

The 'heavy lira' proposal dominates economic debate

by Nora Hamerman

Since the opening of the New Year, *EIR* Contributing Editor Lyndon H. LaRouche, Jr.'s proposal for a "heavy lira" currency reform as the solution to Italy's acute economic crisis has become the main topic of the Italian financial press. The LaRouche proposal was formally launched Dec. 4 at a conference in Rome sponsored by the *Executive Intelligence Review*.

The proposal involves 1) replacing the current lira with a new lira at a ratio of 1,000 to one (a thousand lira currently buys a loaf of bread); 2) simultaneously transforming tax and credit policy to provide incentives for productive investment; and 3) certain special operations to trap speculators, drug traffickers, and black marketers, outflank them from diverting their capital, and obstruct "dirty money" flows. The most strenuous opponents of the proposal have been the Treasury and the Banca d'Italia, the nation's central bank. All editorial opinion, whether favorable or unfavorable, has tended to concur that the currency reform could only be promulgated as part of a broader reversal of current high interest-rate, low industrial-investment policy.

On Jan. 3, Italy's leading financial daily, *Il Fiorino*, read by every banker and financial manager in the country, featured a front-page editorial signed by veteran commentator Giorgio Vitangeli and titled, "Continuing Talk of a New One-Lira Note to Replace the Thousand-Lira Note." The editorial notes that the year-end holidays, the dramatic terrorist events and the rumors of a new government crisis had all but diverted attention from the country's most interesting "mystery story"—the fact that the official newspaper of the Communist Party, *L'Unità*, on Christmas Eve published a front-page box announcing that the "heavy lira" was about to be launched. *Unità* cited sources inside the Banca d'Italia and even claimed that the sketch for a new lira had already been drawn up.

A day later, according to *Il Fiorino*'s account, the Treasury Ministry denied the reports of a heavy lira operation in response to a press agency's inquiry, but did not put out an official press release, which "left quite a few doubts in the air." In fact, *Fiorino* continued, "a few weeks ago, journalists, economic personnel and politi-

cians were widely apprised of a meeting organized in Rome at the Leonardo da Vinci Hotel by the *Executive Intelligence Review* and Fusion Energy Foundation, organizations associated with Lyndon LaRouche, an American . . . who recently participated . . . in the Democratic campaign for the U.S. presidential elections."

The Rome meeting, *Fiorino* continued, proposed "a Gaullist solution" for Italy based on the issuance of a new heavy lira, and had publicized its proposal by printing a sketch of the new one-lira bill (which *Fiorino* published on its front page). The editorial then asked if this lira-leaflet could be the source of the rumors of a "sketch already prepared" for the heavy lira, but concluded that this is unlikely, since *Unità*'s description is very different from the *EIR* lira.

Vitangeli went on to say that although projects for a currency reform had been debated in "authoritative circles" for years. Simply "knocking off three zeroes" would resolve nothing; "it makes sense only if it seals, with the added impact and commitment of monetary symbols, a policy of economic revival, of which the currency reform would be the symbol and the instrument. In sum: the launching of the heavy lira, if it is going to be serious, cannot fail to be accompanied by a new economic policy, radically different from the one that reduced the old lira to an abstract unit of accounting, pulverizing its value and transforming all Italians, even the poorest, into 'millionaires.' "

But, Vitangeli concluded, "whereas any government can print one-lira notes in place of thousand-lira notes, it is something totally different to launch an economic policy capable of keeping the so-called heavy lira from becoming a featherweight in a short time."

On Jan. 7, *L'Avenire*, a nationally distributed Milan-based Roman Catholic daily, published on its economics page a Banca d'Italia denial of the "heavy lira plan," and cites conflicting views on whether the heavy lira plan could combat inflation. The leading Genoese newspaper *Secolo XIX* reported Jan. 6 the same Bank of Italy story, adding that Treasury Minister Nino Andreatta has recently "firmly denied that the introduction of his new monetary instrument" was under way.