Report from Rome by Liliana Celani

Italy reacts to the crash

Doubled budget cuts, panic at the Milan stock exchange, and a nuclear referendum occur amid a financiers' faction fight.

'For the first time, I heard the word 'panic' whispered by one of the most optimistic brokers," I was told by an observer at the Milan stock exchange. Despite the reassurances of Ronald Reagan and Bank of Italy head Ciampi—the stock exchange collapse is only a "readjustment" after the "boom"—the Milan stock exchange has continued to collapse since "Black Monday." The historic low reached by the U.S. dollar against the Italian lira (1,260) has fueled the panic generated by the crash.

For the first time, dailies such as *Corriere della Sera* and *La Stampa* have begun to echo *EIR,* saying that "the real cause of the crash is the decoupling between the real economy and the financial economy." This was also the view of Carlo De Benedetti, president of Olivetti: "This is a depression. I am sorry to admit it, but it is true," he told Italian national television.

Similar statements were made by Giovanni Agnelli, president of FIAT, to the weekly magazine *Panorama.* Said Agnelli, a member of the Trilateral Commission, "If we continue like this, in 1988, the New Dealers might come to the forefront again in the United States." By that, he meant a policy of state control over currency and credit to promote production, the "dirigism" which has been associated with U.S. presidential candidate LaRouche, as the only way out of the collapse.

"Those who say that the situation is stabilizing again probably believe that we are all idiots," wrote Paolo Savona, the president of Banco di Sardegna and of the "Siena group," in the Italian daily *La Repubblica.*

Recognizing that there is no "recovery" and that we are in a depression, and acting to change it, however, are two different things in Milan, as in Washington.

At an emergency meeting in early November, Christian Democrat Giovanni Goria's cabinet decided to double the budget cuts stipulated in the so-called *Finanziaria* bill for 1988, from 10,000 to 20,000 billion liras ($25 million). The cuts will not only hit health and other social services, but also increase financial pressure on households and industries. Goria once admitted to *EIR,* "I understand nothing of economics."

A law reducing the right to strike was also proposed, amid a series of "wild-cat strikes" in the transport system which have been paralyzing airports and railways. The answer of the trade unions was to threaten a general strike.

Government and Bank of Italy claims of a "recovery" are also belied by the latest unemployment figures—2,800,000 Italians are officially jobless, a record. As *La Repubblica* wrote on Nov. 4, "Never was unemployment so high in Italy."

An interesting indication of the skepticism with which Italians look at their government's "recovery" and inability to face the crisis, will be the referenda to take place Nov. 9 on nuclear energy and the independence of the magistracy. The most recent poll published by *La Repubblica* indicated that 54% of Italians will vote contrary to what their parties have recommended, thus using the referenda to express their protest.

Except for the Republican and Liberal parties, all parties have recommended a "yes" vote on abolishing nuclear power and the independence of the magistrates. The only campaign clearly in favor of nuclear power was carried out by the Schiller Institute and the Patriots for Italy party, with a poster showing the late industrialist Enrico Mattei, inaugurating a nuclear plant in Latina (Rome) in 1958.

The fact that Bettino Craxi, the former premier who promoted the referendum together with the Radical Party, has threatened to collapse the government if the referendum is defeated, only indicates how scared they are of losing.

Among financial circles, an all-out war started immediately after "Black Monday." The lines were drawn by Tuesday, when some "blue chips" were not quoted until the end of the day on the Milan exchange, to avoid their collapse after frantic overnight contacts and private meetings. The spared "blue chips" were those of FIAT, Montedison, SNIA-BDP, and Olivetti (which "only" lost 6%). Other "blue chips," such as Ferruzzi and Assicurazioni Generali, were quoted from morning on, and lost between 12 and 14%.

The Ferruzzi grain and food cartel seems in deep trouble. Not only is it too indebted to face the crash, and already beginning to sell some of its recent acquisitions, but a well-timed scandal has hit its head, Gardini. He replaced his father-in-law, Ferruzzi, at the top of the cartel after the latter died in a suspicious plane crash eight years ago. In the midst of the financial crash, the remains of Ferruzzi were "kidnapped," and rumors abound in the Italian press that behind the deed is a "blackmail" plot that may end Gardini's career.