

Rebuilding Italy's economy with the 'heavy lira' program

by Graham Lowry

Forty industrial, financial, and political representatives attended a conference in Rome Dec. 4 to consider a policy proposal that could dramatically reshape Italy's economic future. That policy centers on the creation of a new "heavy lira" to dry up the speculative and black market economy and assure a stable flow of productive investment.

Sponsored by the Fusion Energy Foundation and the *Executive Intelligence Review*, the conference was attended by representatives of major Italian banks, a senior member of the Banca d'Italia, a representative of the Italian Banking Association, executives from the Italian power company ENEL, the Italian Traders Federation, the Federation of Italian Small Industrialists, leading members of the Rome Christian Democracy, the Soviet Commercial Office, and the Bulgarian Embassy.

The heavy lira, or *lira pesante*, was put forward by leading economist Lyndon LaRouche, former Democratic candidate for the U.S. presidency. His proposal, and the LaRouche-Riemann model, which defines the method of its application to ensure the productive expansion of the Italian economy, were the focal points of discussion at the Rome conference. But as the speakers made clear, the same principle of drying up the speculative market of national credit and fiscal policy that acts to dry up the speculative market and foster industry must be applied immediately in every advanced sector, especially in the United States.

In Italy, the urgency is heightened by the devastating earthquake in the Mezzogiorno region. Italy's political and business leaders are now facing the fact that only a major development and reconstruction effort can revive the poverty-ridden and disaster-stricken south of the country.

The basis of policy

EIR editor-in-chief Criton Zoakos, in his keynote presentation, explained that the LaRouche-Riemann model is the only econometric system that is based on the fundamental distinction between the production of tangible goods, and the nonproductive areas of the economy, including necessary social services, real-estate speculation, and other forms of nonproductive specula-

tion. The LaRouche-Riemann model takes as its *primary parameter* the rate of technological progress and is able to calculate the rate necessary for optimal rates of increasing the real wealth an economy produces. As such, it gives economic planners the tools to calculate the effects of different investment policies.

The key problem for Italy in pursuing a development policy is that the nation has no real control over its economy as a coherent national economy, Zoakos explained.

Black market economy

The northern industrial economy coexists, perilously, with the long-ruined economy of the southern Mezzogiorno and the relatively massive and uncontrolled black market economy, which cycles huge amounts of illegitimate revenues, especially from drug trafficking, into real estate and other speculation.

The "heavy lira" proposal would replace existing currency with a new lira worth 1,000 of the old. In converting old lira holdings to the new heavy lira, the slosh of black market holdings would come under government scrutiny and taxation policies for the first time in a systematic way.

The heavy lira, as Paolo Raimondi of the *EIR* explained in his address to the conference, has two important historical precedents. In the period 1943 to 1947, the Italian "national unity" government tried unsuccessfully to implement such a reform, drawing on the joint effort of leading Communist economic expert Scoccimarro and Italian industrialist Enrico Mattei.

In France, a similar proposal by Gaullist economic adviser Jacques Rueff was realized in the "heavy franc" reform pushed through by President Charles de Gaulle. Within a year, the inflation-ridden French economy was back on its feet.

Tax and credit policies

Calling upon progrowth Italian Communists and industrialists to ally behind the heavy lira proposal, Raimondi emphasized that its adoption would mean the death knell for the drug-linked black market economy.

To ensure that, Raimondi declared, the heavy lira

would have to be linked to a taxation policy of punitive rates on nonproductive investments and tax breaks for productive ones. That kind of tax policy, by which government steers private capital into productive enterprises and away from speculation, was precisely the sort attempted in postwar Italy by Mattei's chief economic adviser, Christian Democratic economist Vanoni.

To deal with the additional dimension of economic crisis imposed by the earthquake in the southern provinces, Raimondi also proposed a government-backed loan and fiscal measures to force nonproductive capital to move into the Mezzogiorno for productive uses.

