
Interview: Oskar Peterlini

Sen. Oskar Peterlini is from Bolzano, in a region of Italy where most of the inhabitants speak both German and Italian. He is a leader of the South Tyrolean People's Party, on whose slate he was elected to the Senate. He sits on the Labor Commission, and has also worked as a leader of a regional pension fund for many years. Peterlini has introduced a number of motions into the Senate calling for a New Bretton Woods, and has used material from EIR to present other initiatives and parliamentary questions on various strategic and economic issues.



This interview was conducted by Paolo Raimondi in Rome in late May, and translated from Italian.

EIR: You have seen that the Chamber of Deputies has approved the motion for a New Bretton Woods. In recent months, you introduced a similar initiative on the floor of the Senate. What can we do to give more impetus to the discussion and get the government more committed to act?

Peterlini: I think the main objective in the Parliament [both Chambers] was achieved: that of making the entire political

world aware of the necessity of a new financial architecture at the global level. If the motion is actually voted on or not is very much linked to internal Parliamentary rules. In the Chamber of Deputies, these rules are easier to work with, while it tends to be more difficult in the Senate. We have collected signatures in support of the motion in both the Chamber and the Senate, from individuals in parties from all across the political spectrum. We also have to decide how to continue; particularly in terms of bringing public opinion and society into the discussion.

I would like to reference a sentence pronounced by [Prime Minister] Silvio Berlusconi in the Senate recently, which really astonished me. When he was demanding a vote of confidence for the law on economic competitiveness, he said there is a difficult international situation, and noted that one of the main problems of the Italian economy is related to exports, which have declined by 30% because of the devaluation of the dollar. At this point, he spread his arms and said he is an entrepreneur, and that he has no idea what to do about it.

This is honest, but at the same time, it's a scandalous acknowledgement. To say that he does not know what to do in a closely interconnected political, diplomatic, and trade situation, is—at the least—a very poor answer. What has to be done is clear and urgent, because with the collapse of the dollar, Europe, and Italy and Germany in particular, are now paying for the U.S. deficit with the losses and difficulties of our industries and the *Mittelstand* [small- and medium-sized industry] in world trade.

At the diplomatic level, the first step is to put pressure on the U.S. Administration and say that this is unacceptable. At the same time we should not continue to go arm-in-arm with Bush and talk about exporting democracy or working on “peacekeeping missions” which are really the continuation of the war, such as in Afghanistan and Iraq. Bush has to be told: We cannot pay your debts, but together we must look for a real solution to the systemic crisis.

The economic answer that we must develop together is what *EIR* and the LaRouche movement have been promoting for a long time. After all these economic crises which have hit national economies as well as small investors and families, let us convoke—as soon as possible—a global conference similar to what was done at Bretton Woods: to re-establish a financial order and a new agreement on currencies, whose values should be fixed or adjustable within a certain specific margin. It is unacceptable that the exchange rate of one currency sets the entire world economy upside down. This sort of currency arrangement has already been done on a smaller level in Europe in recent years, and it would be appropriate to also do it at the global level. It's an important aim that our governments should pursue.

EIR: In the recent period, we have entered a “red alert” on the financial markets: We already know about the gigantic speculative bubbles, the role of derivatives that, according to official figures, are growing by 25% each year. Now, regard-

ing the collapse of GM and Ford, we see that together they have \$451 billion in debt, which is now rated at the level of “junk.” Large-scale turbulence is shaking up the hedge funds that have large speculative operations based on GM bonds. The situation is much worse than the famous LTCM case. This is another manifestation of the systemic crisis. You have studied the danger of these speculative bubbles: How do you see the gravity of this situation?

Peterlini: You have already described the gravity of the situation. I see a repetition of these problems on the markets, in particular in sectors where people believe they can make huge profits, and thus runs are taking place in those sectors. At the end of the 1990s, with the success of the Internet, everybody thought that they could make huge profits on these shares, and a run began, driving up share prices. Everybody got involved in this run, even housewives and students with a PC at home. This game goes on until someone realizes that this value is virtual rather than real.

This happened with stocks, and it is now happening on real estate markets, where there is increasing demand and speculation. And, just as in Japan or London in the past, this has produced an overheating of these surreal values, to the point that they explode. This period of so-called self-regulation then provokes a drastic collapse in the economy and also in family budgets. Now, this is also happening with hedge funds. They exploited the 1990-93 phase when institutional investors (pension funds, investment funds) began to work on stock markets for a number of reasons, as reflected on the American Stock Exchange, for example, or the S&P 500, and so on.

