Nino Galloni

Economic Policy for the Atlantic, The Mediterranean, and Beyond

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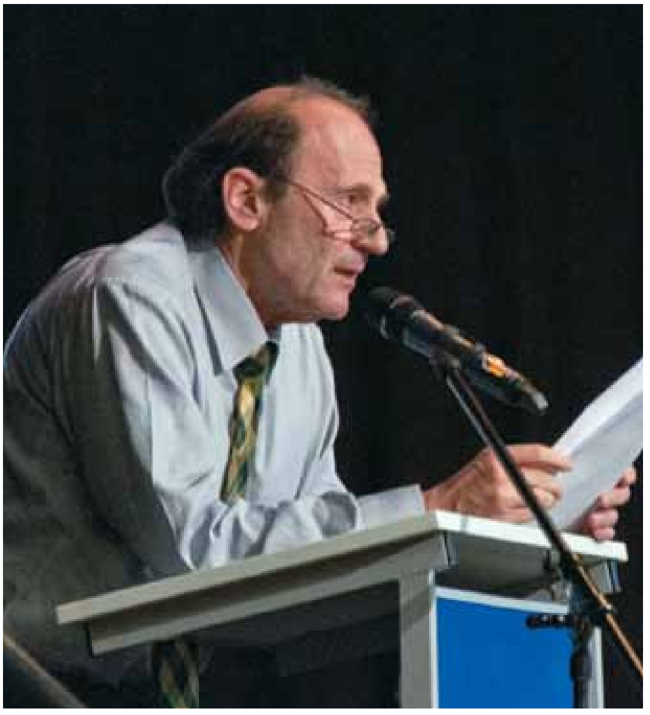

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Italian economist Nino Galloni called for the building of infrastructure, and a Glass-Steagall banking system, as a way out of the current economic and financial crisis.

I want to say something about my country which is close to the theme of my speech. We have a situation of disarray at the top of the institutions and the parties, including the Five-Star Movement,[1] with which I collaborate—a situation which is the reason for my early departure today. We have an important bill, a government bill, concerning debts owed by public administrations to enterprises or private producers, that need to be paid as soon as possible. And we will pay them.

But the question is, that the top managers—I mean the Ministry, the Prime Minister, and other people—don't want to understand the question, that if the state, or administration of public institutions, has a debt for works performed by private enterprises, that they are on the balance sheet of the state. And after we pay them, we have to issue other bonds, and pay more interest. It is a very wrong and stupid way to manage things.

So, I must fly back this evening to try to teach this to my friends of the Five Star Movement, and other people. In my professional experience, I have had to work with them about these problems of management of public expenditures.

So, I want to give a speech on the problem of currency, credit, and finance for Mediterranean, Atlantic, and beyond.

The Three Great Routes

Three Great Routes involve the Mediterranean: from the Atlantic to the Mediterranean; from North Africa to the Middle East (through Sicily); and from the Adriatic and the Ionian Sea toward the Balkans, the Black Sea, and beyond.

A new geopolitical dynamic, based on increased cooperation among peoples, and the acknowledgement of a regional power of reference, along the above-mentioned three routes, could lay the basis for new financial, monetary, and credit strategies, more suitable to the needs of economic development.

The dialogue between the United States and Russia along the general axis going from the Atlantic to the Black Sea and beyond, according to the three directions considered, could therefore see as reference

1. A new political party, led by the (not-so-funny) comedian Beppe Grillo.

powers, respectively, Italy, Iran, and Turkey. Currently such an hypothesis could seem futuristic, but in the mid- to long-term—that is to say, from 5 to 10 years—perspectives for peace, development, and justice cannot but come from a cooperative solution to current financial and social unbalances. This means that, within 5 or 10 years, either a solution can be found, or the international situation will irreparably worsen.

Concerning the first direction (from the Atlantic to the Mediterranean), Italy is seen as a region responsible on the basis of the estimate that the current EU system—by the way, historically and deliberately weak and indifferent to African problems, and contradictory and ambiguous in its relationship with the United States—is not sustainable: A disaster will ensue, i.e., a further aggregation of northern countries, which would cut Europe in two parts along the Alps.

Concerning the second direction (from North Africa to the Middle East going through Sicily), the acknowledgment of Iran as a power represents the only way to establish equilibrium and peace at the level of the Middle East sub-region, overcoming the conflicts which direct U.S. intervention has not been able to solve.

Last, concerning the third direction (Adriatic, Ionian, Balkans, Black Sea, and beyond), it is clear that a dialogue between Turkey and Russia would open new cultural and development perspectives.

Culture, collaboration, good will, professional training, infrastructure, and solving the problem of financing development, represent a decisive road map.

Financing Infrastructure

In this forum I would like to start with the issue of infrastructure in order to focus on finance and credit, leaving to another opportunity, the discussion of other major issues, such as education of human resources necessary to implement projects, or the elaboration of a culture able to reconnect youth, and its hopes for the future, to the recent and ancient history that has characterized the anthropologic evolution of those regions.

The large cultural, economic, and, obviously, geographic directions, suggest the construction of infrastructure able to facilitate trade and relationships, and represent a condition for development. However, they demand and suggest comprehensive, strategic, and ambitious plans; otherwise, single works, detached from the strategic context of the large planetary directions, risk becoming a "white elephant."

Therefore, proceding with our line of thought, the upgrading of the Mediterranean and extra-Mediterranean port network, the construction of the underwater tunnel between Capo Bon (Tunisia) and Mazara del Vallo (Sicily), the Messina Bridge [linking the Italian mainland and Siciliy—ed.], and the consequent upgrading of road and railway networks represent a unity with the development project.

Those infrastructure projects can be financed largely by the income from transit fares once the structures are ready and functioning; those fares could be used as travel assets and increase value in time, or be turned into liquidity with a gain for their owners. Of course, everything depends on how correct the estimates of the income generated by the project will be; it is also obvious that state intervention can move enormous financial capital for use in development.

To do this, current obstacles to development must be removed. In the first place, re-establish a clear separation between institutions operating on speculative financial markets, and banks destined to supply credit to the economy. That's the Glass-Steagall Act, of course.

In the second place, we need to freeze the enormous amount of circulating toxic and derivative assets, which represent a threat to the entire world economy, turning them—through agreements and guarantees among states—into long-term, low-interest credit to finance development projects.

Thirdly, we need to re-establish levels of functioning for credit and currency which bypass current wrong approaches: both the approach claiming a scarcity of liquidity (impossible, once currency was fully decoupled from gold), and the approach pushing an unlimited expansion of liquidity ("quantitative easing") not pegged to concrete projects for the real economy.

In conclusion, the strategic features of development are: sound projects and the availability of sufficient human and physical resources, while financial means can be supplied by government and banks (including public banks), with the only limitation being, as we said, their usefulness and their reasonableness.