

# Tremonti Returns, Launches Glass-Steagall Offensive in Italy

by Andrew Spannaus

Feb. 5—Two months after Italy's elected government was ousted to clear the way for an imposed, technocratic cabinet, led by City of London favorite Mario Monti, former Economics Minister Giulio Tremonti has returned to the public scene, promoting a Glass-Steagall reform of the international financial system. Tremonti, who had been under attack for years by the forces pushing precisely this type of bankers' dictatorship on Italy, has now stepped up his intervention through the release of a new book, entitled *Emergency Exit (Uscita di Sicurezza)*, and a series of interviews on television and in print media that have raised the fight for real financial reform to a new level.

Throughout his political career, Tremonti has sought out ways to judo the rules established by the free-market ideologues of the European Union, whose demands for cutting public spending and blocking state intervention into the economy have prevented Italy—and many other countries—from taking action to reverse the post-industrial course of their economies which began over 40 years ago. With the budget constraints of the EU Stability Pact, and the constant pressure and attacks from the powers that run the international financial markets, it has been impossible to carry out comprehensive infrastructure-building plans, or make the necessary investments in science and technology.

Tremonti has made various proposals for independent entities to finance infrastructure, offered plans for great projects, and programs for the development of Italy's impoverished South, the Mezzogiorno.



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Former Italian Economics Minister Giulio Tremonti has returned to the political fray with an explosive new book, whose title in English is “Emergency Exit,” that condemns the globalist policies that have destroyed not only Italy, but all of Europe. The text below the title says: “Putting the state above finance, the law in place of chaos, the common good above the profit of the few.”

As the acute phase of the global financial crisis approached, he also began to openly advocate for a New Bretton Woods-style reorganization of the system, through numerous public interventions, while both in and out of government. In June 2007, he participated in a conference in Rome with Lyndon LaRouche, sending

a clear signal to the elites by praising LaRouche's ideas for economic development through great projects as delineated in the LaRouche-promoted Eurasian Land-Bridge proposal.

Tremonti also constantly picked fights with the Governor of the Bank of Italy—now head of the European Central Bank (ECB)—Mario Draghi, whose public role increasingly became that of blocking any positive initiatives that might come out of the government of Silvio Berlusconi, based on the actions of the saner forces inside his governing coalition.

Yet, while in power, Tremonti maintained a pragmatic approach towards the European Union and its destructive economic policies: Despite publicly calling for real action to reorganize the system, he generally stayed within the confines of the EU architecture, seeking change within the system through proposals such as issuing supranational Eurobonds, rather than pushing for an effective return to national sovereignty.

For a time, this pro-European Union bent even led to talk of him taking over as Prime Minister in Italy, but it's no surprise that the financial establishment's plans for Tremonti's future were quite different, and by the end of 2010, he was under siege within his own party, and managed to stay on as long as he did, only because of fears of further instability if he were to resign.

## Emergency Exit

Now, however, out of office once again, Tremonti has upped the ante. His new book *Emergency Exit*, released in late January, at a price of only EU12 (about \$16) to achieve maximum circulation, describes the genesis of the economic and financial crisis in terms that are almost unprecedented for a major institutional figure in the Trans-Atlantic region.

The starting point is the transformation of the economy over the past 20 years, in the name of globalization. The author clearly identifies the character of this process: the elimination of national sovereignty. "Globalization," he writes, has led to "the growing and dominant power exercised by finance over politics, where finance has the capacity to mobilize and concentrate massive interests"; as well as its ability to dominate the culture ideologically; the credibility given to it by the mass media, in which the financial markets are "systematically presented as new, super-efficient substitutes for old politics."

The roots of the current crisis are in globalization; in computerization that has allowed for an "enormous and

strategic portion of the economy" to circulate on the Internet and create computerized trading and "magical" financial wealth; "and lastly, from marketism, the ideology that subverts the old liberal political order and has theorized and legitimized the universal dominion of the market first, over the State, and then over everything else."

The book then goes through the explosion of financial derivatives, presenting charts showing the ratio between derivatives and global GDP, demonstrating "the inversion and disassociation that have been created in the relationship between the real economy and the financial supply."

Tremonti's conclusion is as follows: "Thus states have lost their sovereignty and finance has taken over. We now have princes without currency and currency without princes or principles. But all of this has not only been an exchange of sovereignty, a shift of power between states and markets. It has been, and is, a vertical ascent on the scale of global risk."

On the whole, Tremonti's presentation of the crisis is one you might expect to find in the pages of *EIR*, or among the growing number of economists who recognize the true nature of the crisis, rather than in the pages of a book written by a leading institutional figure of recent years. A final excerpt from this portion of the book gives the flavor of the precision with which he treats the situation:

"What to date has been seen in Europe and in certain states is only the beginning of that which, if we don't recognize it, if we don't resist, will take shape in a growing transfer of power outside of the scope of republican democracy, into an unwritten—indeed, it no longer even needs to be written—*Ermächtigungsgesetz*. The law for full emergency powers inspired by Carl Schmitt, and with this emergency—I repeat—of a new form of fascism: financial fascism, white fascism."

