

# The postwar struggle for a 'heavy lira' reconstruction plan

by Marco Fanini

Lyndon LaRouche's proposal for "A 'Gaullist' Solution for Italy's Monetary Crisis" brings Italian political leaders, especially the men who guide Italy's two largest parties, face to face with the task of taking up again a battle that was interrupted in the period immediately following World War II. During that period, the Italian situation was analogous in many ways to that of today: skyrocketing inflation, administrative chaos, corruption, foreign interference. Under Alcide De Gasperi, the leader of the Christian Democrats, and Palmiro Togliatti, the head of the Communist Party, an attempt was made to create a "heavy lira" as LaRouche has proposed today, as a means for attacking speculation head on and thus restarting the national economy.

It is worth noting that not long ago Giulio Andreotti, the leader of the Christian Democratic faction that favors government collaboration between his own party and the Communists, re-evoked the two parties' postwar cooperation and the "heavy lira" attempt in particular:

... Scoccimarro was a man of great worth, who to a much greater extent than Togliatti took a true interest in governmental activities and, even though he was not an economist, had succeeded in forming precise ideas about economics. For example, he seriously battled against the technocrats for a currency reform, and I think he was right, because if the currency reform had been carried out then, it could have constituted the basis for cleaning up the financial situation and for a notable relaunching of industry as well.

Thus in 1977, while he was still prime minister of Italy, Andreotti commented on the proposal of the finance minister of the postwar Parri and De Gasperi governments, the Communist Mauro Scoccimarro. The latter was one of the best minds of the Italian Communist Party and Togliatti's economic adviser; in his book *Intervista su De Gasperi (Interview on De Gasperi)*, Andreotti reports the secret encounters among De Gasperi, himself, Togliatti, and Scoccimarro, in which economic questions were entrusted to Scoccimarro.

Scoccimarro's proposal was put out in the early months of 1945 when the Italian economic situation was

desperate and reconstruction plans were being discussed: production had fallen by 50 percent, monetary circulation was running wild, and inflation was extremely high, due in great part to the unfavorable exchange rate imposed by the Allies (one dollar equaled 100 liras) and the unlimited diffusion of so-called *amliras*, currency printed by the occupation troops. Food was scarce; for many products there was a black market; and moreover, huge amounts of capital that had been illegally exported during the war could be re-imported from one minute to the next with disastrous effects.

Scoccimarro proposed:

- 1) rationing of consumer goods;
- 2) a currency reform and a one-time-only tax on property;
- 3) a census by name of personal property holdings; a tax on personal and real property of at least 100 billion liras;
- 4) a freeze on capital flight through the change in the currency, since illegally exported money would thus lose all value;
- 5) a freeze on one-third of monetary circulation, holding it under the form of bank deposits "whose availability is subjected to certain conditions of productive use."

In presenting his proposal, Scoccimarro commented prophetically:

"The reform of the currency is an absolutely necessary and indispensable measure in the current monetary and financial situation of our country: not to carry it out would cause serious damage, and we would feel the consequences for a long time."

Even without entering into the details of this proposal, it is clear that the intention was to strike a blow against speculative profits (not just war profiteering, but the vaster and more dangerous profits being formed thanks to the circulation of *amliras*) and to wield the fiscal lever in such a way as to relaunch production. The partial availability of currency held back from circulation, under conditions of productive investments, is a measure that brings very much to mind LaRouche's "two-tier credit system" in his book on a "Gaullist solution."

Another element to underline is the precision with which Andreotti grasps the key elements in the currency reform: to hit the “technocrats,” to clean up finance, and to give birth to an industrial boom. The Catholic Andreotti and the Communist Scoccimarro were in accord on these fundamental conceptual matters; theirs was not a “factional alliance”; they agreed on how to build a national economy and their enemies, then as now, were the “technocrats.”