But implementing this policy, Raimondi added, would require nationalizing the Banca d'Italia, whose "wild monetarist policies" better entitled it to be called "the Bank of England." Economic reconstruction requires centralized issuance of cheap credit, generated in the form of gold-backed bonds.

The historic antagonism between the British system of economy and the political economy of nation building was then elaborated in a presentation of the American system of economics by Webster Tarpley, European representative of the National Democratic Policy Committee, the U.S.-based organization whose advisory board is chaired by Lyndon LaRouche.

Shift U.S. policy

Detailing the banking and credit policies which set the course for America to become the wealthiest nation in the world, Tarpley called for a new American policy toward Italy. Jimmy Carter and U.S. ambassador to Rome Richard Gardner have steadily pushed for Italian Socialist Party leader Bettino Craxi to become the new strongman for Italy as the perfect tool for NATO and International Monetary Fund policy. The Italian Socialists are known throughout Italy as the leading party behind drugs and terrorism in the country.

Tarpley outlined the efforts by the NDPC in the United States to wield the election mandate against Carter to force the new Reagan administration into support for the economic growth policies of the European Monetary System, and for "those European forces, like France's Giscard, West German Chancellor Helmut Schmidt, and Italian Christian Democrat Giulio Andreotti, who made the European Monetary System possible."

Italy's adoption of the heavy lira would enable it to become a productive partner of France and West Germany in securing a greater economic development role for Europe.

Italy's lack of that role now, and its ongoing subjugation to high rates of inflation and uncontrolled speculation, are coherent with its being used as a major operational center of international drug trafficking.

That was the subject of the presentation by Nora

Hamerman, editor-in-chief of the U.S. Anti-Drug Coalition monthly, *War on Drugs*. Hamerman also related a historical precedent for the kind of cooperation between Italy and America proposed by Webster Tarpley. The devastated Calabria region was also struck by an earthquake in 1783, prompting the networks of Benjamin Franklin in southern Italy to help mobilize the reconstruction effort. "The result of this cooperation was the rebuilding of a small city, which was named Filadelfia as an act of friendship with Franklin. A similar cooperation between Italy and the United States has to be launched once more."

Develop nuclear energy

The conference also focused attention on a critical requirement for the success of any reconstruction effort today—the development of nuclear power. Mario Silvestri of Milan University, a leading Italian scientist, directly attacked the neo-Malthusian policies of the Club of Rome and painted a stark picture of Italy's nuclear energy situation. "Italy is the only country where the pronuclear forces have been defeated," said Dr. Silvestri. "The building of new nuclear plants has in fact been halted since 1964."

Stressing humanity's moral obligation to provide for its posterity, Dr. Silvestri attacked those who believed that it is cheaper to save energy than to produce new energy, and explained that the introduction of new technologies decreases the cost per unit of manufactured goods. Pointing out that the Carter administration "was able to raise the time needed to construct a nuclear plant from four-and-a-half to ten years," Dr. Silvestri insisted on the need to construct them more rapidly and to "make sure there is a growing ratio of nuclear produced energy to all the other kinds of energies."

The conference's concluding presentation, by Dr. Giuseppe Filippini, executive director of the Italian Fusion Energy Foundation, summarized the current Italian economic situation and the scope of measures needed to deal with it. "We have now reached a situation," Dr. Filippini began, "in which the only convenient investment in Italy is the drug market, where with little risk it is possible to increase one's money a thousand fold."

The heavy lira, Dr. Filippini noted, "will re-establish a reality principle for the Italian economy."

Dr. Filippini emphasized that a competent economic program is not to simply give aid to the Mezzogiorno, but to determine a development policy "not only for the South but for the whole of Italy. This is a political problem, because we need then a government capable of implementing these policies. Jacques Rueff believed that no one was capable of realizing the new franc, but then de Gaulle did it. We have to replicate exactly the same thing for Italy."