
IV. British Carnage in the Trans-Atlantic Region

Imperfect Economy: Italy's Struggle With the British Empire

by Claudio Celani

L'Economia Imperfetta

by Antonino Galloni
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Jan. 17—My friend Antonino (“Nino”) Galloni’s latest book, *L'Economia Imperfetta*, is not his usual albeit brilliant economic essay, but almost an autobiography. This makes it particularly interesting, as it describes a life spent in the effort to influence the destiny of his own country by a young revolutionary initially, later a professor of economics, and a government official, and currently a civil servant.

Nino’s story stretches through almost five decades of the social, political, and economic history of Italy and the world. It also intersects the political trajectory of his father Giovanni, a former government minister and national leader of the Christian Democratic Party (in Italian, *Democrazia Cristiana*, or DC). Giovanni Galloni is a representative of that generation of political leaders who successfully implemented “Hamiltonian” methods to transform Italy from a rural country into a leading industrial country in the postwar period. Enrico Mattei, Ezio Vanoni, and Aldo Moro are a few names of the leaders of that faction, which was sponsored by none other than the great Pope Paul VI, Giovanbattista Montini.

Montini and the leadership group

he educated looked at the principles and policies of the Franklin Roosevelt Presidency in the United States as a successful implementation of the social doctrine of the Church, and laid them out in what is considered the founding document of the social and economic policy of the Christian Democratic Party, the 1943 *Codice di Casimoldoli*. Later, Roosevelt’s surviving circles retained their influence in Italy after the bestial Harry Truman had reversed Roosevelt’s policies in Washington. Still later, John Kennedy was a supporter of Enrico Mattei and of Aldo Moro’s project for a center-left government.¹ The historical connection of Franklin Roosevelt to Italian developments, played a role in Lyndon LaRouche’s recruitment, many years later, to leadership of

1. See “[Mattei and Kennedy: The Strategic Alliance Killed by the British](#),” by Claudio Celani, *EIR*, June 5, 2009.



Antonino Galloni greets Lyndon LaRouche at a Schiller Institute conference in Germany in April, 2013.

the policy-making of the incoming first Ronald Reagan Administration.

The Italian system of the decades 1950-1980, in fact, although generally fitting in the category of a “capitalist” economy, was better characterized as a “mixed” system, with the state playing an active role as a kind of “entrepreneur” which did not pursue profit in itself, but as a result of the increase of the productive powers of society. Nino pays a tribute to this successful model, arguing that had it been continued, it would have “overcome capitalism.”

Encounter with LaRouche

Unfortunately, the “Italian anomaly” ended abruptly with the kidnapping and assassination of Aldo Moro in 1978, in the context of a paradigm-shift in western culture and economy: the 1968 counterculture and the ensuing anti-science environmentalist movement, and the decoupling of the financial system from the physical economy.

Nino is one of a few Italian economists currently, such as Alberto Bagnai, Giulio Sapelli, Antonio Maria Rinaldi, and Paolo Savona, to name some of them, who are campaigning for an “exit strategy” from the Euro system. Like them, Nino has acquired growing popularity in the most recent years, especially after the shock of the EU-imposed austerity regime of Prime Minister Mario Monti (2011), which has cast Italy into a terrible depression. However, unlike his colleagues, Nino is not just an economist but an experienced expert on the government machine, having been in it at the top as director general of various ministries. Were Italy to reverse current policies and adopt an “exit strategy” from Hell, Nino is the man qualified for the job, either as Prime Minister or in charge of the economy.

Nino would not object to being called a “Keynesian,” if by that one means being in favor of dirigistic investment policies. However, he refers to two figures who have influenced his views on the economy: his teacher Federico Caffè (1914-1987) and Lyndon LaRouche.

Federico Caffè was an anti-free market economist who educated an entire generation of economists, although not all are loyal to his teachings. A famous aphorism of Caffè, which he used to address those who invoked the power of “the market,” was: “The Market has a name, a family name and a nickname.” In his early days, Caffè was assistant to the chairman of the committee that drafted the current Italian Constitution,



Aldo Moro while a captive of the Red Brigades in 1978.

Meuccio Ruini, who published essays in praise of Friedrich List, the founder of the Hamilton-based National System of Political Economy.

Nino writes:

First and most important was for me the encounter with Federico Caffè, which occurred in 1980 after he had received from Prof. Edoardo Volterra my third booklet (“Crisis and Adaptation: for an alternative economic policy,” a collection of articles I had written . . . when I was in England and in the United States to study capitalism, and said that a certain Mrs. Thatcher and a certain Governor [Jerry] Brown in California were pushing ultra-conservative and insane ideas which, if implemented, would destroy the bases of our social fabric); after having read the text, Caffè told me that “rarely, in forty years of teaching,” had he met “a person so versed in the matter,” but “you could see from a distance” that I was “self-taught and, thus, they will make fun of you. I want to give you the school you need.” Thus, this man who behaved like a father, dedicated two afternoons a week to me. I owe him almost everything.



