

New Italian government may be a rerun of 1978

by Claudio Celani

Destabilizations of Italy, in recent history, have come in many forms: terrorism, the mafia, economic warfare, and even certain labor conflicts. But nobody could imagine that the most serious shock to the political system would come from a magistrate, i.e., from the law itself. Yet, the investigation started by Milanese Judge Antonio di Pietro on the kickback system regulating relationships between politics and business, is shaking Italian politics so much that it threatens the very existence of political parties.

Milan, the industrial capital of the country, has been renamed *Tangentopoli*, "Kickback City" (*tangente* means kickback). True, the corruption cases are real and the judge is doing his job, but the trial against single individuals has become a trial against the political system as such, in a climate of Jacobin frenzy.

Observers are drawing a parallel to the pre-fascist period, pointing out the danger that the system of constituency-based parties may collapse under the corruption scandals, and a new system emerge, similar to what we see in the United States, based on "opinion parties," i.e., parties with two wings.

Observers are also pointing to the fact that there may be a secret agenda, since the hardest hit by the scandals is the Socialist Party, and in particular its leader Bettino Craxi (his son-in-law has been indicted) just when he was supposed to become prime minister. Is it a coincidence that the Carabinieri, the military police, who for 40 years have been unable to collect any evidence for the judges, suddenly started to collect more than they were asked for?

To be sure, the magistrate who is leading the investigation in Milan, Antonio di Pietro, is arresting corrupt people and does not seem to be politically motivated, but he was assigned to that job by his superior, a former communist who is now flirting with the separatist Lombard League. And if there were elections today in Milan, the League would probably win an absolute majority.

"Parts of the Italian secret services, in agreement with the Americans, have started to work on a new kind of 'strategy of tension.' The target? Destabilize the Italian political system and hit Craxi," writes the Catholic weekly *Il Sabato*, pointing to former Finance Minister Rino Formica as a supporter of this theory.

Another Socialist leader, Arturo Bianco, explains: "One thing is sure: If Italy and other European countries like Spain, France, and Germany are destabilized, they cannot rush to conquer the eastern markets. Other countries would take advantage. First of all, the United States."

Craxi, the former ally

It is ironic that the Anglo-Americans, after having promoted Craxi for many years—just to erode the power of the Christian Democracy in Italian politics—are now dumping him. Maybe they have never forgiven him for what happened in Sigonella, when President Ronald Reagan sent a U.S. military team to the Italian airport to storm the Egyptian plane carrying the *Achille Lauro* kidnapers, but Craxi deployed the Italian Army to prevent it. But there is a broader reason.

A cornerstone of the economic "reforms" which Italy should undergo, according to the Anglo-Americans, is the privatization of the huge public sector of the economy, plus the virtual elimination of the pension and health systems. To do that, means the end of parties like the Christian Democrats and Socialists (plus other minor parties), who get votes by guaranteeing the system of public employment. In other words, they would lose their constituencies.

On the basis of this common interest, the Christian Democrats and Socialists have renewed a government alliance with the idea of also involving the PDS, the former Communist Party, in the majority coalition. This operation would be led by Giuliano Amato, Craxi's lieutenant, who has been appointed the new prime minister in place of his boss, who is blocked by the scandals.

Amato in a minefield

It is too early to say whether Amato will succeed in his enterprise. He needs the support from the PDS for the simple reason that his present majority of Christian Democrats, Socialists, and the tiny Liberal and Social Democratic parties, is too fragile. His first step, though—an austerity program—is not exactly what could bring him support from the left.

In reality, the Italian economy needs anything but an austerity program. True, the ratio of public debt to Gross National Product has reached dangerous levels, but this is

due to two main factors: 1) a loss of traditional export markets, due to the insolvency of Third World and eastern European countries, and the depression in the United States; and 2) the interest rate burden, which is 20% of the whole public debt.

A cut in the debt service and an investment program, supported by trade agreements, would turn the situation around in a few months. Amato's advisers know this, but the Italian prime minister has been forced to do exactly the opposite by a combination of political ultimatums and financial warfare.

The ultimatum came from the European Community (EC). In May, the EC finance ministers practically ordered Italy to cut at least 30 trillion liras (\$25 billion) from the budget to respect the Maastricht agreement on European union.