This puts the alliance between Togliatti and De Gasperi in an interesting historical light, suggesting that the accord on the currency reform was the basis of the “historical compromise” of 1945, when the Parri government that ruled from June to December actually approved the currency change and related measures. Not accidentally, Togliatti was the personal mentor of Enrico Berlinguer, the present secretary-general of the Communist Party, just as Andreotti was the heir apparent to De Gasperi. Yet this alliance, which in the postwar period represented 80 percent of the Italian political panorama, was shattered in the brief span of two years, and came to an end in practical terms with the 1947 trip of Prime Minister De Gasperi to the United States. And the “technocrats,” supporters of the “free-market economy,” took power and pushed the Christian Democrats and Communists into a frontal clash that lasted 30 years. The question is, why?

During the war De Gasperi had been a secretary in the Vatican Library, and Togliatti held a similar post in the Kremlin. All evidence points to a pre-existing accord between Stalin and Pius XII to make Italy into an industrial power capable of controlling the Mediterranean and acting as a bridge between Europe and the rapid industrialization of the Third World. Such an accord would have fit perfectly into the framework of the “grand design” of President Roosevelt for collaboration with the Soviets to develop the former colonies and take them out of the dictatorial control of the British oligarchy. Andreotti himself in 1956—a period when Christian Democrats and Communists were at a maximum distance from each other—wrote that “De Gasperi, based on the situation of that moment, put his own thinking in the framework of Roosevelt’s attempt at coexistence between the Russian and Western worlds.”

But if such an accord existed, it must have been covert and disguised, given that the postwar agreements signed Italy over to the Anglo-Americans, or to put it more precisely, to Churchill, who had always seen control of Italy and the Balkans as the means for controlling the Mediterranean and the Middle East. The arrival in Salerno on March 27, 1944 of Palmiro Togliatti from the Soviet Union, and his astonishing speech offering collaboration with the Catholics, made the British and their Italian agents quite worried. Benedetto Croce, for example, saw Togliatti’s “Salerno Turn” as a conciliatory

move by the Soviets to enable them to intervene in Italian affairs.

When in June of 1944 the parties of the Committee of National Liberation set up the first Bonomi government, overturning the British-backed regime of Marshal Badoglio, Churchill sent a menacing telegram off to Joe Stalin asking him to immediately “communicate his opinion” on this development. Stalin in his reply professed to be in the dark about Togliatti’s activities, and between mid-1944 and mid-1945 gestures of praise and collaboration multiplied between the Italian Communist and Catholic leaders, including the Pope himself. Even the efforts of the two other principal “liberation” parties, the Socialist Party and the Actionists, which were both under the direct control of British intelligence, failed to dislodge the growing alliance. When the Socialists refused to participate in the second Bonomi government late in 1944, De Gasperi and Togliatti set an important precedent for today by forming a Catholic-Communist cabinet without the Socialists.

Even though the Socialists were able to re-enter the next postwar government, inaugurated in June of 1945 under Action Party Prime Minister Ferruccio Parri, the majority alliance prevailed and in fact reached its zenith, establishing the date of March 1946 for the currency reform and promulgating the first preparatory measures. But this government lasted only five months. It was collapsed to bring in Mario Corbino, a pro-British member of the small but influential Liberal Party and a well-known enemy of the currency reform, as the new government’s treasury minister.

### **Sabotage of currency reform**

The first proposal for a change in the Italian currency had come early in 1945 from Treasury Minister Soleri, who suggested it in order to count the money in circulation and to apply a 10 percent tax to replenish the government’s empty coffers. Almost everyone accepted this idea; the currency had already been changed in December of 1944 in Belgium and subsequently in France, Finland, and other countries; it was simply a technical necessity.

Scoccimarro declared himself in accord with the plan, but objected that to spend so much money and energy merely to find out how much was in circulation was foolish, and that an indiscriminate, across-the-board tax of 10 percent was unjust, since it would deal a blow to the impoverished masses without scratching the surface of the superprofits of speculators. Out of this thinking came his own currency reform proposal, described above, aimed substantially at obtaining a special tax on speculative profits and a tax on uninvested liquid capital; such a financial “cure” would favor the issuance of credit for productive investments in industry and agriculture.



*Togliatti's first press conference in 1944, after his return from Moscow.*

After Scoccimarro put out these ideas, all hell broke loose. Among the Liberals, Soleri and his successor at the Treasury, Ricci, were in favor, while Corbino was against. No sooner had the government finally approved the reform and set the date than wheels were set into motion to topple the government. When Alcide De Gasperi became prime minister that December of 1945, it was with the albatross of Corbino as treasury minister around the neck of the new coalition.

