

## Foreign Exchange by Fiorella Operto

### What kind of 'heavy lira'?

*Craxi announces a reform everyone associates with LaRouche and Italy's European Labor Party.*

**R**ecently, the Italian government announced that the heavy lira will be introduced in 1985.

The announcement was made on Sept. 23 by Premier Bettino Craxi to an audience of farmers in Cremona: "I hope we will be able to consolidate this process of healing the Italian economy so that possibly next year we can restore, nominally and formally as well, a more solid value to the lira with the *heavy lira*, a lira that is again a lira and replaces the present 1,000 liras. Then housewives will no longer have to go shopping with too many zeros attached the lira." He added, "I hope that we could strengthen our economy so as to pay one-and-a-half liras for one dollar, and not 2,000 [the current exchange rate]."

So far, Craxi's "heavy lira" has no content: It is being presented as a technical intervention to streamline cash operations and to cause certain hazily defined "psychological effects." But it will immediately evoke the fall 1980 proposal of economist and U.S. presidential candidate Lyndon H. LaRouche, which created a flurry in the Italian press and government circles in the early months of 1981. LaRouche designed a currency reform expressly for Italy around the heavy lira, in a famous pamphlet titled, *A Gaullist Solution to the Italian Monetary Crisis*. His proposal was adopted by the European Labor Party (POE) and became one of the programmatic points of many electoral campaigns. The heavy lira of the POE is not simply a technical measure, but one with

real substance, a step which will be indispensable whenever Italy's government decides to initiate a program of economic development.

In brief: According to U.S. and Italian intelligence estimates, at least 25% of the Italian monetary supply comes from the black market, from illegal and speculative activities centering around the international traffic in illegal drugs and weapons—in other words, the so-called Bulgarian Connection. Drug money is "laundered" in Switzerland, in London, and other artificial paradises, and also in Italy, via nominally legal activities, particularly real estate and insurance speculation. These are the activities that cause inflation, by absorbing growing portions of financing from productive industrial and agricultural activities. It is no accident that only such illegal or borderline-legal activities are managing to survive in a climate where money costs 25-30% and more.

LaRouche's "heavy lira" proposal was modeled in many respects on the successful "heavy franc" currency reform carried out by Charles de Gaulle's economic adviser Jacques Rueff at the end of the 1950s. LaRouche stressed, however, that Italy should go beyond the French reforms in bringing under control the effects of the spiraling valuation of fictitious ground-rent.

The heavy lira, introduced within a program for economic development and according to implementation conditions which cannot be described here, but which would have to be

worked out between the government, the judiciary, and the customs service, operates, by eliminating the cancer of illegal financing, rapidly and with relatively little effort. At the moment old banknotes are traded for new, the government can exert effective controls on capital, to find out its origin, and so forth.

Once the heavy lira has been introduced, the government can launch a healthy credit policy based on the "two-tier credit window." That means long-term, low-cost credit for productive, agro-industrial activities, oriented toward fostering newly developing technologies, and tight financing and rigid controls for speculative activities. Thus, the government can direct monetary flows to favor activities in the national interest.

This is an economic measure in the best tradition of industrial capitalism, of Western economics, as reflected in the writings of George Washington's Treasury Secretary Alexander Hamilton, Friedrich List, and the Neapolitan economists of the 18th century, Intieri and Genovesi.

Without this heavy lira, every type of financing would be absorbed by the speculative and organized-crime circuits, as has occurred over and over with the credits for the development of the Italian South.

Will the Italian government have the courage to deliver such a necessary and urgent blow to the mafia, the "camorra" of Naples, and the illegal drug trade?

Today, the government is making it known that it would be only a technical measure which will not touch anyone's dirty interests. Italy has no need for technical measures and cosmetic operations, but it does need to put its nearly destroyed productive economy back to work. The POE's heavy lira is the precondition for that.