Furthermore, as soon as the Amato government was inaugurated, the lira underwent a tremendous attack, unleashed by the false rumor, circulated by Goldman-Sachs (an Anglo-American banking house), that the new government would devalue the currency. Nothing could have been further from the truth, but that rumor was enough to provoke a capital flight and force the Bank of Italy to massively intervene on the market to defend the lira.

Speculation was fueled also by the decision by Moody's to downgrade the Italian economy: an unexpected move, given that the British company acknowledged a trend which has gone on for two years. The official responsible for that decision, a former employee of Morgan Bank, was actually removed after the Italian protests. But too late. In the meantime, the Italian authorities had used up 10% of their reserves to defend the currency, and only when Amato announced an increase in the interest rate (up to 14%) and his austerity program on the eve of the Munich Group of Seven summit, did the attack cease.

In reality, the Italian government has calculated that one point in the interest rate means a 15 trillion liras (\$12.5 billion) increase or decrease in the public debt. That is, through the increase of the interest rate, the Italian state will pay 15 trillion liras more to international purchasers of treasury bonds. That is why Amato has tried, unsuccessfully, to convince German Chancellor Helmut Kohl to coordinate a common policy of low interest rates.

Where, now, will the \$12.5 billion come from? Mainly from tax increases: an increase in the house tax (\$200 for an average family), plus a general tax on bank accounts are the main measures. It will not inflict great suffering, but will not solve anything either.

Strategic policy

Amato has gained a consensus for other aspects of his policy. For example, he drastically reduced the number of ministers and undersecretaries, and filled positions with a lot of new faces. The operation, in which President Oscar

Scalfaro participated directly, is not only cosmetic. "The biggest news in the Amato government is the absence of Gianni De Michelis," commented a Rome insider.

Under Venetian socialist De Michelis, Italian diplomacy so far has played the British game of sabotaging all attempts, especially by Germany, to develop an independent European foreign policy. In the case of Yugoslavia, for example, De Michelis was so pro-Serbian that he has been strongly criticized inside his own party. For another example, when Bonn and Paris announced the formation of the Euro-Corps, De Michelis quickly arranged an Italian-British entente, as a clearly hostile answer.

De Michelis's place has now been taken by Vincenzo Scotti, a Christian Democrat, who was interior minister in the former government. Scotti's views in foreign policy are not known, but he has shown courage in denouncing the existence of an "international connection" behind the murder of anti-mafia Judge Giovanni Falcone this past spring. Scotti has not gone so far as naming the CIA or the Anglo-American establishment as being behind the murder, but other representatives of his party did say so.

The new defense minister is another socialist, Salvo Andò. He replaces Christian Democrat Virginio Rognoni, who was an enthusiastic supporter of the NATO "out of area" deployment policy. Andò is said to be, contrary to his comrade De Michelis, more favorable to the French-German army.

'La commedia è finita'

Such is the headline, in Italian, of an editorial published in the London *Financial Times* on July 13. It means: "The comedy has ended." Putting aside the typical racist overtones, the meaning of that article is not so much what it says—a reminder to the Italian political class that it has to apply the "Thatcher recipe" of brutal austerity—but rather lies in the fact that the same exact headline had been published by another mouthpiece of the British establishment, the *Economist*, in another stormy period of recent Italian history: In 1978, a few weeks before Aldo Moro, the president of the Christian Democracy, was kidnaped and then killed by the Red Brigades. The Rothschilds' magazine ran that same headline, in Italian, on its front page, above pictures of Moro and Enrico Berlinguer, (head of the main opposition party, the Communist Party), dressed up as puppets.

History is repeating itself. Amato is attempting to do what Aldo Moro tried to do in 1978, i.e., form a government majority with the three main mass-based parties: the Christian Democracy, the Socialist Party, and the former Communist Party, today the PDS. Moro was first threatened by Henry Kissinger, and then killed by terrorists—the punishment for having dared to create a policy in the national interest, which was not allowed by the Yalta agreement. The message of the *Financial Times*, which repeats what the *Economist* said 14 years ago, to Amato is: Do not dare to do that, or else.