Euro Council Votes Up Italy's 'New Deal Plan

by Claudio Celani

The European Council, comprised of the European Union's heads of state and government, has given Italy the go-ahead for its proposal to implement a "European New Deal" infrastructure investment plan. Starting July 1, Italy will take the rotating presidency of the European Union for six months, and will work to have the plan fully in place by the end of the semester. The Italians, as we reported last week, plan to have the "New Deal" proposal officially approved by the next meeting of the economic and finance ministers of the EU (Ecofin) in mid-July, and finally adopted by the European Council's next semi-annual meeting in December. During that period, the technicalities and practical aspects of the proposal shall be worked out by the European Commission.

If things stay on schedule, by the beginning of 2004, a European Investment Facility will be established—under the umbrella of the European Investment Bank—which, according to Italian Finance Minister Giulio Tremonti, will be able to finance about 70 billion euros of infrastructure projects yearly. Such investments will be off-budget, not increasing public deficits of EU member states and thus formally respecting the Maastricht Treaty "Stability Pact." In its substance, however, it is a reversal of the no-growth trend established with the 1989 Maastricht Treaties. "We must open a new phase in the conduct of economic policy in Europe, focussed on growth," said the Rome government in its official program for the EU semester.

This development is a major victory for the LaRouche movement in Europe, which has campaigned for such a European-wide infrastructure program, especially in transportation, since LaRouche issued his "Productive Triangle" program in 1989, and which has promoted the "New Deal" approach of Franklin Roosevelt.

Policy Fight Still On

However, this shift will not occur without overcoming political and ideological opposition. Already the official conclusions of the European Council meeting in Thessaloniki, Greece (June 19-20), although giving the green light to the Italian initiative—known as the Tremonti Plan—fell short of fully acknowledging it. The Conclusions reads: "The European Council notes the Commission's intention to launch an initiative in cooperation with the European Investment Bank to support growth and integration by increasing overall investment and private sector involvement in TENs [Trans European Networks] and major R&D projects, and in this context invites the Italian Presidency to pursue this further."

The Conclusions do not mention that Italy fathered the initiative and, instead, mention the European Commission, a technocratic body which has been the watchdog of the balanced-budget criteria. As Italian Prime Minister Silvio Berlusconi explained in a press conference at the end of the summit, "The Tremonti Plan was not a central issue of discussion at this summit, because it will be discussed in the first EU meeting under the Italian Presidency. We decided, maybe egoistically, to keep it as issue of our Presidency and to extend it beyond infrastructure," Berlusconi explained. "There are two more directions in which Europe could usefully intervene. One of them is investments in new military technologies." The second one is "a greater funding for research and education."

"What is necessary," Berlusconi stated, "is to replace private demand with a public one."

On June 26, the Prime Minister reiterated the concept before Italy's Parliament. Berlusconi presented the program for the Italian EU semester and asked the opposition to support the Action Plan for growth, saying that "Finance Minister Tremonti will collaborate with the EU Commission [technically the 'government' of the European Union] in elaborating innovative formulas to finance the buildup of Trans European Networks."

Although Rome officials are confident that the Ecofin council will vote the mandate to the EU Commission to elaborate the practical aspects of Tremonti's plan, Italy's main partners in the EU, France and Germany, have not been forthcoming with desirable enthusiasm. After the Thessaloniki summit, during his meeting with French colleague Francis Mer, German Finance Minister Hans Eichel declared that, in principle, the Tremonti Plan is the right approach, but the details must be known before making a conclusive judgment.

But the Italian Finance Ministry had already published a paper, entitled "European Action for Growth," containing a detailed presentation of the Tremonti Plan, and circulated it among its EU partners two weeks before the Thessaloniki summit. The paper was published only in English, and excerpts were published in *EIR*'s June 20 issue. So, Eichel's declaration that he does not know the plan's details, could not have been true. A very different view came from Wolfgang Roth, the German vice chairman of the European Investment Bank, in an interview with the *Frankfurter Allgemeine Zeitung* on June 20. Roth said the Italian proposal should be endorsed, because it is not meant as an immediate stimulus for the EU economies, but rather as a long-term perspective.

French Finance Minister Francis Mer said that "at the present conjuncture, the initiative makes sense." Another prominent political figure, the rapporteur for the French Senate Budget Committee Philippe Marini gave his support to the Tremonti Plan. The plan, Marini acknowledged "could have a significant impact on growth in the euro-zone, in the short term, in the order of 1-1.5% of the GNP."

Another endorsement came from Franco Modigliani, an

As Italy's "New Deal" infrastructure plan for Europe, reflecting Lyndon LaRouche's proposals since 1989, moved forward, Helga Zepp-LaRouche (left) and colleagues, at the Frankfurt stock exchange on June 24, presented a new special report on Eurasian Land-Bridge infrastructure as the key to reversing Europe's mass unemployment.

MIT economist who won the Nobel Prize in 1985, who declared in an interview with *Corriere della Sera* that the Italian New Deal initiative is "a very good idea." "Public projects must start, since private initiative won't come again soon," Modigliani said. "But [EU] governments do not start them, because in the name of Maastricht they keep confounding investment expenses with current state deficits—as if in a family, when you buy a house, the money spent were considered to be simply lost. In reality, two public budgets must be kept: one for current expenses, which must be balanced; and another for investments."

The argument that public investments create debt, which the state must sooner or later pay back, is false, Modigliani said. "Think, for instance, how much profit was generated by [Italian] highways, once built, or take a project like the Messina Bridge [connecting Sicily to the mainland]: I believe that it would bring large profits and would attract large credits. Even if you help the private sector to build houses, these houses will bring a yield; not to mention water supplies. Even unprofitable projects, such as parks or hospitals, would at least bring a social advantage."

Hostilities against the Tremonti Plan had been opened already last week by the "usual suspects," i.e. the London *Financial Times,* which called it a "pump-priming" scheme. The same line was repeated June 20 by the *Wall Street Journal,* which claimed that "the easiest" European infrastructure corridors have already been built," and "the remaining projects are difficult and expensive." The *Journal* called the Messina Bridge, which would open the crucial link of southern Europe to Africa, "a bridge that leads to nowhere." Its readers will wonder why the *Journal,* which so far has supported the Berlusconi government as pro-Bush and pro-"free trade," has suddenly revealed its real sentiments.