Scoccimarro, still at his post as finance minister, insisted on carrying out the reform in February of 1946 so that it could be completed before the elections, which were slated for June. In February, Corbino announced that if the reform went through, he would resign. More importantly, the Allied military government, as Scoccimarro himself later reported, intervened with the demand for "privileges and notice of at least one month"! Obviously an action like changing the currency requires rapidity and decisiveness of execution, and the absurd demands of the Allies were aimed exclusively at "obtaining advance notice that would have made the currency change coincide with the elections," as Scoccimarro said in an interview published in *Milano Sera* on June 26, 1946, a timing that would have caused severe problems from the standpoint of law and order. Even

though a lot of banknotes had already been printed, the reform was again postponed.

Not long after the June 2, 1946 elections, when the Italians voted to elect the constitutional assembly that would establish their republic, Treasury Ministry Corbino came up with a new ploy. This time, the photographic plates to print the new banknotes had been stolen, he reported. The Bank of Italy let it be known that, given the difficulties in the transport sector and in the area of public order, it would be too risky to send huge quantities of new currency to their principal branches. By now the battle had been lost, and a mountain of new bills remained unused. They were later sent to the shredder when the reform was officially renounced in March of 1947 by the new minister, Campilli. No investigation was ever undertaken into the theft of the plates that dealt the death blow to Scoccimarro's plan.

### **The long hand of the British**

But the real motivations for that failure were to be found in the combined pressures of the British oligarchy and its financial arm, outside and inside Italy, and of the Allied military government.

The currency reform, the capital tax, the rationing

of consumer goods, and the other measures approved in November 1945 by the Parri government were harshly criticized by the Liberals, by some elements of the Christian Democracy, and by Allied occupation officials. The economic section of the Allied Commission went so far as to threaten to block coal and other raw materials supplies as a reprisal against such “dirigistic” measures to rebuild the economy. The main mouthpiece of the City of London, *The Economist*, protested in its Nov. 24, 1945 issue in the name of the Allies against the tax on capital and against what they called “an investment policy oriented toward a redistribution of wealth.” *Economia d'Italia*, purportedly the organ of the Italian industrialists’ confederation Confindustria but really an Italian version of *The Economist*, wrote that the currency reform “would be an element of disruption in the already badly disheveled national economy.” Another Italian spokesman for British economic liberalism, addressing the National Assembly shortly after Corbino had expressed a clear “no” on the currency reform in January 1946, rhapsodized that Italy would thus return to classical economic policy, that of the “free market,” and that the other tendency, which through the currency reform would have imposed more state control and intervention into the economy, was being abandoned. In fact, by caving in to Corbino, Prime Minister De Gasperi was permitting what he called the “fourth party,” speculative finance capital, to consolidate its position and strike roots in Italy as a cancer feeding off the real economy. Togliatti later wrote:

Even ordinary acts of good administration such as the currency reform were made impossible by maneuvers strangely carried out in the shadows, and not without the connivance of those who controlled the organization of the country much more than the country.

The defeat of the currency reform package led De Gasperi to a series of ever greater concessions to the Americans (who had by then become, thanks to Churchill’s efforts, the main spokesmen for the Cold War), culminating in the famous spring 1947 trip to Washington in which De Gasperi, in order to obtain loans and aid, agreed to break his alliance with the Communists and set up the first four-party coalition government.

Returning, he wrote to Togliatti: “It is a question of bread and a brief period of time.” In reality, 30 years had to pass before Communists and Christian Democrats returned to a partial collaboration during the three-year period of national unity under Premier Andreotti, from 1967 to 1979.

As we have seen, the direction of Italian political life underwent an abrupt change of tack; Communists and



*Giulio Andreotti (r) with Alcide de Gasperi in 1947.*

Catholics clashed violently in the 1948 elections, and the climate of confrontation remained a constant for decades. Yet the attempt to construct a national economy along the “dirigistic” lines set forth by Scoccimarro and others was carried forward with partially positive results, which cost enormous efforts and in some cases the lives of the protagonists.