Federico Caffè, Galloni's mentor.

About his encounter with Lyndon LaRouche, Nino recounts how, in the early 1990s, a priest gave him a book to read and evaluate. The book was LaRouche's *The Science of Christian Economy*. The priest and an economist friend—

wanted to know from me whether I thought the work to be credible in its content; I told them that I was enthusiastic about it and wanted to become acquainted with the author, whence an intense relationship of friendship, mutual esteem, and collaboration was born. Thanks to LaRouche I have come to know wonderful people, sincere activists, first of all his wife Helga Zepp and Martin Luther King's collaborator Amelia Robinson, who have been often my guests and exchanged hospitality in Germany, Washington, and Los Angeles.

In another footnote, Galloni writes:

I remember some travels to the U.S.A., organized for my father in the late 1970s. Once, at Chase Manhattan Bank, 1 Wall Street, at the beginning of the Khomeini era, there was a meeting with David Rockefeller, who started saying "Our sister, Freedom" (the Statue of Liberty was visible from where he was speaking). I was close to the window and I interrupted him: "But really, from here I see that between

Wall Street and Freedom we have the Ocean!"

All hell broke loose. My father was distraught. As we came home, he briefed my mother who said: "That was right. Bravo!"... [DC] Vice President Scaglione looked as though he wanted to beat me up, and would not calm down, even when I told him that, in my view, after so many mistakes, the U.S.A. would soon end up seeking Iran as strategic ally the region; 30 years later, I pushed the same idea at a meeting organized by Helga Zepp at the Schiller Institute, and Lyndon LaRouche complimented me for my "courage." ("Each time I see you I rejoice and I am astonished that they have not yet eliminated you.")

Called Back to Government

Nino distinguishes five phases of "capitalism" in postwar history:

(1) "The Expansive Model," from the 1946 Bretton Woods agreement to the 1979 G7 in Tokyo. This model was characterized by a high rate of technological progress and high salaries, as well as state welfare and services.

(2) "The Owners' Revenge," or we might say, "Rentiers' Revenge," from 1980 to 1992. This was a reversal of the previous trend, introduced with a policy of high rates of interest which advantaged the rentier class, resulting in a decreasing rate of technological progress and of a decreasing rate of growth of incomes, welfare, and services provided by government.

(3) "Financial Capitalism" in the classical sense, based on the maximization of financial values (stocks, bonds). This phase lasted nine years, from 1992 to 2001, when it collapsed.

(4) "Ultra-Financial Capitalism" (2001-2008) based on derivative schemes to keep the collapsed system alive.

(5) "Collateralized Ultra-Financial Capitalism," basically the same as before, but now backed by the unlimited guarantee of central banks, printing low-cost money in exchange for any kind of collateral offered by the banks.

The shift from the first to the second phase, as previously mentioned, occurred after the assassination of Aldo Moro, the former prime minister who, as chairman of the ruling Christian Democratic Party was negotiating for national unity on behalf of an independent

economic and foreign policy.² Under Moro's chairmanship, Galloni's father Giovanni was Deputy Secretary General of the DC.

Two years after Moro's assassination, his policy collapsed and the neoliberals took power, starting a process that doubled national debt in a decade. This occurred through a combination of financial liberalization and a decreasing rate of investment in industry and infrastructure, in favor of "services." In particular, Treasury Minister Beniamino Andreatta and central banker Carlo Azeglio Ciampi implemented a *coup d'état*, by "decoupling" their two institutions.

With a simple letter sent by Andreatta to Ciampi, the Bank of Italy ceased to be the purchaser of last resort of government bonds, a measure that had thus far helped to keep interest low on the national debt. At the same time, capital controls were lifted, heedless of the fact that Italy's productivity, lower than its competitors, would result in capital outflows. This caused a skyrocketing of interest rates and yields on government bonds, which at one time reached over 20%.

Nino, who had quarrelled with Andreatta when the latter was at the Budget Ministry where Nino was an official, writes:

That letter [by Andreatta to Ciampi], but especially its implementation by governor Ciampi, was more than a *coup d'état*, more than treason: Millions of youth could not aspire to a normal life because of it; industry has been abandoned, hundreds of thousands of firms have been forced to shut down; the State has become a simple operator desperately looking for financing, the Ministry of the Treasury has surrendered to the so-called market, i.e. the banks, its prerogative of determining interest rates.

