

Italy at the crossroads: Barings or LaRouche?

by Liliana Celani

The alternative of the title was clearly posed at a conference organized by *EIR* and the Italian Movimento Solidarietà which took place on March 2 in Rome to present Lyndon LaRouche's evaluation of the present disintegration of the financial system and the possible solutions, as well as the Italian edition of his book *The Science of Christian Economy*. Many among the diplomats, journalists, and industrialists attending the conference remembered very well a previous *EIR* conference which took place in Milan in June 1993, in which a total disaster for the lira and the Italian economy was forecast, unless the financial disintegration due to derivatives speculation and the British plot to deindustrialize Italy with privatizations, discussed at a secret summit on the royal yacht *Britannia* off the coast of Italy near Rome in June 1992, had been halted.

"LaRouche was completely right then, and is completely right now in demanding a tax on derivatives, as the Barings collapse demonstrated to all of us," was the comment of many people attending, who remembered very well his proposal. "How can it be that we learn about derivatives and about all those great infrastructural projects being discussed in the European Union from *EIR*, and not from the daily press?" was one of the many questions posed.

In order to understand why this is the case, it was enough to watch the Italian news telecasts during those days. The same day Barings was declared bankrupt, one of the three main national news programs, TG3, interviewed of all people the head of Merrill Lynch in London, to ask him what Italy should do to stop the collapse of the lira, which since the British have been "advising" Italy, has been devalued by almost 50%, falling from 700 liras to the German mark, to 1,200 liras in the first days of March.

"Do you agree with the International Monetary Fund delagation which was in Rome today, that the only way to save the Italian economy is to privatize the pension system too, and to move the austerity budget of 1996 up to 1995?" was the question asked by the correspondent in Rome to Merrill Lynch. He obviously agreed, and denied that the Barings collapse had any implication at all for free market economics, or that any regulation would be necessary.

With such friends, Italy certainly needs no enemies, since it is precisely the counsels of Merrill Lynch, Warburg, Lehman Brothers, and Goldman Sachs which brought the Italian lira to the level it is, and the Italian economy to the brink of



Former Prime Minister Giulio Andreotti: His trial in Sicily is apparently aimed at eliminating Catholic politicians from any role in government.

deindustrialization. The case of Warburg is indicative: This is the bank which was financially strapped before Barings, and which in June 1992 organized the *Britannia* yacht summit. Warburg was assigned by the Ciampi government to privatize IMI, one of the main state banks at the top of the list of British asset stripping. No wonder that Merrill Lynch would advise Italy to quickly privatize its pension funds (and maybe invest them in derivatives in Singapore?), and cut its budget.

Amazing is the fact that there are still Italian political leaders who not only ask them for advice, and follow it, but who even go to the City of London to take their marching orders, as was the case for the head of National Alliance, Gianfranco Fini. Fini was in London on Feb. 14-15 to address the Royal Institute for International Affairs, and have a private meeting with the Rothschild Bank. On Feb. 23, Lord William Rees-Mogg, former adviser to Margaret Thatcher, endorsed Fini in a London *Times* commentary calling for an Italy-Britain axis against Germany and France. As a senior Christian Democratic politician told *EIR*, "There is at present a total disorientation in Italian politics. People believe that the Italian lira is collapsing for domestic reasons, because they cannot see beyond their noses, and do not see the collapse of the financial system. Parties do not count any more: They are all split internally around the question of whether there should be a left-wing government or a right-wing government, although both have the same program, and it's the City of London's."

"After the Barings collapse you would expect to see Great Britain finally as the 'Naked England' [a pun on Goya's

“Naked Maja”—ed.], since the cover of the Windsor monarchy is falling down, but on the contrary, people are so blind and eager to make a career that they still believe in what they are told to do,” he added.

Inside the PPI, the Popular Party which replaced the Christian Democracy, there is a fight over whether the PPI should join the so-called “moderate pole” led by former Prime Minister Silvio Berlusconi in the next national elections, expected when the Dini government falls, or join the “left pole” led by Romano Prodi, former senior adviser to the Goldman Sachs investment house, who is pushing for a North American Free Trade Agreement-like free trade treaty, and promises to be more loyal to the City of London than Fini.