An early success was the passage in 1951 of the “Vanoni Act,” which established a progressive taxation system and constituted an important democratic reform for Italy. Ezio Vanoni was a brilliant economist who had been picked up by the Rockefeller Foundation and the Italian financier family, the Einaudis, in the 1940s and given scholarships in the best universities of the world in an effort to make him a “technocrat.” But in the wake of what might be called a religious crisis, Vanoni embraced the economic point of view of the Augustinian current in the Catholic Church; he rejected the antinomy between Marxist planning and British free-market policies, in favor of a type of planning capable of orienting the market. This “Hamiltonian” outlook led Vanoni to support currency reform, even though in the 1946 National Assembly debate he had maintained an ambiguous and even contrary stance on account of the conditions that De Gasperi had accepted.

Let us summarize his speech on that occasion:

1) Given the situation of inflation and of money being printed in several different places, the currency reform is a necessary measure.

2) Changing the currency merely for statistical reasons is easy to carry out simply by gradually substituting the banknotes.

3) The reform is useful for freezing currency being held abroad. "The change has to be sudden and rapid and accompanied by a rigorous surveillance of the borders. . . . In Italy already there has been talk of the change for too long for the goal of nullifying illegally held currency to be valid any more. There is a widespread sensation that Italian currency holdings abroad have been already substantially reduced, precisely because of the fear of a currency change."

4) The reform, seen as an element of a maneuver for cleaning up the monetary system, has risks: for example, farmers would be forced to shift their monetary holdings, but they might prefer sending them off to changing them.

5) The currency reform will take out of circulation part of the paper money now in possession of private individuals. Every holder is obliged to present all the money he has in the bank: part of it gets changed into new banknotes and the rest is deposited into an account which for the time being is not available for withdrawal. The frozen part can later be gradually freed and transformed wholly or partially into government bonds. There are risks such as evasion (in Belgium even poorer people changed enormous sums of money) and the risk that a reduction in circulating money would lead to deflation.

6) The currency reform should be accompanied with a one-time-only tax on property. There are two possibilities: at the moment of exchange a fixed percentage is held back, say for example 10 percent; or instead, there should be a personal tax on holdings, that is, at the moment of exchange the person presenting the money is identified and the amount changed is noted down. A designated agency later collects the tax. "The advantage of clarity and fiscal justice which derives from the application of the reform and the one-time tax may perhaps justify the effort needed to overcome the problems."

Vanoni was thus, at least from the conceptual standpoint, in accord with the policy of currency reform. And he could not be otherwise, given his background, which already in July 1944 had led him, at the first National Council meeting of the Christian Democracy, to speak in favor of planning and a "controlled economy." In February 1946, during the meeting of the Finance and Treasury Committee of the National Assembly, while for the already cited reasons he no longer favored the currency reform, Vanoni presented an interesting



*The Italian edition of A "Gaullist" Solution for Italy's Monetary Crisis.*

scheme for "the state to take possession of the profits of war and exceptional profits from speculation." He became a minister but was immediately hit with a scandal trumped up by the Liberals and the British-controlled Sicilian Separatist movement, and did not extricate himself until 1948, well after the final phase of Anglo-American maneuvers to break the Catholic-Communist alliance.

It was Vanoni, returned to the finance ministry in 1948 for five years, who created Italy's national hydrocarbons agency, ENI, in 1953. This represented the crowning achievement of a long battle he had carried out together with Enrico Mattei to define a national energy policy in opposition to the domination of the Anglo-Dutch "Seven Sisters" petroleum multinationals. Unfortunately, Vanoni died in 1953, shortly after De Gasperi had given him the responsibility of preparing a plan for Italian development that became known as "The Scheme," and by 1954, De Gasperi was also dead.

As president of ENI, the masterful Enrico Mattei carried forward the battle, succeeding not only in giving a powerful impulse to Italian industrialization, but also in defining a foreign policy of openings to the Third World and to Eastern Europe. This was precisely the foreign policy that the coalition government of the postwar period would have been able to adopt if the currency reform had passed.