Italian MPs Renew Call For a New Bretton Woods

by Claudio Celani

A group of 50 members of the Italian Parliament has introduced a new motion calling for a reform of the international monetary and financial system, modelled on the Bretton Woods system. The motion, co-authored by LaRouche representative Paolo Raimondi, comes in the midst of a national debate on the causes and the consequences of the Parmalat bankruptcy case, the largest corporate failure in European history, which prompted a parliamentary investigation and a discussion on sweeping financial and banking reforms.

The sponsor of the motion is Rep. Mario Lettieri, a member of the opposition party "La Margherita" a coalition of former Christian Democrats and other progressive forces. Other signers of the motion are also members of the "Margherita" like former minister Antonio Maccanico and Giovanni Bianchi, a senior parliamentarian who, in 2001, invited Lyndon LaRouche to Rome, to speak in the Parliament building. Bianchi, a veteran fighter for reorganization of Third World debt, is also on record crediting LaRouche for warning against the global financial crash, in a Parliament discussion in September 2002.

Among the other best known signers are former Minister Nerio Nesi and former Deputy Foreign Minister Ugo Intini, socialists; as well as former trade union leader Giorgio Benvenuto, from the Social Democratic Party (DS). The motion has also been signed by a few members of the government coalition (see box).

Parmalat Meltdown Factor

The motion was introduced to the Chamber floor on Feb. 12, in the midst of a national debate dominated by the aftermath of the Parmalat failure, which is the object of a judiciary as well as of a parliamentary investigation. Lettieri, the secretary of the Chamber Finance Committee, is a prominent member of the Parliamentary Committee on the Parmalat case. The "Parmalat Committee" is composed of the Finance and Industry Committees of both the Chamber and the Senate.

The hearings of the Parmalat Committee have brought to the fore the vulnerability of a system in which banks operate in an unregulated corporate bond market, taking high risks with investors' money. A hundred thousand Italian families have lost their money in Parmalat bonds which they had bought upon advice from their house bank. And before them, 450,000 lost their money in Argentine bonds similarly pushed on them by the banks. In between, another corporate failure, Cirio, swept away savings of some 25,000 investors. The investigation has established that in the Cirio and Parmalat cases, the same banks got rid of defaulting bonds, by selling them to their customers.

All this has prompted growing support among different political factions for a reform of the Italian banking system, whose loss of credibility is now endangering the economic system as a whole. Those few Italian leaders who have been defending the idea of the Common Good, and who have shown leadership in supporting LaRouche's proposals, like Representative Bianchi or Senator Peterlini, are now joined by other factions who are prompted by more pragmatic considerations. One faction of the Italian financial elite, in particular, represented by Parmalat Committee chairman Giorgio La Malfa, is now calling for a return to a "firewalls" system, similar to the one abolished in 1992, which strictly separated financial activities such as savings banks from investment banking, etc. This is the faction historically associated with Mediobanca, an investment bank which dominated the Italian financial and industrial system until the 1992 deregulation.

In the last decade, Mediobanca's former dominance and generally conservative policy has been replaced by the aggressive implementation of "innovative" financial strategies by new private banking groups, devoted to globalization strategies, such as mergers and acquisitions, derivative speculation, and shareholder value. Until now, on the defensive, the Mediobanca group is fighting back, as the evidence shows that the "wild decade" of deregulation has brought the Italian financial and industrial system to the verge of bankruptcy.

La Malfa is supported by Bruno Tabacci, the chairman of the Chamber Industry Committee. This group has been calling for Italy's central banker, Antonio Fazio, to resign because of his culpable responsibility in the Parmalat corporate bonds failure.

Another issue being debated in the Parmalat Committee is the fact that, after the privatization of the Italian banking system, the central bank is now in the hands of private interests, some of them controlled by foreign groups. For example, Bank of Italy's main shareholder, with 27.2% of the stock, is Banca Intesa (a group formed through the merging of Banca Commerciale, Banco Ambrosiano Veneto, and Cassa di Risparmio delle Province Lombarde), which, in turn, is controlled by the French Crédit Agricole, an ally of the Lazard group. Recently, this group has led an assault for the control of Mediobanca and of Assicurazioni Generali, one of the largest insurance groups in the world. Central Banker Antonio Fazio, who testified before the Parmalat Committee, is suspected of having favored the assault.

Italian Senator Oskar Peterlini, LaRouche movement leader Paolo Raimondi, and Lyndon LaRouche with economist Nino Galloni at a 2003 conference in Rome. Their efforts and the galloping financial crisis have led to a new motion for LaRouche's New Bretton Woods by 50 Italian parliamentarians—more moves are expected soon.

Former minister Antonio Maccanico—another signer of the Lettieri-Raimondi motion, and a former chairman of Mediobanca—has issued a proposal to bring the central bank under governmental control. Maccanico has proposed that the central bank liquidate its current shareholders and be put under the control of a public foundation, its board appointed by the government under a Parliamentary majority, and its governor and directors appointed by the board.

All these proposals are good and fine, but without the intervention of the LaRouche movement, they would be doomed to failure. The debate, in fact, resembles in many aspects the one that followed the banking crisis in the 1930s, and brought about the 1936 Banking Act, a regulatory law which lasted until 1992 when the so-called "Draghi reform" was implemented. Similar to today, the Italian banking and industrial system was on the verge of bankruptcy as a result of the collapse of the speculative bubble and the world economic depression. The practices of unregulated banking and their promoters, such as the all-powerful Banca Commerciale head Giuseppe Toepliz, were repealed by the financial elite and replaced with a dirigistic, strictly regulated system under Alberto Beneduce. The new regulations—introducing the so-called "firewalls" while nationalizing the three largest banks—prevented the bankruptcy of the system, but failed to promote an economic recovery. Just the opposite happened: They looted the national revenues to bailout the system.