## The Solution

Where things get muddled a bit, is when Tremonti goes through the actions taken by the EU to deal with the crisis. Once the speculative attack on the public debt of European countries began, starting with the catastrophic collapse of Greece, he writes that the actions taken at the extraordinary summits of the EU heads of state and government, and then of the finance ministers, between May 7 and May 10, 2010, represented an important step in the right direction.

Although some participants in those meetings were

already speaking about how a return to national currencies could be implemented, the result was that a “new European architecture” began to take shape, based on the ECB, the European Financial Stabilization Facility (EFSF), and a “new” Stability and Growth Pact. Tremonti writes that this represented “the announcement of the beginning of a more united and coherent Europe, to transmit externally, on the financial market, a positive message, both in economic and political terms.”

He speaks of the “political message” sent by European leaders, as more important than the technical measures conceived. The problem, he continues, came at the G7 summit in Deauville, France, when uncertainty was introduced by talk of the possibility of Greece being expelled from the Eurozone. At that point, the mechanisms of speculation were set into motion, and the debt spiral became inevitable.

Here, Tremonti gives lip service to the common refrain among weak-kneed—or otherwise motivated—politicians throughout Europe, that the European debt crisis was actually facilitated by the weakness of the ECB, i.e., that the central bank only deals with inflation, rather than performing a role similar to that of the Federal Reserve in the United States, as the lender of

last resort. The notion is that the power of an interventionist central bank will stop the speculators in their tracks, and avoid the massive costs of succumbing to the speculative markets.

Unfortunately, as any observer can see, such a line of reasoning is not only short-sighted, as it fails to address the systemic aspects of the crisis, but it actually plays right into the hands of those who wish to increase the powers of the ECB, precisely the institution which Tremonti himself accuses, in the same book, of creating a new form of “financial fascism”! However, sources close to Tremonti insist that his view is that of a “Europe of the nations,” as opposed to supranational power concentrated in EU institutions.

In the concluding portion of *Emergency Exit*, he indeed returns to a strong call for serious reform, dedicating several pages to the Glass-Steagall concept, and the need to separate the real economy from financial activity. He calls for banning speculative financial instruments and creating a “New Alliance” in the tradition of Franklin Roosevelt’s New Deal, with large-scale public investment, and a fundamental shift from the disastrous policies of recent decades.

He proposes to: “repeal current laws and return, in

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letter and in spirit, to the glorious old bank laws modeled on the Glass-Steagall Act of 1933, to separate the productive economy from the speculative economy... This means separating 'the wheat from the chaff and the darnel [weeds], production from speculation, as it was for centuries. It means beginning to defend and stabilize public budgets. On the whole, to launch an economic and social system that is different, not only more ethical, but also more effective than the monetary system that is currently coming down and dragging us with it; if we don't resist, if we don't react, if we don't change.'"

Tremonti discusses the need for firewalls that separate the casino banking system from ordinary financial activities, preventing any sort of bailout of the speculators, and "canceling all of the laws that, starting in the 1990s, in the U.S. and in Europe, liberalized [derivatives]." The book also includes an appendix with the key points of the Glass-Steagall Act, and Tremonti has been very vocal in promoting this concept in his recent public appearances.

### Bankers' Nightmare

As we have reported, there is widespread and growing resistance to the brutal austerity measures being implemented by the technocratic government led by Mario Monti, former EU Commissioner for Competition, and President of Italy's leading Business University, the Bocconi in Milan (not to mention, European chairman of the Trilateral Commission, and member of the International Advisory Board to Goldman Sachs, lest anyone be unclear of his pedigree).

The majority of the political parties have embraced the blackmail from international institutions and financial markets, and are supporting whatever comes down the pike from the bankers and professors who are now able to ram through deregulation just as they have always dreamed.

The population, however, is moving in a decidedly different direction. Protests are expanding rapidly, from taxi drivers to truck drivers, factory workers to farmers. There are cuts in pensions, tax hikes on gasoline, measures to allow for corporations and large-scale distribution to take over any sector of the economy where people are still able to make a decent living. Even Italy's lawyers have realized that the government wants to remove their independence and make them work for large corporations!

The goal is for the financial markets to rule supreme, in an attempt to finally break through the resistance to

massive deregulation and privatization that has characterized Italy in recent years. After the initial round of looting in the mid-1990s, an unstated resistance to predator capitalism had taken shape here. Now, the fight is coming out into the open.

Tremonti's denunciation of the true character of the global economic crisis, and his offensive for Glass-Steagall, can be a major factor in the coming period; in fact, the former Economics Minister is known to have ties to factions in other European countries, such as France, that could move in a similar direction. In addition, Movisol, the LaRouche movement in Italy (see box), is working with some Italian Senators to introduce a bill to establish a Glass-Steagall separation of commercial banks and investment banks, as both an immediate boon to Italian industry and families, and more importantly, an example for others to follow. The time is ripe for the population to latch on to big ideas of this type, and force the saner elements in the institutions to take a stand for the common good.