Also inside the PDS, which used to be the Communist Party, people are very angry at the new secretary Massimo D’Alema who chose such a “ridiculous candidate” as Prodi to lead the left, thus making sure the moderate pole wins again. Italy is the only country in the world where the left is supporting a government, led by Lamberto Dini, which is proposing an anti-popular austerity budget, which is instead opposed by the right wing. As a matter of fact Dini’s austerity budget was approved by the Italian Parliament on March 8, thanks to the votes of the PDS and the separatist Northern League.

Dirty tricks behind ‘clean hands’

To make things even more complicated for both the Italian population, which is fed up with the circus being played every night on the news shows, as well as for foreign observers, who are starting to give up on understanding Italian politics, whenever there is an attempt to create a reference point, such as a newly reunified Catholic party (which would be looked at with interest in Germany and elsewhere), its proponents are suddenly hit by “Clean Hands” so-called anti-corruption investigations. This tends to confirm that there is a very political use of “justice” in Italy.

The most famous such case is the trial which opened on March 2 in Palermo against former Prime Minister Giulio Andreotti, one of the historic leaders of the Christian Democracy, and presently chief editor of the Catholic magazine *Trenta Giorni*. Andreotti used to be the most powerful politician in Italy, and in his position as prime minister, he had (like Aldo Moro, kidnapped and murdered by Red Brigades terrorists in 1978) more than once quarreled with Henry Kissinger and, more recently, with the Bush administration. His trial, together with a number of smaller scandals popping up every day in the press, is apparently aimed at eliminating the role of Catholics in Italian politics.

If confusion reigns in the Italian political panorama at least something became very clear in the first week of March: Italy should look for better advisers in economic policy, definitively drop the City of London ones and rather go with LaRouche’s proposals to stop speculation and revive industrial production.

The Case of Essen

Deindustrialization takes toll in Germany

by Birgit Vitt

Elections to the state parliament are coming up on May 14 in the key German industrial state of North Rhine-Westphalia, and the state’s supremo, Gov. Johannes Rau, is trying for the last time to get an absolute majority for the Social Democratic Party (SPD). Yet all the other possible political combinations, such as “red-green” (Social Democrats and Greens), “black-green” (Christian Democrats-Greens) or “black-yellow” (Christian Democrats-Free Democrats), couldn’t make the economic policy any worse than it already is. There is not the trace of a perspective.

Above all, for a long time there has been no politician in North Rhine-Westphalia who has felt the need to say a word about the upheavals on the international financial markets. This reality does not exist in what is still the biggest industrial region of Europe—at least, to all appearances, not in public discussion. Although the first big bankruptcies triggered by speculative business practices have reached this state, like the Herstatt failure and the downfall of Kloeckner, people prefer to stick their heads in the sand.

It is precisely in order to finally get this discussion under way, that the Civil Rights Movement Solidarity, the Germany-wide political organization founded by Helga Zepp-LaRouche, is going to be running a slate of candidates in the upcoming state election.

Even in North Rhine-Westphalia—where people are so proud of their universities and where, in 1994, the Nobel Prize in Economics was awarded to a Bonn economist for applying game theory to economics—there are a few individuals on whom it is finally dawning, after 15 years, that something like a “deindustrialization process” has happened in this region, which we are now paying for. Because, as these insightful folk say, without production there are no buyers for services.

Now, the Chamber of Industry and Commerce (IHK) in Essen has come to this conclusion, in a study entitled “The Industrial Development in the Essen IHK District from 1977 to 1992,” released in February. The Essen IHK District comprises the cities of Essen, Oberhausen, and Mülheim. It is a district distinguished by mining, steel production, machine toolmaking, and other industrial operations of the sort disparaged today by many as industrial “dinosaurs.” The period covered in this study is informative, insofar as it encompasses