

rise in energy prices into the economy of these states, into the foreseeable future.

## Ideological Blinders

Regional caps are not a course of action likely to be undertaken by the Bush Administration, in any case. Both Energy Secretary Spencer Abraham and FERC Chairman Curtis Herbert have already stated emphatically that they are opposed to caps. Some of the Republican governors in the West have joined their cause. The reasoning is that such Federal controls will “send the wrong signals” to the power suppliers, meaning that, unless the prices are allowed to rise, according to the (actually non-existent) “law of supply and demand,” there will be no incentive for the construction of new power-generating plants. If suppliers know that they can charge whatever they want, they will increase supply, the theory goes. One wonders why wholesalers would build new plants at all, increasing supply and theoretically lowering the price, when they can fleece the region’s economy at today’s outrageous prices.

Controlling the price presents another “wrong signal,” according to this ideology. Higher prices, the theory goes, will “encourage” citizens to conserve, thereby cutting back on demand and “naturally” pushing prices down. In the meantime, with the 50% and more rate increases being suffered by people in the West, there are already instances in which the elderly and those on fixed incomes are having to choose between paying their utility bill and buying food or medicines. Somehow, the human cost is not factored into the “supply and demand” equation.

The two utilities in California facing bankruptcy, Southern California Edison and Pacific Gas & Electric, also believed in the “free market”—up until last Fall. After the peaks in demand during a hot Summer, the utilities thought that the price would fall in the cooler Autumn, and they could recoup their Summer losses and get back to “normal” business. While the seasonal demand fell, the price never went back down to that of the previous years. So, today, the two utilities have \$12 billion in debt they accumulated paying profiteering prices, and the only plan the state has come up with, is to have the taxpayer and electricity customers foot the bill.

Under the laws that are still on the books from the 1930s, the Federal government has the power to force the power wholesalers to charge only the cost of production plus a reasonable return. Under the U.S. Constitution’s concept of the general welfare, those companies, making up to 300% profits, could be forced to refund the California utilities for the unconscionable prices that have driven them to near-bankruptcy. Returning regulation of this critical infrastructure to the Federal and state governments would mandate the construction of new power-generating facilities, and make the improvements in the national power grid that are necessary for long-term growth.

Nothing less than those measures will solve the problem.

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## Italy

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# Great Infrastructure Dominates Election

by Claudio Celani

Usually, one falls *from* the bridge. But on Jan. 23, the Italian government almost literally fell *on* the bridge—that is, the bridge across the Messina Strait, which does not yet exist, but should be built: It was only after Prime Minister Giulio Amato ordered the two relevant ministers, Vincenzo Visco (Economy) and Nerio Nesi (Public Works), not to attend the press conference to announce the definitive feasibility study ordered by Visco’s and Nesi’s very offices, that the Green Party withdrew its threat to resign from the governing coalition and to provoke a government crisis. Thus were journalists eyewitness to a Kafkaesque scene: The press conference took place without the ministers, who were represented by their offices’ directors general, Barca and Fontana.

The bridge, says the study, is not only feasible, but also advantageous from an economic-strategic point of view. With a single suspension span of 3,360 meters, it will be a magnificent artifact, and will finally connect Sicily, the largest Italian region, to the European mainland. But, this is only one item in a long list of urgent projects necessary for Italy to overcome infrastructure bottlenecks, both at home and to upgrade the country’s connections to the broader Eurasian Land-Bridge.

Another example is the high-speed rail connection between Turin, Italy, and Lyon, France, the “Transpadana” project, which was originally part of the European Union’s Trans-European Network (TEN) first outlined in the “Delors Plan,” as part of the southern East-West route from Barcelona, Spain to Ljubljana, Slovenia, and onward to Budapest and Kiev. The project has been blocked for ten years by local environmentalist opposition. But now, the Italian and French governments have finally decided that the Transpadana must be built, and signed an official treaty in January. When completed, the 254 km long line will reduce travel time from Lyon to Turin to 1.5 hours, from the current 3 hours, and travel from Paris to Turin to 3 hours. Part of the project is a new 53 km tunnel beneath the Alps, which will connect the Maurienne Valley in France with the Val di Susa in Italy.