In 1988, at a national meeting of the left-wing current of the Christian Democracy, Nino—who in the meantime had left the administration—intervened, saying that his forecast had been confirmed: National debt had doubled, and youth unemployment was at 50%. He received major news coverage, and one year later, he got a call from Prime Minister-designate Giulio Andreotti: "Dear professor, I think that you are right, we must change something in the economy. Do you want to help?"

Andreotti arranged a meeting between Nino and

Paolo Cirino Pomicino, his lieutenant in Parliament. "Giulio told me that we must change the economy of this country—what should we do?" Pomicino asked him in Neapolitan dialect. "Very simple," Nino answered, "Make sure that you are appointed Budget Minister in the next government, put me on top of the entire structure, and I will take care of the rest."

Thus, in August of that year, Nino was called back to the Budget Ministry as Director General and started immediately to work on a new draft of the budget, abandoning the monetarist approach which had been followed in the preceding years.

And Suddenly Fired

The course of Prime Minister Andreotti was clear: "The agreement with France, Germany, and Holland on fixed exchange rates should not lead to precipitating extreme and irreversible decisions which would damage our country; a certain priority of fighting against inflation should be maintained, while however establishing strategic lines which should allow a recovery of employment and of the Mezzogiorno," i.e., Southern Italy.

While working on the new policy document, Nino debated Mario Monti in Milan, and argued that an expansionist policy would not generate inflation because of the idle labor force and machinery.

Suddenly the weather changes. We are now in the crucial period of the Fall of the Wall, when London and Paris decided to force Germany to abandon monetary sovereignty in exchange for reunification. Andreotti's position shifted "from strongly eurosceptical positions to the opposite line." Nino believes that Andreotti, "because of his actions in economic and international policy (larger independence for Italy) was blackmailed by the Americans—who had listed our politicians as 'good' and 'bad' on the basis of short-sighted criteria—to force him to accept a radical downsizing of the defense of national interests."

The following scene plays out in the Minister's office: "I went to [Minister] Pomicino and, when he hinted we should not talk about it because we could be wiretapped, I took a piece of paper and wrote on it: 'Could it be that [Treasury Minister Carli] promised that if I go, you will become his successor?' Pomicino took the note, nodded and shredded it."

However, pressures came from much higher than Carli. Financial lobbies, corporations, kingmakers, and vested interests of all sorts placed their phone calls to Andreotti, but at one point, "the decisive phone call

2. See the author's "[Strategy of Tension: The Case of Italy](#)," *EIR*.

came, the one to which you could say neither ‘no’ nor ‘let us wait,’ nor ‘let us reflect,’ nor ‘but,’ nor ‘if.’ Someone had warned Helmut Kohl that there was somebody who ‘opposed’ the European project or the agreements . . . ; I was forced to leave the task of advising economic ministers to other persons with a totally different approach.”

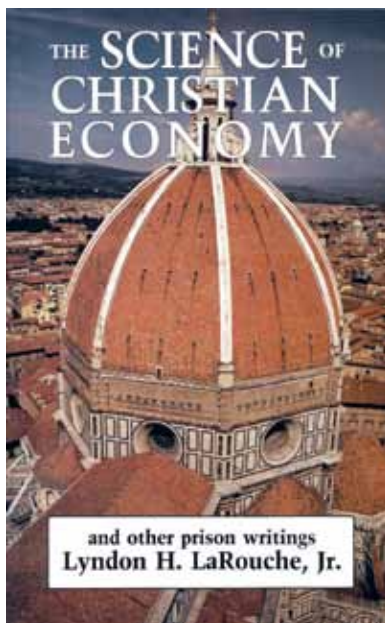
What was the project which “somebody” in Rome was opposing? It was the Euro project with the Maastricht agreement, signed in 1992, but agreed to in November 1989 between France and Germany, which included:

- (1) That Germany renounced the D-Mark in favour of a single currency, which freed the French political class from the shame of being able to, and being forced to devalue;
- (2) in exchange, France accepted Germany’s reunification;
- and (3) Italy should be disempowered and deindustrialized so that, although for different reasons, both France and Germany could see in the future of the single currency (and of its attached rules) the lesser evil for them.

A large responsibility for signing the treaties, however, lies on those Italian representatives such as Treasury Minister Guido Carli, who believed in the “external constraint” which would “discipline” Italian governments into running balanced budgets. Such a thought by foreign interests could be understandable, but not on the part of such Italians, whom Nino calls “collaborationists.”

