

Tremonti: Revive Hamilton's Economics

Here is the speech of Hon. Giulio Tremonti, vice-chairman of the Italian Parliament and former Economics Minister, presented at the June 6 conference on "Market Radicalism or New Deal," in Rome. It was translated from Italian by EIR and subheads were added.

Thank you. The manner in which politics is organized and discussed offers us many opportunities for disputes, and not many opportunities for finding points of contact. Thank you for this opportunity; it is always important to listen to other people's ideas. It's interesting to hear [Lyndon] LaRouche's ideas; and it's interesting to hear [Deputy Minister for Economic Development Alfonso] Gianni's ideas, especially when he expresses his own ideas, and not mine.

What can I say in only a few minutes? First of all, I have always appreciated the depth of the views in LaRouche's magazine [*EIR*], the fascinating nature of the analysis, and also the historical character. It's not often that we read documents which outline far-reaching scenarios, on a large scale, of which we just heard an example. It's not often that we read documents in which we find important quotes from history—history which is essentially European, because until a few centuries ago, history was European, and not American. LaRouche began by citing the great crisis of a few centuries ago in Europe, and he deduced certain similarities and prospects. Then I listened to Gianni as well.

This is how I see it: First of all, we definitely live in a time which is not ordinary. We live in a time in which, under the appearance of the continuum of normality, in reality we see signs of rifts, of potential crises, of dramatic transformations. I don't agree—but I think this is fairly marginal—I don't agree on the historical reconstruction. I have expressed a view which is a bit different in my writings, in my books. I believe that the transformations which have taken place in the world regard the '70s less, and regard the end of the '80s more: the fall of the political system which was blocking the world; the advent of the computer; the transformations which consequently took place in the structure and distribution of wealth.

I remember, of all the things I have written, what is most dear to me is an article, an editorial for *Corriere della Sera* in July of 1989. It was the Bicentennial of the French Revolution, and my article went more or less like this: Just as 1789 was the year of the advent of the construction of the political machine of the nation-state, so this year will be the beginning, the symbolic beginning (keep in mind that July comes before November, and thus we are still before the fall of the Berlin



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Wall); it will be the year of the beginning of extra-parliamentary revolutions, caused by a cascade of phenomena linked to the structure of wealth, the crisis of the nation-state which loses the monopoly over wealth.

At one time, the nation-state controlled wealth by controlling territory; by controlling wealth, it exercised political force, it had a monopoly on law, taxation, and justice. When wealth, which was detached from physical production, turned into only financial wealth—I remember that the image was that the ancient and basic chain of politics: state-territory-wealth, was broken.

The state remains and controls the territory, but it doesn't control wealth, and loses power. This process in continental Europe was accelerated by the construction of Europe [the European Union—ed.]. So I consider '94 as a more significant date, when the WTO [World Trade Organization] was created; it's no coincidence that the WTO comes out around '89.

There Is Room for Optimism

I wrote a book in which I classified events in five-year periods: five years from '89 to '94; five years from '94 to '99/2000; and the various mechanisms of reaction and development. In short, we certainly live in a period, if I can use an image: It's as if the old European order is breaking apart with the advent of Atlantic areas, and the Baroque Age is called *mundis furiosis*. So we live in a period in which the old order, which is in some sense broken by structures and events which surpass it, and the vision, the management, of that which comes to us and which we see, is objectively fairly problematic.

I don't agree. I think—how should I say it? I think that there is room for less catastrophic views, views which are more optimistic, and that the tools that can be brought to bear may also be different than those which have been proposed, but we are united by the idea that we live—I repeat—in a world which is not normal, not ordinary, with changes underway and effects which we will see.

How can I end? By looking for elements of, not identity, but of a potentially common vision. I have always thought that the formula "market if possible, government if necessary," is correct. This excludes the dogmatic qualification which Gianni just attributed to me, of the type, "you believe in..." I believe that empirically it is possible [speaking to Gianni—ed.], actually, I thank you, because you gave me the

opportunity—I believe that there are combinations which are possible outside of the schemes and combinations, outside of the currently-dominant culture, which I allowed myself to call “marketist,” meaning marketism as the synthesis of the worst aspects of liberalism and Communism.