Behind Rome’s new activism, of course, lies an electoral rationale: General elections are planned in Spring, and large investment projects bring jobs—and votes. Currently, the candidate of the governing center-left coalition, former



*An artist's conception of the Messina Bridge, which would connect the island of Sicily, the largest Italian region, to the European mainland. The only obstacles in the way of the project are political.*

Rome Mayor Francesco Rutelli, is running well behind opposition leader Silvio Berlusconi in opinion polls. And Berlusconi himself, in early December, suddenly put the issue of large infrastructure projects at the center of his election campaign. Berlusconi appeared on the popular "Porta a Porta" television broadcast, and, with pencil and diagrams, showed how, if he wins the elections, he will turn Italy into one single large workshop: In addition to the Messina Strait Bridge, he promised to double the South-North transport routes, new highways, railways, Alpine tunnels, ports, and airports.

However opportunistic the promises might be, in the meantime, they have sparked a national debate, and this can only be positive. The climate was ripe for such a debate, since the national infrastructure needs to be modernized: The industrialized North suffers from incredible bottlenecks, while in the South, entire towns are threatened by mudslides every rainy season. In Italy, no new, large infrastructure have been built in the last 30 years, and the situation is becoming more and more explosive. This fact has been recognized by reasonable politicians, in both the center-left and in the conservative blocs.

In this context, Berlusconi's program is the most interesting: To overcome the irrational environmentalist opposition, he proposes a preferential legislative procedure for infrastructure projects which are judged on the basis of national priority. To show that they are serious, Berlusconi's "Casa delle Libertà" coalition presented the bill last year in Parliament, signed by Berlusconi, his economic adviser Giulio Tremonti, and Berlusconi's allies Umberto Bossi (head of the Lega Nord) and Gustavo Selva (head of the Alleanza Nazionale faction in the Senate). The bill was defeated, because the center-left majority voted against it. When the

bill was read out, it was explained: "For 30 years, there have been no large public works built in Italy. Abroad, the opposite obtains. If it goes on like this, our country, instead of modernizing, will become isolated, and will increasingly decline. . . . We need large-scale works, not only to unite the country, but also to open it to European traffic; we need special legislation to build it, because the current legislation is paralyzing. . . . Today, a city-district can block a city, a city can block a province, a province a region, a region the state."

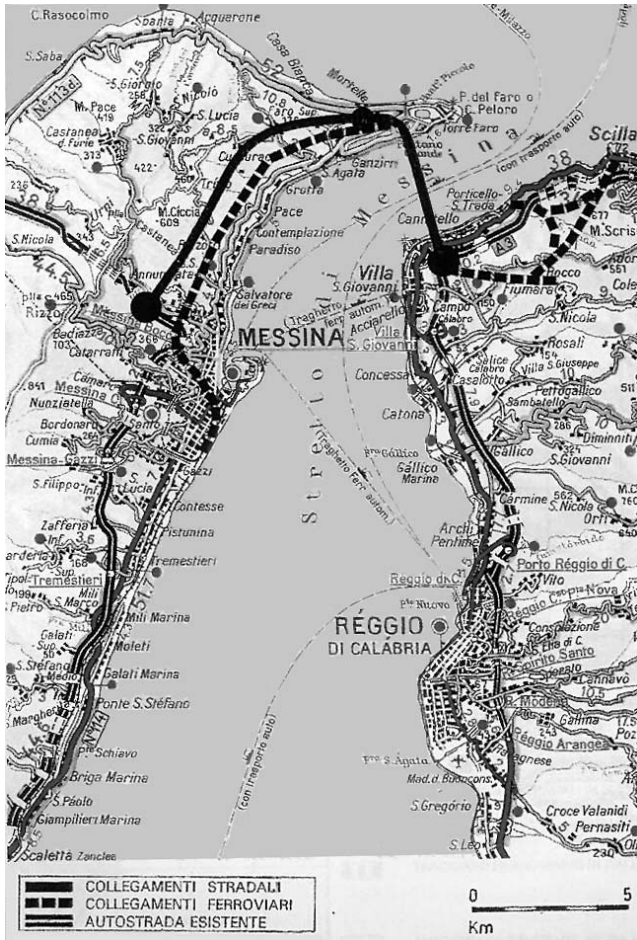
The following infrastructure projects are considered the priorities:

"1. The Europa-Mediterranean Vertical, through the Spluga Tunnel (Switzerland). The Vertical is aimed to substantially improve trade relationships between Europe and the Mediterranean region, which are key to the European policy for developing relationships with the Near and Far East." In order to implement the Vertical, "it is key to double the Bologna-Florence stretch, as well as to improve the final stretch between Salerno and Reggio Calabria, down to the port of Gioia Tauro and on through the Messina Bridge."

