

Italy Says: Less Maastricht And More Hamilton

by Claudio Celani

If there were any doubts that Italy, like other major European Union (EU) members, would do little more than nothing in order to enforce budget discipline next year, those doubts were swept away no later than Sept. 4, when the initial results of the German general elections were made known. Four days after that vote, Italian Finance Minister Domenico Siniscalco announced his resignation. Siniscalco, a technocrat, knew that his time was over. The lesson of the German vote was that no politician who promises neo-Thatcherite policies is going to survive the polls. Since technocrat Siniscalco knows nothing better than exactly those neo-Thatcherite policies, he had to go. His place has been taken by Giulio Tremonti, the very same man who had to leave the job one year ago, having lost a fight against central banker Antonio Fazio.

Tremonti belongs to the so-called “euroskeptical” faction and has profiled himself as a supporter of “Colbertist” policies, after 17th-Century French Finance Minister Jean-Baptiste Colbert, legendary for his nation-building programs. Tremonti has openly challenged the absurdities of the European Union’s Maastricht parameters, which have prevented productive investments under the pretext of fighting inflation, and has pushed for a European-wide infrastructural investment policy, which has become known as the “Tremonti Plan.” However, he has not yet challenged the euro system as such, and has limited himself to saying that the shift to a European-wide currency, the euro, was “the right thing in the wrong moment.” Tremonti should know better, and he possibly says different things in private.

Upon his comeback, Tremonti put his European plan again on the agenda. Presenting the budget in the Senate on Oct. 4, Tremonti called for “issuing titles of European public debt: This is not a financial, but a political operation. America, the United States, started with the so-called Hamilton debt. The issue of European public debt is fundamental to finance industrial reconversion. It does not appear to me that in the last years, a European industrial policy has been made; and yet, the Rome Treaty allows it; it forbids state aid for obsolete industries, but it does not forbid the use of public powers to determine processes of industrial restructuring.”

It does not occur every day that a Cabinet member in Italy—or anywhere else—quotes Alexander Hamilton these days; if the reader has the impression that this is a result of

reading in LaRouche economics, he has guessed correctly.

Tremonti also introduced an idea he has recently matured: the creation of a new bank for Italy's depressed southern regions, the Mezzogiorno. "The Mezzogiorno is the only European region which has no bank of its own; it had them, they are no longer there, and I do not think it is its fault. There are banks active in the South, but they are not banks of the South, which know the territory, live on the territory and for the territory. We know how important it is for a bank to know the territory."

Unfortunately, such brilliant ideas were espoused in a speech presenting an austerity budget which will cut 11 billion euros in expenses. This is intended to "reassure" the markets over Italy's willingness to contain the budget deficit, which is expected to be over 5% next year, even if it is inadequate to cut it down to the Maastricht-prescribed 3%. Sure, the budget was drafted by Tremonti's predecessor, and there was no time to change it; but the truth is that the bold, imaginative measures necessary for a real shift will hardly come from Italy's current leadership.

On the other side, a few Italian political leaders know that an "exit strategy" from the euro is being discussed in political circles in Paris and Berlin, and that they had better prepare one for Italy, whatever decisions will be taken north of the Alps. One such option, for instance, is to dump "undisciplined" EU members such as Italy, and build a core Monetary Union with France, Germany, and a few smaller countries. The better option, since the former won't work anyway, is that either France or Germany unilaterally leave the European Monetary Union.

So far, Italian government spokesmen have criticized the euro with populist, reductionist arguments. The opposition, in a role-playing game, defended the decision to join the euro, which was taken by a center-left government. Nobody, except the LaRouche movement, has called for denouncing the Maastricht treaties and resuming national monetary sovereignty, a precondition for any development policy. Whether the country will be saved depends ultimately on the capacity of Italy's ruling class and population to accept that challenge.

The Issue of Central Banking

In this context, one flank which has opened in the last months involves the role of an institution central to the economic system, the central bank. Due to alleged misdoings of central banker Antonio Fazio in a banking takeover case, the role of the central bank as a de facto and de jure private institution has come under criticism. As a matter of fact, Fazio is being vilified for the wrong reason; his attempt to stop the takeover of Antonveneta, Italy's ninth largest bank, by the Anglo-Dutch speculative giant ABN-Amro, was the right thing to do. ABN-Amro is a bank with a capital of 33 billion euros and a derivative turnover of 5,372 billion euros; its aggressive strategy intends to establish a beachhead for similar "global-players" to take over Italy's savings market, esti-



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Giulio Tremonti is right to endorse Alexander Hamilton; will he wage the necessary fight for national sovereignty?

mated at more than 140 billion euros.

In order to block the takeover, Fazio apparently promoted his friends and covered for their budget frauds. Whether those allegations are true, will be established by the ongoing judiciary investigation. Ultimately, ABN-Amro took over Antonveneta and is now rumored to fuse with Capitalia, one of the largest groups in which ABN-Amro already owns the largest minority share.

In this case, Italy's political class, both right and left, was unable to distinguish the issue from the political faction fights, and split, over allegiance to Fazio, into "fazisti" and "antifazisti" (the assonance with "fascisti" is not accidental). Under pressure from not-so-public opinion, led by such "democratic" spokesmen as the London *Economist*, the government was forced to publicly demand Fazio's resignation, only to discover that it does not have the power to do that. No institution, be it the government, the parliament, the President, or even the constitutional court, has any power over the central bank. Italians suddenly discovered that the Bank of Italy is a privately owned entity, de facto outside the Constitution!

This opened a debate in which the real issues addressed are the ownership of the bank and the mandate of its governor. The government has now presented draft legislation proposing that those private banks which own shares of the Bank of Italy should sell them to the state or to state-controlled entities; and that the governor's mandate will be limited to seven years (now it is unlimited). Still to be addressed is the statute of the bank, which establishes how the governor is elected and whether the Board members have voting rights.

Independent from whether this bill will be voted up, the question to be addressed is that even a reformed, state-controlled central bank will not have the power of issuing currency and credit, as this has been transferred to the European Central Bank, another private institution, which has power without responsibility.

Paolo Raimondi, chairman of the LaRouche movement in Italy, has posed this question in a statement and has called for a parliamentary initiative on the issue. The central bank must be transformed into a Hamiltonian National Bank, he said. Tremonti is challenged: Hamiltonian methods do not work without national sovereignty!