I’ll give you an example, actually, two examples, of policies which could be included in this logic. The real difficulty is cultural; that is, you have to break down obstacles which are not physical or economic, they are mental. The real obstacles which you find in asserting ideas which are relatively new are not physical obstacles, they are ideological obstacles. The dominant mental mechanism, the dominant culture—I’ll give you two examples. In 2003, during the semester in which Italy held the rotating presidency of Europe, I made a proposal for a new edition of the old Delors Plan. The Delors Plan called for the issuance of European debt to finance European infrastructure. In the middle of the ’90s, when the idea was first presented, it ran up against cultural limits and obstacles. When I presented it again in 2003, the obstacles were different in content, but similar in terms of the cultural trend. I remember that the most intelligent objection came from Gordon Brown, who said—he was the British Chancellor of the Exchequer—he said “nice,” interesting, but issuing Eurobonds means having a Euro-budget; a Euro-budget means a Euro superstate. No, thank you. So, this was a political refusal. His country had a different position regarding a European political construction.

The Hamiltonian Solution

The other reaction was that—and I have to say that it was less commendable, and harder to share—that raised by other large countries in continental Europe, which was essentially a monetary, banking objection, basically saying that we don’t want public debt, be it European or national; in any case, no more public debt. My response was, the United States of America began its political journey with public debt: Hamilton. Hamilton presented the American public debt as the basis for constructing a political union. So I tried to say that I wasn’t proposing a financial operation, I was proposing a political operation. The issue of Eurobonds could finance European plans which would produce not so much financial leverage, but rather a political identity for Europe.

The response was typical of a central banker, or of economic figures: absolute opposition. Regardless of the quantity, if you notice, considering the tremendous monetary strength of the euro, with the credibility and weight which the European Monetary System has, the issuance of 50 billion euros, what would be needed to finance the Lisbon agenda, for example, would really be marginal, and not even significant in economic terms. I tried to say that the time had come to collect the Maastricht dividend. The reaction was absolutely negative; that is, the refusal to enter into a cultural scheme which was, what can we call it? Keynesian? Delors identifies himself with a Keynesian political philosophy. I absolutely continue to identify my-

self with it. The alternative wasn’t a “second best” alternative. Maybe it was second, but it wasn’t best. It was a plan, the Action Plan for Growth, which was in a certain sense partially guaranteed by states, arranged by the European Investment Bank, but essentially lacking a protective spirit. Incidentally, I don’t even know if the Action Plan has gone forward, if it has financed any large infrastructure projects.

Importing Poverty

The second point: I am convinced of the fact that—I don’t know if this corresponds to the dominant view in Italy—but in ’95, the year after the WTO was founded, I wrote a book entitled *The Ghost of Poverty*. Capital leaves the West, goes to Asia in search of cheap labor, and Europe imports poverty. It imports poverty because our old worker aristocracies, our wage-earners, will have salaries and wages at the levels of the East, but the cost of living will remain that of the West. And my idea was large investments in human capital: the so-called three “I”s [English (Inglese), IT, Enterprise (Impresa)—ed.], and the use, for example, of the RAI [Italy’s state television network—ed.] for job training. You can’t compete with China in terms of arm strength; you have to compete using other investments, public investments. So the political, public use of the RAI, which is an essential tool, for training.

Another thing which I later attempted to present was, after seeing what was happening in our country after 2001, the idea of introducing, while respecting the WTO, and observing European rules, tariffs, and quotas. Not to stop the world, not to get away from the world, but to earn a little bit of time to re-convert. I remember, and I have to say, that the idea of tariffs and quotas was completely shot down by the entire Italian ruling class and political class. Frankly, I did not expect any solidarity from the left, but I also did not expect that degree of hostility regarding an idea, which to me, seemed somewhat reasonable. I now see that in the cultural system, in the cultural circles of the American Democratic Party, there is discussion of tariffs and quotas. The idea may be right or wrong, but you can’t just demonize it *a priori* for whatever reason.

So, how can I end? I remember that the first thing from LaRouche which struck me was a document which spoke of the large Eurasian infrastructure projects, and I said, maybe it’s impossible to do this, but certainly—maybe it’s the vision of a “madman,” but usually, history also moves forward based on the visions of such madmen. And I have to say that, in fact, in an age when the role of governments is greatly limited, more so than necessary, and in which there is an excess of symbolic adoration for intangible financial and immaterial wealth, and limited consideration for elements which however, are essential, such as material infrastructure, I am convinced that this type of ideas, your ideas, must be spread. The fact that we are speaking of this from different political sides, and that we are speaking of it in a logic which is not negative *a priori*, and not fanatical, is certainly very positive.

Thank you.