"2. The Horizontal 'Mercantour' Axis, developed along a rout from Barcelona, through the Stura and Tinee Valleys (Tunnel), continuing through Genoa, Piacenza and Trieste, and from Trieste toward Eastern Europe." Projects #3 and #4 are corridors along the southern edge of the Alpine belt, from Lombardy through Veneto, reaching up to #5, the highway ring around Mestre (Venice), a notorious bottleneck.

The bill was defeated in Parliament, and the conservative bloc now says, if they win the elections, they will present the same bill, this time successfully.

It has been reported that media magnate Berlusconi's



This map shows the transport connections that will be established with the completion of the bridge over the Strait of Messina. The bridge will connect the superhighway from Salerno to Reggio Calabria, with a superhighway that will link Messina to Palermo (solid line). The new rail line is depicted by the dotted line. Existing highways are shown by double solid lines.

decision to put the infrastructure issue up-front, along with the usual neo-liberal slogans which otherwise have characterized his campaign, is thanks to one person, Prof. Aurelio Misiti. Head of the Rome University Engineering Department and a respected expert, Misiti has headed for many years the Consiglio Superiore dei Lavori Pubblici, the technical council in the Ministry for Public Works. Misiti, from Calabria, has fought many battles for great projects, exposing the infrastructural deficiency in the country, and pushing, in particular, for the construction of the Messina Bridge. In 1999, Misiti was one of many participants in an *EIR* conference in Rome, which was also addressed by Helga Zepp-LaRouche, founder of Germany's Civil Rights Movement-Solidarity, together with former Christian Democratic leader Flaminio Piccoli.

After the Jan. 23 presentation of the bridge feasibility study, Misiti commented: "Not only does such an important

project as the Messina Bridge have the ability to draw the world's attention to the Southern regions of Italy, but it can also give a decisive push for modernizing Italian infrastructure and developing the Mezzogiorno," Italy's underdeveloped South.

### The Ideology of Financing Infrastructure

The weak point in Berlusconi's program is, as expected, the financial aspect. In keeping with his neo-liberal approach, he assigns a major role to private capital. The key term is "project financing," and it means that private investors will have concessions to recoup their investments—and make profits—through tolls. For the Messina Bridge, for instance, the government calculates a fare of 10 euros for cars, and a euro 5 fare for rail passengers. In "normal" times, such an operation would work, but these are not normal times; soon, the apparently inexhaustible capital markets will experience an abrupt liquidity crisis.

Giulio Tremonti, who could be Berlusconi's Economics Minister, recently told an interviewer that he looks back to the credit mechanisms of the 1950s and 1960s, when the state holding company IRI financed construction of the entire highway network through emissions (i.e., bonds). At that time, the state bought part of the bonds, either directly or through state-controlled banks.

Tremonti's reference to the 1950s-60s period, when there was sustained development under the Bretton Woods system, unleashed reactions in neo-liberal circles. Eugenio Scalfari, a guru of the leftist opinion-makers, wrote in his newspaper *La Repubblica* on Jan. 14, that Tremonti's proposals remind him of "Mussolini's time," and that the supranational European Commission and the controllers of the EU's "Stability Pact" balanced-budget policy would force Italy to turn down the program. Tremonti's proposals, Scalfari wrote, lead only to increased public debt, and are just a trick "to deceive the gullible."

But also City of London's mouthpiece, the *Financial Times*, rang the alarm on Berlusconi's infrastructure program. As early as Dec. 11, the paper fretted, in a special insert on Italy: "Mr. Berlusconi seems to be intentioned to centralize the whole procedure under one state agency." This is exactly the opposite of his promises of "devolution," wrote the *Financial Times*, and it demanded that Berlusconi resolve these ambiguities once and for all.

Berlusconi knows that Anglo-American financial interests expect a sign of loyalty on his part, and has given indications that he is ready to negotiate a deal. Thus he has left open the decision, of who will be his Foreign Minister, while the name of that old Anglo-American asset, Francesco Cossiga, is being circulated as front-runner. Final decisions are expected after his planned visits to London and Washington, before the election. But Berlusconi should know that there is no margin for compromise in a collapse crisis: Either he is loyal to the Italian people, or he will be doomed.