Today, reintroducing 1936-style regulations, as the Mediobanca faction is calling for, without a general systemic reorganization, and without a Roosevelt-style recovery policy, would repeat these same historical mistakes, leading to the same bad outcome of the 1930s.

Entire System at Stake

Therefore, the intervention of the LaRouche movement is decisive. The Lettieri-Raimondi motion corrects the approach followed by the Committee, raises the issue of the bankruptcy of the world financial system, and focusses on the derivative bubble as being the issue in the Parmalat case. The motion replicates almost verbatim, the text of a statement which Raimondi published Dec. 20, 2003, which was then followed by a lengthy statement by LaRouche, calling on responsible leaders not to concentrate on the internal aspects of the Parmalat case, but on the global systemic nature of the case. He rejected the parallel with the Enron scandal and instead made a comparison with the LTCM failure in 1997, which brought the system nearly to a collapse. In mid-January, Raimondi issued another statement, identifying the specific aspect of credit-derivative speculation which Parmalat was victim of, the so-called Collateral Debt Obligations (CDO). Both Raimondi statements have been published by AgenParl, a Parliamentary news agency which is closely followed by important political factions. Raimondi was then joined by politicians who have, in the past, supported the New Bretton Woods proposal.

New Italian Parliament Motion

On Feb. 13, a new motion for a New Bretton Woods reorganization of the international financial system was introduced in the Italian Chamber of Deputies. The motion is backed by 50 parliamentarians from all parties, mostly from the opposition party Margherita, but also including some of the coalition parties forming the Berlusconi government. Among them are Mario Lettieri, the head of the Chamber Finance Committee; Giovanni Bianchi, who, in 2001, organized an event with Lyndon LaRouche in the Italian Parliament; former Ministers Antonio Maccanico and Nerio Nesi, and former Deputy Foreign Minister Ugo Intini.

The motion notes that "after the collapse of LTCM, Enron, the Argentine bonds, Cirio, Parmalat, and Finmatica, to mention only the most outstanding cases, it should be clear to everybody that we are facing a real systemic crisis. . . . Due to the internationalization of financial markets, one nation alone, or even Europe alone, cannot guarantee the control and application of stronger rules in a resolute way. . . . There is a crisis of the whole financial system, which is more and more aimed at pure speculation. It is estimated that the whole financial bubble, adding derivatives assets to all forms of existing debt, is around $400,000 billion against a world GNP of little more than $40,000 billion. . . . Besides the largest Italian banks, the three American banks involved in the Parmalat case, JP Morgan Chase, Bank of America, and Citigroup, are—as a group—the most responsible for this skyrocketing growth, as reported by the U.S. Comptroller of the Currency, a government agency; in June 2003, JP Morgan had reached the level of $33,300 billion in derivatives contracts, with an increase of $4,500 billion in just six months; Bank of America had reached $14,300 billion and Citigroup $13,000 billion."

The motion then urges the Italian government "to act in the relevant international fora, to build a new financial architecture, aimed at avoiding future financial crashes and the recurrence of financial bubbles, concentrating on the objective of supporting the real economy; and to take all necessary initiatives to convoke, as soon as possible, an international conference of Heads of State and Governments similar to the one held in Bretton Woods in 1944, in order to define a new and more just global monetary and financial system."

Welcoming the motion of his colleagues in the Chamber of Deputies, Sen. Oskar Peterlini stated that the Parmalat bankruptcy "reminds us that already, in February 2002, members of [Italy's] Parliament had introduced a motion in which they had warned the government" and called for a New Bretton Woods. Peterlini urged "the government to adopt not only bailout measures" for Parmalat, "but structural measures of financial reorganization, to be defined also at the international level, primarily with industrialized countries. . . . The crescendo of financial and banking crises, starting in 1997, indicate a crisis of the whole financial system, characterized by out-of-control speculation."

On Feb. 11, Cristiana Muscardini, a member of the European Parliament, intervened in the discussion on the Parmalat case, by calling on the European Commission to take initiatives to deal with the financial bubble. Muscardini, who is vice president of the Union for Europe of the Nations group in Strasbourg [the European Union headquarters], said: "The Parmalat case, the Cirio case in Italy, Enron in the U.S.A., and similar cases in Great Britain or in France are the symbols of the crisis hitting the multinational financial structures, caused by the great and disastrous divide between the real economy and the speculative bubble, paper and virtual wealth that enormously exceeds the true and real wealth based on production and savings."

After polemicizing with the central banks which say they "are not aware of the real situation or not informed of the illegal maneuvers," and endorsing the call for more controls and coordination at the European level, Muscardini concluded by calling on the European Union "to face seriously all the possible, new disastrous consequences which could be provoked by the enormous divide between the real and the financial economy. Until we take measures to reduce this divide, the risks will always be threatening." Muscardini, together with colleagues, has in the past introduced resolutions and inquiries dealing with the necessity of a new Bretton Woods agreement, initiatives which have so far been turned down arrogantly by some incompetent members of the European Commission.

On Feb. 14, AgenParl reported that Sen. Oskar Peterlini issued a statement recalling that he had warned of the threat of a crisis such as the Parmalat one, in a motion introduced in the Senate in March 2002. Peterlini has appeared in public conferences with LaRouche and has campaigned for the New Bretton Woods proposal. He pushed his colleague Brugger to introduce a similar motion in the Chamber of Deputies, which was then discussed in September 2003 and voted up—albeit in a milder formulation—almost unanimously. All this is building momentum for the Raimondi-Lettieri motion, which shall be hopefully adopted by a broad Parliamentary majority.