

# A Call for a New, Just Monetary System

*The following resolution, which was crafted in collaboration with Lyndon LaRouche's political movement in Italy, passed the Italian Chamber of Deputies, on April 6, 2005. It was introduced by Rep. Mario Lettieri, who cited LaRouche's New Bretton Woods proposal in motivating the passage.*

### **The Chamber of Deputies,**

Whereas: The recent crash of the Parmalat company, with a hole of 14.3 billion euros that must still be accounted for, certainly reveals a lack of effective tools and controls regarding financial operations and the behavior of certain participants in economic activity, such as auditing companies, ratings agencies, advisors, companies that float stocks and bonds, etc.; after the crash of the LTCM fund, Enron, and then the Argentine bonds (the International Monetary Fund is largely responsible for the bankruptcy of Argentina), as well as Cirio, Parmalat, and Finmatica, to mention only the most sensational cases, it should be clear to everyone that we are faced with a truly systemic crisis;

This is a financial crisis that is not limited to the stock markets or the people who work in the financial sector, but rather, directly affects the living standards of millions of people, destroys productive economic capacity, negatively affects employment, and often leads to the disintegration of the pensions of people who have worked productively and honestly for their entire lives;

The Investigative Survey Commission on the Parmalat case will undoubtedly produce many important results and ideas in order to prepare a set of interventions aimed at improving the functioning of economic mechanisms, with greater controls and more guarantees of propriety, and defending the interests of all those people who participate in economic processes in a productive and honest manner, and at the same time giving them responsibility;

Given the internationalization of financial markets, one nation by itself, or even Europe alone, is not able to guarantee the control and application of stronger rules in a decisive manner;

The financial and banking crises raise widespread worries not only among small investors (in Italy alone these crises have affected one million people and their families) and serious companies (tens of thousands of small and medium-size businesses have recently been involved in financial derivatives operations, with significant losses), but also among the governing classes of the various countries in-

volved. There is a crisis of the entire financial system, in which hedge funds, that are beyond any sort of rules or control, are taking on an ever larger role. In fact, it is estimated that the entire financial bubble, counting all financial derivatives and all other forms of existing debt, is equal to about \$400 trillion, compared to a worldwide GDP of slightly more than \$40 trillion;

In the meantime, the most recent data officially reported by the Bank for International Settlements in Basel, not only indicate a widening of the gap between the real economy and the purely financial economy, but also reveal a true explosion of the financial derivatives bubble and other forms of debt. In addition to this fact, the exponential rate of growth of these financial and speculative figures is a further source of concern. The BIS [Bank of International Settlements] report "OTC (Over the Counter) Derivatives Market Activity in the First Half of 2003," published on Nov. 12, 2003, admits the following notional values of OTC derivatives, in billions of dollars: June 2002—127,500; December 2002—141,700; June 2003—169,700; that is, an increase of \$42 trillion in 12 months!; and the BIS report for 2004 indicates the notional value of OTC derivatives as reaching \$220 trillion as of June 2004, thus representing an increase of \$50 trillion in only 12 months!

In addition to the main Italian banks involved in the Cirio and Parmalat cases, the three American banks involved in the Parmalat matter—JP Morgan Chase, Bank of America, and Citigroup—are themselves most responsible for this dizzying growth, as can be seen from the reports of the American government institute known as the Comptroller of the Currency: in June 2003, JP Morgan reached the level of \$33.3 trillion in derivatives, with an increase of \$4.5 trillion in only 6 months; Bank of America reached \$14.3 trillion, and Citigroup \$13 trillion. A year later, JP Morgan Chase alone brought the total of its derivatives operations up to \$43 trillion, an increase of \$10 trillion in only 12 months! This is quite a distortion, if we consider that U.S. GDP is about \$11 trillion.

### **Commits the Government:**

To act in the relevant international venues in order to create a new financial architecture, aimed at avoiding future financial crashes and the repetition of speculative bubbles, and thus dedicated to the main objective of supporting the real economy; and to take all necessary initiatives to reach, as soon as possible, together with other nations, the convocation of an international conference at the level of Heads of State and Government, to create a new and more just global monetary and financial system.

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