Investments were thus dependant on these groups of shares, whose values increased and then collapsed. During the collapse phase, those who had invested only in this type of shares lost everything, while the hedge funds had bet on the directionality of the market, and thus they still profited.

Derivatives operations, like futures, are not scandalous in themselves. They were used in agriculture to guarantee a certain price to the producer, for example. What is not normal is multiplying the bets on the derivatives, or making this into a sector that functions on its own. The result is that if you take a lot of risk in order to make a huge profit, you also get gigantic financial losses if things go in an unanticipated direction.

We need an authority which regulates these processes, possibly with the joint intervention of monetary authorities from different nations. If the markets are left free to act as they want, the result is the creation of these bubbles.

EIR: Lyndon LaRouche is relaunching the idea of a tax on all derivatives transactions of hedge funds and banks, to bring the dimensions of the bubble out into the open; this transparency is needed so that the necessary measures can be taken. It's not the “Tobin tax” proposed by some, which is conceived as a way of collecting funds for some project.

Peterlini: This is certainly a more intelligent proposal than what is being debated here regarding increasing capital gains

taxes at a national level, without any differentiation between what is pure speculation, and what is serious investment in the shares or bonds of a productive firm or the state. In this way one also affects small investors and families, with no positive effects on the economy. To the contrary, I support the idea of an intervention by monetary authorities for a higher tax which punishes speculative financial operations.

LaRouche's proposal is a strong idea, and it can definitely be implemented. I also think that there must be a clear differentiation between shares and bonds on the one hand, and speculation on the other. And there should be a better understanding of the different types of derivatives operations. . . .

EIR: The Bush Administration is pushing for a total privatization of the pension system. Until now, the U.S. had the system created by Franklin Roosevelt in which a state fund received the payments from the workers and paid pensions to retirees based on a sense of the common good and general welfare and social justice. Bush has launched a campaign of lies saying that this fund is collapsing, and that younger workers should stop financing it, and instead open new private contracts with Wall Street financial institutions, which are currently in big trouble and have big financial holes. But in this way, Wall Street will receive fresh new money with which to continue its speculative operations.

Peterlini: We in Europe can learn many things from the United States, such as a certain form of mobility, decision-making capabilities, speed in the carrying out of ideas and entrepreneurial initiatives, because we have too much bureaucratic inertia here, too many brakes. This is the positive side.

However, we do not have to learn anything at all from U.S. social policy. Here, the "old" and often-slandered Europe is still a good example. We have a great culture based on Christianity and humanism, where there is room not only for the market, but above all for human beings. Fortunately, the "soup lines" I saw in many places in America, where people are waiting in line with a plastic plate to get something to eat, do not exist here in Europe, or are very limited. In America you can die in front of the hospital if you don't have money for health insurance; here, nobody dies like that. Even the poorest person, without any identification, money, or insurance can get to a hospital and be treated.

This is a basic difference that I will never forget. It is a great value which our Europe has. We are also confronted with a crisis of the pension system, because the state fund is financed by those who are working, creating a fund that then supports the pensions, the health system, unemployment, and so on. This was a very solid pyramid in the past: Many young people were working, paying contributions and supporting the elderly. This pyramid is not so solid any longer, because we have fewer and fewer children, and life expectancy has increased significantly. The fertility rate in Italy is 1.2 children per woman, while life expectancy has increased to an average of 80 years. In the past 300 years, life expectancy has increased from 40 to 80 years. In the future, we will have an

upside-down pyramid with few youth and many elderly, a share of about 30% of the population over 60 years of age, and also children and students who have to be supported.

This means that this traditional system alone will not suffice. We will need to introduce a second pillar in Italy and in Europe, based not on speculation but on savings, in which a person can choose to add to the state system by also having a private pension. Bush wants to say he *only* wants the second pillar, and this would be a catastrophe. The first pillar will have to guarantee a basic pension to allow for a decent life without dying in front of the hospital or standing in line for soup. This basic pension has to be guaranteed by the society, the state. And then, in addition to this, we can create a complementary pension system. To abolish the first pillar would be irresponsible, and I hope that Europe will never accept it, and will fight against what Bush is trying to do to the American citizens.

This reasoning then leads me to say that behind all of this, we need a productive economy, and therefore we must think about relaunching the real economy at the global level. And again we must get back to the proposal for a new Bretton Woods, because the "pyramids of paper" can grow, but they collapse the first time the wind blows. In the end, even when we're dealing with paper values, only the real economy counts. Financial games do not produce jobs, goods, and factories. We need a new financial architecture to prevent these "paper games."

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