

## Italy's Tremonti: A Systemic Crisis

Italian Economy Minister Giulio Tremonti was interviewed on Sept. 17 by RAI TV news, which described him as a man who had anticipated the world economic crisis in his 2007 book, *Fear and Hope*. Now, Lehman Brothers' failure vindicates his forecasts, the interviewer said. Tremonti said, "It is not a bank failure, it is the failure of a system. This is the result of the insane decision of financing globalization through debt. They produced in China and bought in the U.S.A. with debt. Then, the house of cards collapsed. The system of oversight and survey has failed, but the bankers take a large check home, the surveyers come to lecture us, and the poor people are the losers.

"We have a world without rules, with the idea that you produce without working. We must establish new rules, and rules are not made by the ruled. Rules are made by governments and authorities."

Tremonti reiterated his call for convening "a New Bretton Woods conference," when Italy becomes the chairman of the G-8 meeting, in January 2009. "I believe that the G-8, under the Italian chairmanship, will set new rules," he said.

### 'Crisis Will Get Worse'

The same day, Tremonti told the House Finance Committee of the Italian Parliament that "the crisis will get worse," and gave an interview to the daily *Corriere della Sera* of Sept. 18, in which he called for "a return to the public," i.e., the state. Tremonti reiterated his call for a New Bretton Woods, and called for large public projects, which he wrongly called "Keynesian policies."

He denounced the policies of the U.S. Federal Reserve under Alan Greenspan: "Greenspan was considered to be a master. Now we should ask whether, after bin Laden, he is the man who hurt America the most."

"It is evident that what is being manifested is a 'sickness,' he told *Corriere*. "It is not the failure of a bank, but the failure of a system. Until a few days

ago, very few people were willing to acknowledge the intensity and the dramatic nature of the crisis. If you deny the existence of the sickness, you do not find the cure. At the roots of the sickness is the decoupling between finance and regulation . . . finance has progressively decoupled from the original national jurisdiction. Regulation remained local, while finance became international, moving into its own domain, made of anarchy and namelessness." Regulators have been "accomplices" of speculators. The collapse of the system is implicit in the system itself.

"Inside a pyramid, one default, even a small one, is enough to unleash a computerized, exponential mechanism of defaults.

"The cure can be only building regulation. . . . We have suicidal regulations, like those that force us to draft balance sheets in such a way that the crisis multiplies through the crisis itself. We do not have the regulations we need: regulations forbidding speculative contracts, legal paradises, atypical instruments, opaque balance sheets. The crisis can be overcome only through re-establishing confidence, and confidence can be re-established only on new regulations.

"Since Mount Sinai, rules have not gone from the bottom up, but from the top down. Regulation is not done by regulators, but by governments. . . . When, next January, the Italian G-8 presidency starts, our proposal will be not only a New Bretton Woods, the 1944 agreement of the governments of the free world, but also the specific list of a catalogue of regulations aimed at building a new and more rigorous and moral legal environment."

However, it is not only a question of regulations, Tremonti said. "In Europe, as we saw at the Nice summit, the idea is advancing, that you come out of the crisis, above all, with large public investments, or, at any rate, through policies based on the public design of large projects, i.e., Keynesian policies. The return to regulations goes along with the return to the public. Once morality has been re-established, manufactures come back, the return of the morality of work; and there is more morality of work inside an industrial product than inside a financial product. Finance as a means and not as an aim, the idea that wealth is not produced through debts, but through work."