## A United Front vs. the Government of Banks

*The following call, titled "For a United Front of all Protests against the Government of Banks!" was issued by Liliana Gorini, chairwoman of the Italian LaRouche movement, Movisol, at the end of January.*

The year just began, and Italy is already in the midst of desperation and protests against the horrendous effects of Prime Minister Mario Monti's austerity package. The minister of "Economic Development" Corrado Passera declared that "rarely has a government managed to do so much in just three months." He is right: It managed to bring the gasoline price up to EU1.80/liter; to ruin taxi drivers, small shops, truck drivers, and fishermen; to cause small entrepreneurs who can no longer find credit from banks to commit suicide; to empty supermarkets and shops as a result of strikes. And now it plans a labor reform which includes abolishing the cost-of-living escalator, claiming that "there are not enough resources." An unprecedented result, for sure.

The ECB [European Central Bank] rejoices. It wanted the ruin of Italy, and got it. There are no resources for a cost-of-living escalator, but surely there

are always resources to save the banks and speculators. And it is not by chance that Monti's first pilgrimage was to the City of London, to win the "trust" of those speculative markets which created the large spread between Italian state bonds and German Bund [state bonds], and which are ruining not only the Italian economy, but also the Trans-Atlantic one. In order to defend the euro, they are killing the real economy all over Europe, as the American economist Lyndon LaRouche, the only one who had foreseen the present crisis already in the '90s, has recently repeated often. . . .

And when the legitimate demonstrations of taxi drivers, pharmacists, and small shops hit by Monti's liberalizations started, the government accused them, with unheard-of arrogance, of being a "lobby." As if a "lobby" were a fisherman who can no longer afford to buy the gasoline for his boat, or the taxi driver forced to take a mortgage on his mother's house in order to buy a license, rather than a Goldman Sachs speculator who wagers on the BTP [Italian government bonds], sucking resources out of the real economy, and driving it to disaster.

How does it happen that the government of former Goldman Sachs advisor Monti has no plans to take measures against financial speculation? How does it happen that the ECB expressed itself more than once against banking separation, that famous Glass-Steagall Act [Franklin] Roosevelt passed in 1933, which would finally end the power of great finance, Wall Street, and the City of London? How does it happen that the political parties supporting the Monti government, the PdL, UDC, and PD, demand "more powers for the ECB" and support this dictatorial, Brüning-style government, instead of supporting the lawful demands of demonstrators?

### The Movisol Proposal

The Italian Solidarity Movement, Movisol, fully supports the lawful demands of taxi drivers, truck drivers, fisherman, and of all trade unions that are fighting this unjust austerity package, and has proposed to them a "united front" of all protests, on the following programmatic points:

- The immediate adoption, internationally, of the Glass-Steagall Act, which means the banking separation adopted under Roosevelt in 1933 and proposed in the U.S. Congress now by the Democratic Congresswoman Marcy Kaptur [Ohio]. Banking separation would withdraw unlimited guarantees offered by gov-

ernments to the banking system, keeping such guarantees only for regular banking, and leaving the speculative sector to its destiny. This would put an end to continuous bailouts and austerity packages, and would free resources for investments. Banking separation is opposed by President Obama, but Italy must demand it forcefully, threatening to adopt it by itself. Derivatives, short-selling, and CDS do not have to be to merely taxed, but prohibited. And banks have to start giving credit again to industry, agriculture, i.e., the real economy.

- A contingency plan to exit the euro and go back to a national currency, as such plans exist in Germany and France. Nobody forces us to die for the euro. Argentine President Cristina Fernández de Kirchner demonstrated that there is a future after the IMF and its conditionalities: In contrast to Europe, Argentina has a rate of growth of 7%.

- Great infrastructure projects such as NAWAPA, the Eurasian Land-Bridge, and Transaqua, which will relaunch the real economy and employment.

- A Marshall Plan for the development of the Mediterranean, including a return to the policy of Enrico Mattei,<sup>1</sup> of direct relations with oil-producing countries, in order to reduce the price of oil, which has increased as a result of spot-market speculation, and also the taxes on gasoline.

To the various categories of those who are on strike, to demonstrators, to ordinary citizens worried about the future, we say: You are not alone. The programmatic platform outlined above is at the center of the election campaign of six LaRouche candidates in the U.S., and of Presidential candidate Jacques Cheminade in France, whose proposal for bank separation was picked up also by Socialist Party candidate François Hollande. Similar proposals are being discussed in Germany and Denmark. If the various categories on strike will unite around a common platform, they not only will force the government back to the negotiating table, but they will also isolate violent elements who are more or less consciously trying to discredit legitimate protests.

As the great German poet Friedrich Schiller said, in his play *Wilhelm Tell*, "*Eine Grenze hat Tyrannennmacht*" ["There is a limit to the tyrant's power"]. It's time to put an end to the ECB dictatorship in Italy.

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1. Mattei was the founder of the Italian state energy company, ENI, following World War II, and a leader of the Christian Democratic party. He was assassinated in 1962 when his plane blew up in midair—ed.