southeast Asia, also have the problem of giving prevalence to the interests of creditors and the Western financial community.

This is, therefore, the first time that such in-depth criticism of the International Monetary Fund has come from a man inside the institutions, like Stiglitz. Although it may have gone beyond anyone's expectations, the criticism received vast support from both the World Bank and the academic community, and even from members of the financial community who were actually denounced in the book, because these people appreciated what was written there.

The wide consensus gained by many of the issues raised lets us hope that the current situation can change, but there is still a long way to go to achieve globalization with a human face; that is, a globalization of democracy, human rights, civil society, and knowledge, that represents a stimulus for cultural diversity, as has happened for the countries of East Asia, which are turning globalization to their advantage.

Only by overcoming the numerous errors committed by the International Monetary Fund, and also the World Trade Organization, will we be able to carry out collective action and achieve a basic democratic orientation at the international level, which are the necessary conditions for globalization, but are incompatible with current American unilateralism. Stiglitz's vision is, basically, optimistic; he has faith in the power of democracy, discussion, and transparency, and he believes that a solution can be found in as much as the International Monetary Fund and globalization are subjected to democratic verification, reflecting heightened public interest, greater protest, and pressure for change from a population that has opened its eyes towards what globalization really represents, and now intends to make its voice heard.

Stiglitz's reflections can make us open our eyes about what is being valued in the world.

Supporting the Real Economy

Coming back to the motion presented by the Honorable Lettieri, we can say that the time has therefore come to create a new financial structure, at the international level, which can avoid future financial crashes and the repetition of speculative bubbles, and is capable of supporting the real economy with adequate guarantees and controls.

Therefore, a new international conference should be convoked, as the motion says, similar to the one held in 1944 at Bretton Woods, for the establishment of a new international monetary system that is more fair and just, and includes all economies, including the weakest ones.

For this reason, we ask the Government to commit itself to acting with this goal in the relevant international venues.