The Maastricht/Euro project was doomed to fail, and did fail with “Financial Capitalism” in 2001. It was kept alive through financial derivatives (“Ultra-Financial Capitalism”), but this scheme also blew up in 2007-2008, and it has been kept alive so far only through the central bank lifeline, “Collateralized Ultra-Financial Capitalism,” which is driving the U.S. government to consider the idea of a thermonuclear war as a feasible “solution.”

How can Italy and humanity can be saved from this perspective? Even if the BRICS countries succeed in “leading the process of saving humanity, the latter cannot avoid (1) a reintroduction of the strict separation



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between credit and finance”—by which the Glass-Steagall Act is meant; “(2) a sterilization plan for existing toxic assets (for instance, withdrawal and freezing of the latter, with emission of credit aimed at new investments); and (3) development strategies in the various sectors—environment, medicine, education, infrastructure, culture, maintenance of housing and health—supported by a re-establishment of the monetary sovereignty of states.”

The last point is a central issue for Italy, faced with certain death inside the Euro system.

Nino has three possible scenarios for an exit strategy from the Euro:

Plan A is “the consensual exit from the Euro”; Plan B is “a non-consensual exit, supported by international agreements able to contain speculative attacks”; and Plan C, if both A and B are not politically feasible, is the

creation of “parallel” currencies, followed by “a progressive loss of power” of the Euro.

The Imperfect Economy

Nino’s reference to “environment” as a priority item for investments should not confuse the reader. Throughout the book, he makes it clear that environmental policies based on Malthusianism, anti-science, and climate-change ideologies are to be fully rejected. Only through technological innovation and an increase of the “energy intensity” of the system is it possible to protect the environment.³

Nino goes so far as to expose the “original sin” of progressive forces which at one point in history decided to ally with environmentalists and bankers to defeat industrialism as a perceived enemy. This was decisive in creating the political conditions that defeated the alliance which had implemented the model of “expansive capitalism.” The Left did not understand that had it supported that alliance instead, it would have achieved what it considers to be its objective: overcoming capitalism.

If we accept the common definition of capitalism as

3. See [Galloni’s comment](#) on the recent papal encyclical, *EIR*, July 3, 2015.



creative commons/Alessandro Vecchi

The Enrico Fermi nuclear power plant in Trino, Italy in 2010. All of Italy's nuclear power plants have been shut down as a consequence of the Maastricht agreement, signed in 1992, which called for Italy to be deindustrialized.

a system based on individual profit, we must recognize that there are still forces today, in the Italian economy especially, but also in other countries, which strongly contradict such a proposition.

Under the combined effect of the financial crisis and the Euro austerity policies, Nino writes:

Large industries in Italy have virtually disappeared: 75% of the famous state-owned corporations (which were admired throughout the world because they were different and more efficient than classical government-run enterprises) have been somehow lost, that is to say sold at wholesale prices; small enterprises have been reduced by 25% (as compared to the turnover at constant values in the period preceding the steep decline); the infrastructure system is in a state of abandonment (with interesting exceptions for railways); and public services are steadily compromised by various necessities (tax cuts, imaginary reforms, persecution of state employees, and sponsorship of the lucrative “competition” by private interests).

Nevertheless and despite that, the de-industrialization of the country seems to be neither complete nor satisfactory for European competitors: enterprises of small and very small dimensions keep producing and innovating, ensuring continuity for exports and export-substitution. Unlike small and very small enterprises in France and Germany, in fact, Italian firms do not lack efficiency, and do not exclusively oper-

ate in the domestic market.

And yet, except for some rare exceptions, they have neither had help from the banks nor from the Administration, nor could they rely on an infrastructure system adequate to the times and to the international rank of their country, and they have suffered from situations of [failure of] public order and legality....

Considering that only 10% of their bal-

ance sheets are in the black, and under the conditions listed above, the most important issue to raise is the following: If 90% of small and very small enterprises in Italy, though efficient from a market standpoint, are not producing profits..., why do they continue to produce; why do they not close shop?

Any economics textbook would suggest selling the business and living on interest or dividends; instead, those small and very small entrepreneurs decide to control real resources (even by adopting behaviors which, at the financial level, would seem to be irrational), maintain a role and a dignity in society, and ensure some form of employment to the members of their families, and not only them.

We are talking about four million families, over ten million workers.... If we add to these heroes the millions of farmers, including those not counted among the labor force, housewives, and volunteers in aid of persons and environment, we begin to get an idea of an economy which does not pursue profit, but is of major significance and effect in the country, and has a balanced budget but allocates various kinds of resources to productive activity.

Is that “capitalism,” or something else? Certainly it is a purpose higher than profit, a purpose that defines man as different from beasts. This is what, despite everything, is holding society together and is the potential waiting to be mobilized to produce a renaissance.